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***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.***



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## Summary of Financial Indicators

### TL 48 Billion

As of year-end 2016, Kuveyt Türk increased its total assets **by 15.3% to TL 48 billion** and boosted its shareholders' equity by 15% to TL 3.9 billion.

### Summary of Financial Indicators

(Thousand TL)*	2014	2015	2016
Profit Sharing Income	2,018,781	2,564,838	3,110,435
Profit Sharing Expense	877,547	1,096,026	1,440,566
Net Fee and Commission income	133,895	133,942	152,970
Other Revenues	294,571	368,203	469,153
Other Expenses	1,106,961	1,417,481	1,628,780
Tax Charge	-92,289	-108,795	-121,246
Net Profit for the Period	370,450	444,681	541,966
Total Assets	34,008,175	42,052,507	48,476,955
Total Shareholders' Equity	3,022,870	3,402,490	3,912,064
Capital Adequacy Ratio (%)	15.09	14.23	18.16

\* BRSA Unconsolidated Figures

**As of year-end 2016, Kuveyt Türk posted net profit of TL 542 million** while raising its capital adequacy ratio to 18.16%.

INCREASE 21.27%

### Profit Sharing Income (TL Million)

2014	2,019
2015	2,565
2016	3,110

INCREASE 15.3%

### Total Assets (TL Million)

2014	34,008
2015	42,053
2016	48,477

INCREASE 14.2%

### Net Fee And Commission Income (TL Million)

2014	134
2015	134
2016	153

INCREASE 15.0%

### Total Shareholders' Equity (TL Million)

2014	3,023
2015	3,402
2016	3,912

INCREASE 21.9%

### Net Profit For The Period (TL Million)

2014	370
2015	445
2016	542

### Capital Adequacy Ratio (%)

2014	15.09
2015	14.23
2016	18.16

# 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

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 WITH 2016

1. Opening and constitution of the Presidential Board.
2. To grant 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 the fiscal year 2016.
4. Discussion and approval of the Financial Statements for the fiscal year 2016.
5. Discussion of independent audit report written by independent auditor for the fiscal year 2016.
6. Acquitting of the Board of Directors related with their efforts in 2016.
7. Decision on the Board of Directors offer about the profit distribution of the fiscal year 2016.
8. Discussion and approval of the amendments of the Articles of Association related to the 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 14/2 article of Communiqué of "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. Turkish Commercial Code's related provisions reserved.
14. To grant authority to the Board members to execute the deals written in the Turkish Commercial Code 395 and 396 Articles.
15. Wishes and proposals.

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

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

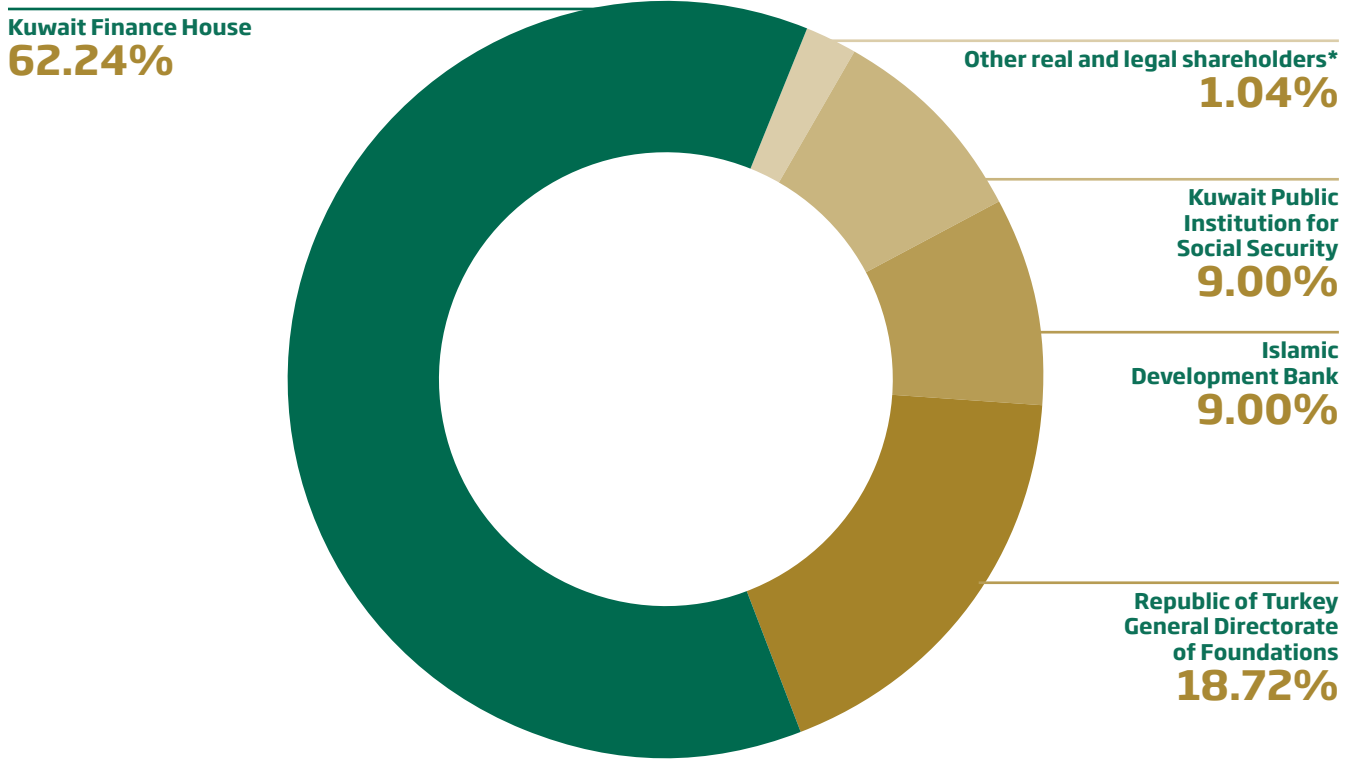
Ahmad S. AL KHARJI

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 Board Members, Chief Executive Office and the Vice Presidents have 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 businessmen, 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 income clients 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.

The Bank garnered the “Turkey’s Largest Sukuk Issuer Award - 2016” at the Capital Markets Awards organized by the Turkish Capital Markets Association (TSPB).

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 3.9 billion

Kuveyt Türk's total equity has increased up to **TL 3.9 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 542 million

Kuveyt Türk's net profit for the period has increased up to **TL 542 million** by the end of 2016.

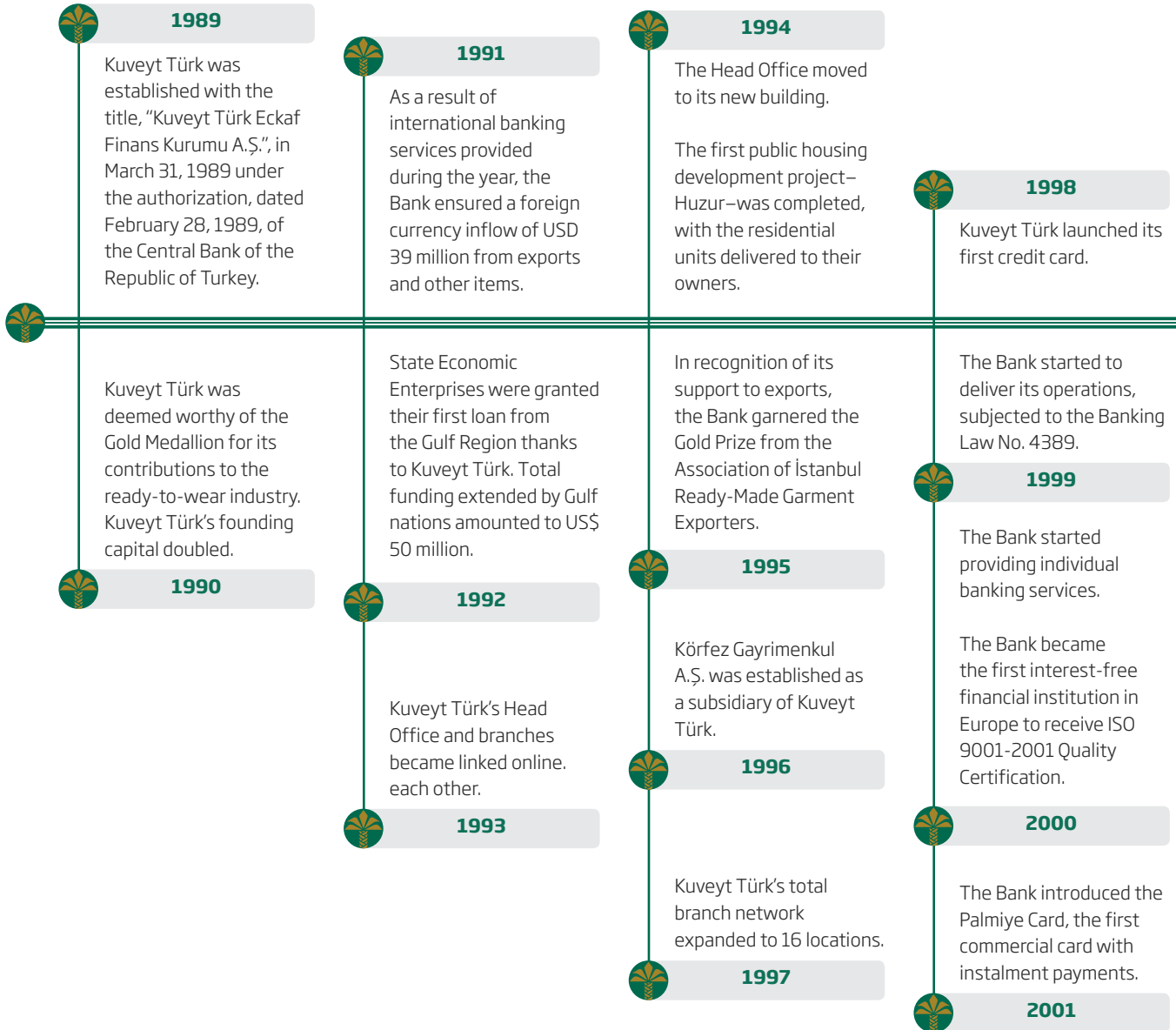


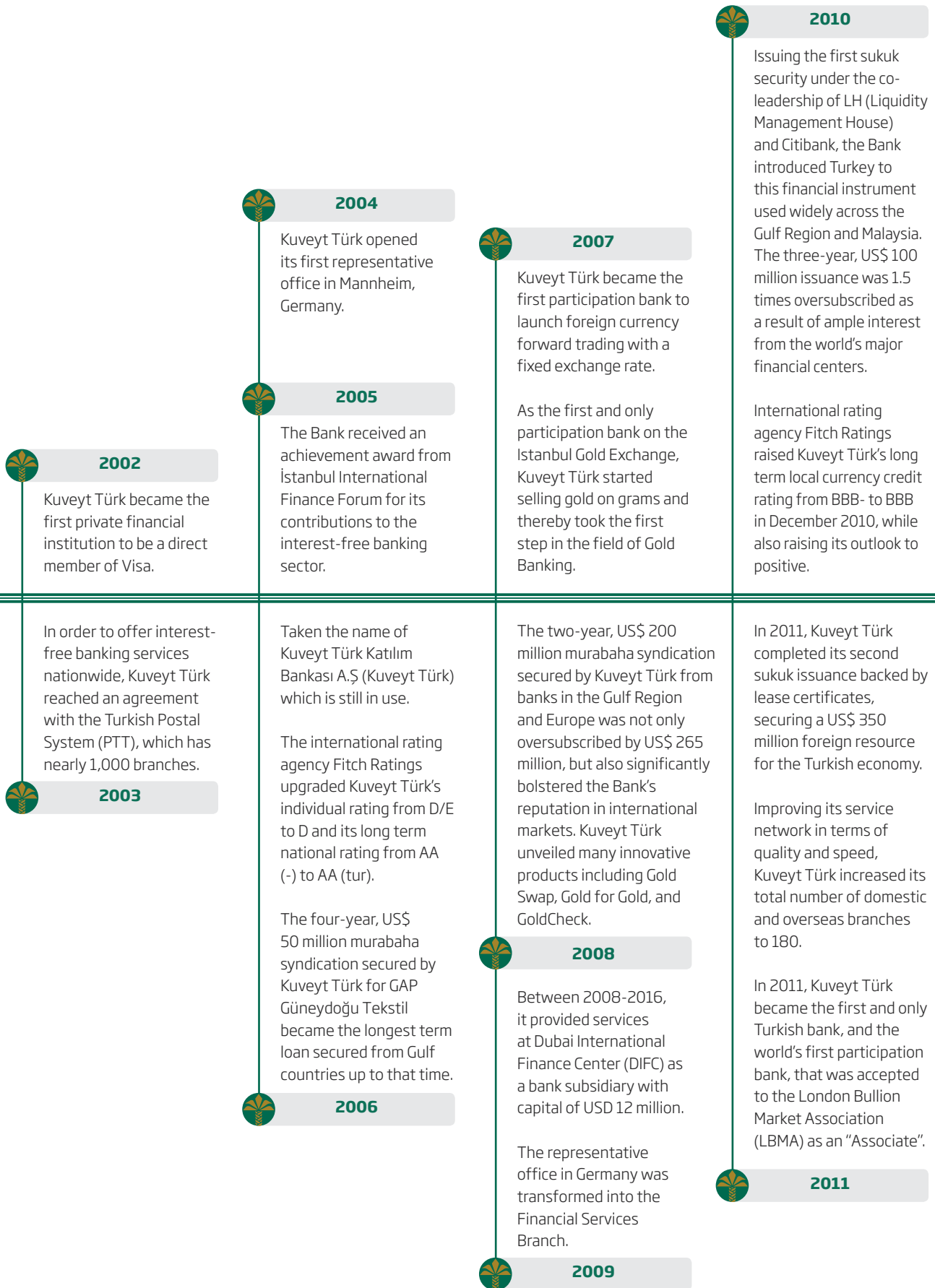
### Net Fee Commission Income TL 153 million

Kuveyt Türk's net fee commission Income has increased up to **TL 153 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 US\$ 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.



**2013**

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



**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.



**2015**

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, being 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.

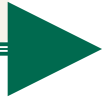


**2016**

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.







2016

**TL 542 Million**

*Having grown steadily over the last 27 years, Kuveyt Türk posted net profit of TL 542 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 businesspartnership 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 go strong 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 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.

### 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 dear 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 542 million**

As of year-end 2016, Kuveyt Türk's net profit **rose 21.9% year-on-year to TL 542 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 48.5 billion as of year-end of September 2016, Kuveyt Türk boosted its net profit by 21.9% year-on-year to TL 542 million.

Total funds allocated increased to TL 30 billion with total funds collected increasing to TL 31.9 billion. In confirmation of the asset quality, the Bank's non-performing loan ratio was 2.45%, well above the sector average. Recording a significant uptick over the prior year, the Bank's return on equity was 14.82% 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 385 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 contenting itself 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 higher income customers in a private banking segment, Kuveyt Türk launched its first Private Banking branch in 2015 and then 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 make sustainable success in 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 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 international financing needs of the Bank's customer base 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 by establishing a leasing company.

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

Ufuk UYAN

**Member of 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**

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## Commercial and Corporate Banking Group

**Through Relationship Banking approach,** our Bank aims to increase the customer satisfaction.

**TL 2.7 billion**

The Commercial and Institutional Banking Group's **collected funds amounted** TL 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 Institutional 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 also 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.

Through Relationship Banking approach, our Bank aims to increase the 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 to this Kuveyt Türk also launched the Automatic Pricing Project in 2015 for automatically pricing the customers' credits based on value segment. The elaboration and development of both projects continued in 2016.

Aimed to identify the needs of the 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 the customer service delivery.

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

- To continue to grow in the domain of Financial Leasing through making collective agreements with the manufacturers that come from different sectors,
- To grow in the domain of project financing through putting emphasis on the projects of sustainable energy and energy productivity.

## Loans

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.

### 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 Sector, 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 macroeconomic perspective, and market conditions and to keep the credit risk in the 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 to 69%.**

For the upcoming days the Bank is planning to increase these numbers.

### 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 the Consumer Loan applications were evaluated automatically, 14.9% of it were evaluated in the Branches, and 22.6% of it were evaluated by Individual Loan Department.

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

In Automatic Decision Support System, business rules were developed for SME and microfinance funding, software development was finalized. In 2016 the pilot testing period is executed. This system will be integrated with Branch Classification Model and through this system the branches will be able to approve the limit for the 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 the changing market conditions.

### Corporate Credits and Commercial Credits Departments

The Corporate Credits and Commercial Credits Departments plan to continue to improve the operational quality also 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 order to adapt to the new customer segment, Kuveyt Türk developed Small and medium-sized enterprises (SME) Loan Group Department under the loan department. divided department into sections as SME Loan and Business Development Department, SME Loan Department I, II, III and IV organizations. In order to improve the efficiency of limit allocation and risk monitoring, SMEs Loan Departments delegated a significant part of their authority to the credit allocation teams that work under the regional directorates.

### Consumer Loan Department

In 2016, 22.6% of the consumer loan applications and 31% of the credit card applications were evaluated by the Consumer Loan Department and 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 and new projects were developed to integrate the credit card limit enhancement applications with Automatic Decision Support System.

### Financial Analysis and Intelligence Department

The responsibility of the Financial Analysis and Intelligence Department is to prepare loan evaluation reports for companies that demand loans. These reports form the basis for the final decision taken by the loan committees.

The reports are prepared by taking into account criteria including company's 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, about the subjects of financial analysis and reporting.

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

Some of the innovative ideas that were brought to life by the department in 2016 are: Other innovations introduced 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 the credit risk will be maintained at the 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 is integrated to 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 to 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 a 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. 81% of this amount composes of real estate financing.

Kuveyt Türk also boosted its market share in total consumer loans by 12% compared to 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 BES 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, 23 of which have branch status. In 2016, around 13,000 new customers were acquired via these XTM. **The value of the funds collected by XTM branches increased four times compared to the end of 2015 while the amount of funds extended increased almost three times.**

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 the pensioners

Being aware of its social responsibilities, as well, Kuveyt Türk continues also in 2016 its project, which was launched in 2015, of delivering the salaries of the pensioner customers who cannot come to the branches to get their salaries due to the health problems they have.

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. Within this scope, “Customer 360” and “Portfolio 360” screens were developed to enable the marketing personnel to analyze the customers and their entire portfolio thoroughly. The “Sector 360” screen, which can perform “customer and staff based analysis”, was initialized to be used by branch managers, region managers and sector assistant general managers.

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 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, 23 of which have branch status. In 2016, around 13,000 new customers were acquired via these XTM. The value of the funds collected by XTM branches increased four times compared to the end of 2015 while the amount of funds extended increased almost three times.



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, the 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 Asset Management Group **serves customers from 64 countries** on six continents and manages customer assets worth more than TL 4 billion.

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

### Private Banking and Asset Management

The Private Banking and Asset Management Group was established to meet the investment and financial needs of domestic and foreign clients in the high income 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 income customers 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 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 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 for KT Portföy 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 Asset 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 ATMs.

#### **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 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 persons, 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

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 financing debt 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, 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 is 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 risk 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's 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 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 Sector 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 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 mediumterm, 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.

Within the scope of this task, Strategy Planning and Corporate Performance Management Department develops performance criterias related to strategy's assigned position, administer 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; performance metrics. Key Performance Indicators (KPI) are used as management tools to ensure that the Bank operates in line with the strategic priorities.

Also among the functions of the department is to exam the external factors that can affect the services, to conduct a capacity research within the Bank, to analyze both the effectiveness of the services and the satisfaction level, and to conduct general researches. Some other tasks of the department are, is to make sure that

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 strategy.**

the Bank's annual budget, including the budget forecast for the upcoming years are prepared by taking the strategic plans and the annual performance program into account, and to monitor and evaluate if the Bank operates in line with the strategic priorities.

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

### 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 strategy. 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 Sectors 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,
- Conducting 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.

Corporate Communications Department serves for 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 human, 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 Directorate 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 pay special attention to shape its processes in line with the standards of the current HR standards, and aims to make sure that the 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 that stands out with its experience and competence uses the most reliable HR techniques and manages the recruiting processes effectively.

Recruitment process starts with online interviews which started in 2014 and it continues with English proficiency tests. The candidates who finalize this processes are evaluated by the Assessment Center. There, recruitment process is conducted with inventories, competence-based interviews, general ability tests, group interviews, case studies, personality tests, also 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, etc.) within Kuveyt Türk were very active. Club activities which were open to all our employees included lectures, exhibits, trips, etc. 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 object of obtaining a sustainable performance chart. 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 including 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 in 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 8 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.

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. 208 employees were given BES education out of which 206 were awarded with certificates. 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, and in line with this principle 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.

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 its 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. 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.

Treasury Marketing Directorate **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**

**Unit:** The Unit is in charge of managing the Bank's foreign currency risk and marketing treasury products. Providing 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 performances 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.

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 up until date, and **has become the bank of choice for the respectable 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 up until date.

The Investment Banking Directorate 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 a yearlong preparatory works.

## Kuveyt Türk has issued a total of TL 1.7 billion in domestic lease certificates in 2016, and closed 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, 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 repayments 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	240,000,000	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 has 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 rental certificates. Having been issued for major investors, the maturity of the TL 10 million worth of CPI indexed rental certificates was 729 days.

The TL 300 million of lease certificate 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 in this scope 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 the Kuveyt Türk's unit in charge of project finances, Investment Banking in 2016 has 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 renewable energy sector, and provided resourcing 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 business cycle and market risks. Being a leader in project financing in the segment of Investment Banking, Kuveyt Türk had transaction volume of TL 800 million for the projects it financed in 2016, while 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, and it plans on increasingly maintaining its support for its clients' investment projects with appropriately structured interest-free finance solutions.

Kuveyt Türk offers the 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 etc.



## Financial Affairs

Throughout the year 2016, General Accounting Directorate has developed new and appropriate solutions and **improved its quality of service with the perspective of becoming a solution center**, in the light of its rich experience and know-how. In this scope, 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 centre, 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 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 Accounting, Financial Control, Budget and Management Reporting, and External Reporting Directorates, 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

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 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, BRSB 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 etc. by the Bank's Retail and Corporate Banking, Treasury and Product Development Units, and has thus 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 works,
- Examining 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 provide 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 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 spendings and costs as a separate department, conducting reporting works for the tax office and the Ministry of Industry in order to utilise the R&D tax incentives,
- Monitoring the CBT'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 etc. 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 estates 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 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 works, the three-month independent auditing works performed for the BRSA and the main partner KFH,
- Ensuring the conduct and finalization of the interim period and year-end inventory works 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,
- Attending the General Assembly preparatory works, performing transactions about partners, conducting transactions about 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 works, 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 works 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 works within the scope of corporate income tax and TAS,
- Performing works for internal and external supervision, systemic supervision, tax and financial supervision, communicating 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 resolution center by developing appropriate and new solutions in light of knowledge and experience. In this regard, most of the manual transactions are automatized within 2016 through systemic infrastructure works. Centralization is 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 spendings that exceeds the limit.

Budget items and accrued items are 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 amount of 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. In that sense, it will continue to produce accurate and fast information for the Bank within the framework of information system feature, and basic concepts of accounting, and politics and its rules, to improve efficient by ideally following the technological developments, domestic and international legislation, to elevate the domestic and foreign customer satisfaction to higher levels, to 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,
- To control and analyze 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 analyzes and simulations for the management of the Bank's profit distribution policy,
- To control and analyze the participation funds, their revenues and expenses, and all the factors that affect profit distribution on a daily basis; to ensure that dividends are calculated and recorded accurately in customer accounts,
- To manage the participation funds, shareholders' equity and similar funds that the Bank collects; to ensure the balanced and fair use of these funds,
- To implement the unit value and profit sharing structure according to the regulations and rules published by BRSA, and to perform systematic upgrades,
- Providing accounting and system infrastructure support for the Bank's system change, product development, and new product creation,
- To conduct 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,
- Check 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 budget regarding expenses as part of expense management, and approving budget draft.
- To provide 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 exceeding, 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, and 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 in itself. A team with the necessary technical equipment and know-how for reporting prepares periodic report 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. In that sense, uniformity was established in the existing reports; a glossary is 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. In this regard, 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, the Kuwait Finance House, with regards to the consolidation works, were quickly prepared in detail. In addition to these, 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 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.

**Domestic 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, periodical 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.

**Overseas 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

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

The Investor Relations Unit ensures that the 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. In that sense, 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 keep 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 Directorate, 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 Supervisory Commission

The Supervisory Commission was founded in an attempt to establish a disciplined and systematic auditing structure oriented towards assessing and developing the effectiveness and productivity of the processes related to Kuwait Türk's risk management, internal control and governance activities.

The vision of the Commission is:

- To act as an Internal Auditing Function that constantly improves itself in compliance with the international internal auditing standards and the best applications,
- 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 targets;
- Add value to the Bank and help it in actualizing its goals by offering preventive and directive suggestions, and
- To be active, objective, attentive, be principled, hardworking and disciplined, setting an example within the Bank and its sector.

The Internal Audit Directorate, 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 Directorate operates without any restrictions, within the scope of its annual business plan prepared on the basis of a risk-focused audit planning that includes the

Bank's all business processes, units, branches and subsidiaries as well as information systems.

The Commission has performed its 2016 operations pursuant to the necessities of the business plan and the shareholders' expectations; conducted exclusive analyses and legal or administrative investigations in required situations and segments. Additionally, as part of the executive statement audits it performed a comprehensive assessment on the strength, sufficiency and coherence of general and business process controls of the Bank's information systems. The said assessments form a concrete basis for the executive statement that should be presented to the Independent Auditing Institution by the Board of Directors.

The Commission monitored report actions throughout the year via trace programs, and reported monitoring results to the proper authorities when required. Similarly, operational activity reports were successfully submitted at least every 3 months to the Auditing Committee, Internal Systems Committee, and the Board of Directors. These reports have also been submitted to the BRSA.

### Internal Control Directorate

The Internal Control Directorate performs the internal control function of the Bank. The Directorate was found to design, implement, manage, analyse, 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's activities within the framework of domestic and foreign legislations.

The Internal Control Directorate 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 legislations, and international standards:

- Branches and Regions Internal Control Unit,
- General Directorate and Subsidiaries Internal Control Unit, and
- Information 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 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, and results of these works 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. Works in this context were conducted via the Internal Control personnel (Internal Auditors) who are linked to the Directorate, and whose locations are Regional Directorates.



## 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 Directotote.**

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 internal control system and operational risks.

**Head Office and Subsidiaries Internal Control Unit:** Within the scope 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 Directorate has actively participated in the Process Modelling and Analysis projects. These works included reviewing the processes with work units, identifying risks in these processes, designing risk controls, and installation; while 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 Directorate.

**Information Systems and Independent Auditing Coordination Service:** The Internal Control Directorate 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 Directorate 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 auditing 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&control.

On the other hand, the systems that are used by the Internal Control Directorate 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 Directorate (RMD)**

Determining, measuring, and managing the sustained risks in compliance with the legal legislation and regulations constitute the basic duties of the Risk Management Directotote. In this context, the Risk Management Directorate has maintained its works 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, and 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 Auditing 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.

Within this scope, 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 have 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 the first quarter of 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 Directorate is also in charge of calculating of the Bank's monthly capital adequacy ratio and reporting it to BRSA. In this context, 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 within the scope of the Independent Audit Report.

The Integrated Risk Management Project is going on. 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 Auditing 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, 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 Auditing Committee and Internal Systems Committee meetings. Also, the stress testings 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 Auditing 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:**

Within the scope of operational risk studies, work has been carried out in coordination with the Internal Control Directorate 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 works of the risks for Information Technology activities, the Risk Management Directorate undertakes important roles in risk monitoring and risk activity follow-up.

Keeping the business continuity plans upto-date is among the responsibilities of the Risk Management Directorate. In this regard, works regarding the identification of critical processes and critical IT systems, and assurance of redundancy of these systems were conducted within 2016.

#### **Compatibility Directorate**

Compatibility Directorate is a department 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 Systems Committee, and reporting on its operations to the Committee, the Legislation and Compatibility Directorate has three basic functions.

#### **Compatibility Control Function**

- Checking the compatibility of all existing and planned operations, newly developed products, services and transactions of the Bank to the legal legislation, domestic politics and rules, and banking trends
- Executing the compatibility control activities that are within the scope of the compatibility program and the annual control plan, and
- Monitoring and controlling the legislation-compatibility of the subsidiaries and branches abroad, and their periodic reporting to the Directorate.

#### **MASAK Compatibility Function**

- Ensuring the execution of Bank's operations in compliance with the legislation on preventing whitewashing criminal income, financing terrorism,
- Preserving the client quality of the Bank by effectively performing the risk management, monitoring and controlling activities,
- Detecting suspicious transactions and notifying the public authorities,
- Consulting General Directorate units and branches on subjects related to MASAK legislation,
- Expressing opinion and suggestions in the process of designing banking products to be offered to the clients as per to the MASAK legislation, and
- Raising the awareness of the staff on related legal obligations.

## Legal and Risk Monitoring Group

**The amount of 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 the 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 2.45%, a figure below the sector average.

This success was achieved thanks to;

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

Other key factors in this process was 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.

Credit Risk Monitoring and Risk Monitoring 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. In this scope, 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 "Loan Recovery Unit" has been established under the Retail and Business Loan Risk Monitoring Directorate and the effects of this newly established service on collection performance were immediately visible in 2016. The loans recovered in 2016 exceeded TL 13.5 million, in an increase of approximately 300% over the previous year.

Legal and Risk Monitoring 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% in other participating banks, it is close to 40% in Kuveyt Türk.

In 2016, a “Lawyer Tracking 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 performances 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 monitoring efforts.

Within the scope of 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 Warranty 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 novelty for the global banking sector, “Customer Rights and Legislation Directorate” became operational under the Bank’s Legal and Risk Monitoring Groupon 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 the 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.

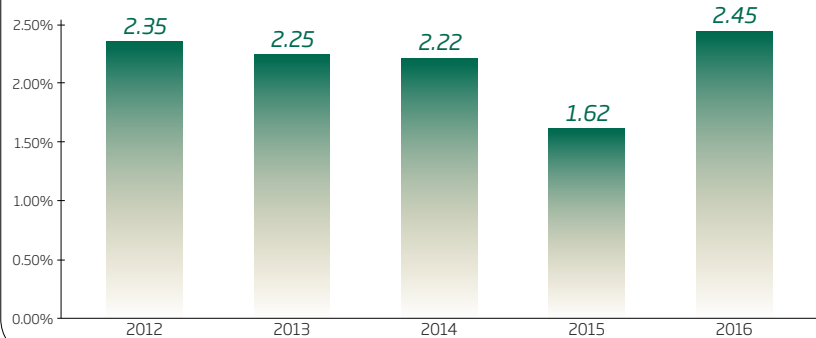
In the scope of the said legislation, the directorate keeps a close watch on the legislative developments that concern banks and communicates these to the relevant units and individuals within the Bank. It identifies the necessary actions to prevent any non-

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

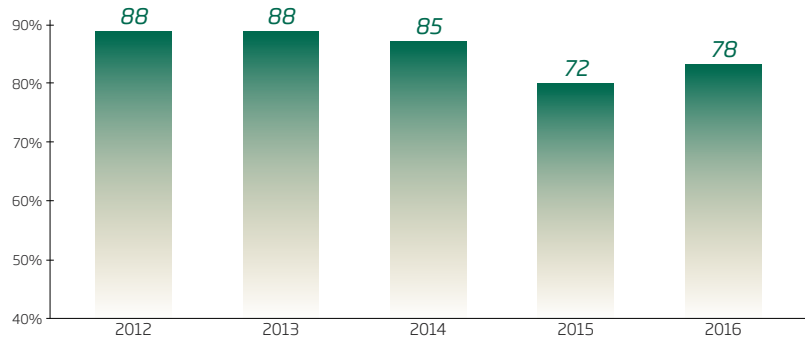
All the contracts and forms signed between the Bank and its customers were gathered under a single umbrella, and made easily accessible to the branches. Through the addition of QR codes to the contracts and forms, the contract signing process has been shortened, saving time and increasing customer satisfaction.

The Customer Rights and Legislation 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.

**Transition to Pursuance Rate (%)**



**Reserve 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 the 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 levels (SLA) 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 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 85.90% raise in transaction volume.

- In 2016, Recycle ATM started to render services in 40% of the entire field. ATM service delivery rate is 99%.
- A system monitoring team was established under Payment Systems so as to keep track of ATMs after the business day ends.
- In the scope of 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 automations 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 transaction amount 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.

- In the scope of 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 smart 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 the year of 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. Within this scope, in 2016:

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

in the scope of 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,
- Entry 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, the insurance premium generated by the Bank reached approximately **TL 87 million in the non-life branch, and approximately TL 18.3 million in the life branch.**

In 2016, the insurance premium generated by the Bank reached approximately TL 87 million in the non-life branch, and approximately 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 certificate 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 "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 the 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:** 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 reach 113,000, cheque entries rose by 1.5% to reach 794,843, and promissory note entries increased by 15% to reach 235,141.

Also, 53,947 customer documents from XTM branches were checked and delivered to the archive, in 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:** 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 and 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 euros, 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 were 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 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:** Official Correspondence Unit is responsible for answering and electronically archiving all incoming official documents to the Head Office and branches, checking the packages from Revenue Administration, Social

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

In 2016, the number of answered correspondences 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 the 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, and 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

**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 1 operation manager and 1 teller in 151 branches. As a result of these efforts, possible costs from idle capacity were prevented in new branches that haven't 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:** 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 8 criteria (home, car, number of children, GSM, email, educational level,

profession) and 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 very 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 as Call Center Operations and XTM Center.

**Call Center Operations Service:** Kocaeli Kuveyt Türk Call Center operates in four different locations as Kocaeli Banking & Life Base, Ankara Balgat DRC and Call Academy, Konya Call Academy and Izmir Call Academy and also serves its 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:** 39.1% of the incoming calls to the Call Center were answered by customer representatives and 2,325,123 customers were served in 2016. 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 the Neova Insurance policy renewal and sales. Customers who failed to reach the Kuveyt Türk Call Center were automatically called back by 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. 60.9% of all calls to the Call Center were answered via IVR.

**Calls to Branches:** 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 call, which reached 295,473.

**Service Quality:** 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 a 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. 62.18% of the 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 XTM center in 2015, 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 besides operational transactions, 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.

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**

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

**Process Improvement Unit:** The Bank is carrying out works 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, 4 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 and
- Finally, 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.

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.

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

Within the scope of 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. 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.
- 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, Product Support Unit made 17,575 phone calls to help users, and responded to 10,239 lens requests.

### Administrative Services

Administrative Services Group comprises 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.

Within the scope 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 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, 4 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 in 4 branches. The contracts for 37 branches and 5 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. During purchase activities, usage of practices supporting energy and environment efficiency was more based on.

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

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

Management of daily 7,000 documents 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.

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.

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

Services like restaurants, cafes, supermarket, sports center, hairdresser, dry cleaning and tailoring are provided to meet the employees' demands on site in the Banking & Life Base. More than 40 different activities were organized for the orientation and motivation of the 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 etc. travel and tourism services of the entire staff are centralized to provide cost efficiency and around 9,000 travels 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 İnşaat Proje Müdürlüğü 2016 yılında da 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, 7 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 İstanbul; 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 and 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 the 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 rent certificates maintained at holding institutions like MKK, EuroClear, TakasBank and BMD and customer rent certificates.

#### **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



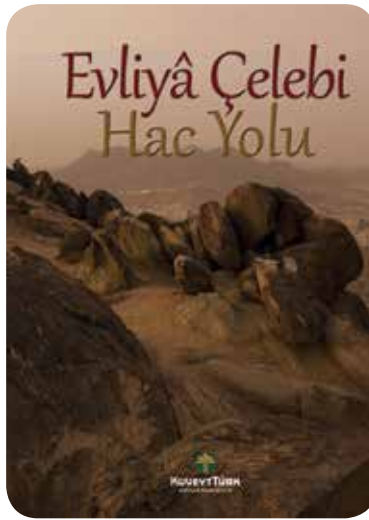
18<sup>th</sup> century combination water dispenser and fountain, was built in 1732–33 by Hassa Mimarbaşı Kayserili Mustafa Ağa during the Tulip Era. The fountain was restored in 2006 through a cooperation between Kuveyt Türk Katılım Bankası and the Directorate General of Foundations to the condition 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.

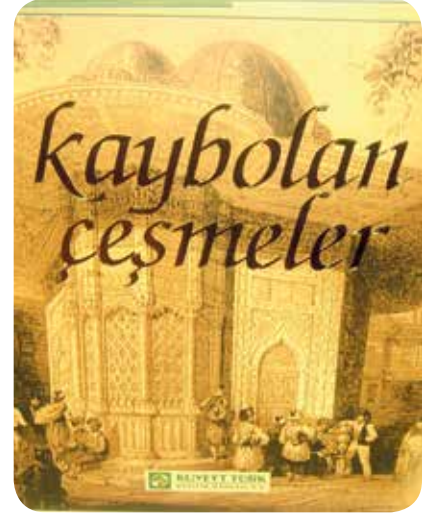
#### **The Conference of Birds (Mantiku’t Tayr)**

“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 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  
actors in the Turkish finance sector  
in terms of equity adequacy.***





# **SECTION III** **MANAGEMENT** **AND CORPORATE** **GOVERNANCE** **PRACTICES**

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## 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 Board of Directors of Kuveyt Türk in 2014. Mr. Al Marzouq is also a Member of 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 Post-Graduate degree in the are of 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. 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 Kuveyt Türk in 2002. Besides with this duty, he also serves as the 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 his as the Executive Vice President of Finance & Management. Mr. Al Fouzan served as a Member of the Board of Directors at Kuwait Industry Bank, London Ahli united Bank and Al Manar Leasing. Mr. Al Fouzan has been serving as a Member of the Board of Directors of our Kuveyt 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 also 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. 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 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 has graduated Finance and Banking Department of Kuwait University in 1994 and acquired MBA degree at San Diego University in 1998. Worked as Vice President, Responsible for Structural Finance. Between 2003-2006, Al-Kharji served as the Senior Investment Division Manager and as Senior Vice President in LMH between 2008-2013. He serves as a Member of Board of Directors of Kuveyt Türk since March 2014. 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's 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 for 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 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 life 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. 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 Board of Directors of Kuveyt Türk since 15.04.2011 and he is the Member of Board of Directors responsible from Ethic 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 Postgraduate Degree from the Business Management Department of the same university in 1983. He began his professional life as the Research Assistant at the Economics Department of Boğaziçi University in 1979 and worked as the Researcher Economist at the Specific Researches 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 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 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 Post Graduate Degree in Economy from USA, State University of New York at Albany and Karaca has 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 worked at the Audit Committee, 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 ODTU 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 at 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 - Risk, Control and Compliance President**

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 Deputy Inspector in Esbank Audit Committee Directorate. After having served as the Inspection and Branch Manager in the same institution, he began his duty as the Committee of Inspection President 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 Risk, Control and Compliance President since 2012.



### **İrfan Yılmaz**

#### **Executive Vice President - Banking Service Group**

Born in Istanbul in 1970, Mr. Yılmaz graduated from the Management Engineering department of Istanbul Technical University in 1989. He began his banking career at the Financial Affairs Directorate in Kuveyt Türk in 1990 and he was assigned to Committee of Inspection in 1996 and he served as the Committee of Inspection President between 1998 and 2000. Mr. Yılmaz was assigned as the Individual Banking Manager in 2000 and after having worked at 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 Service Group 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 Post Graduate degree in Organizational Leadership and Management at North Carolina State University (USA) in 1993 and PhD degree on Technology Management at Istanbul technical University in 2007. Having joined participation banking sector 29 years ago, Mr. Albayrak has been serving as the Executive Vice President at Kuveyt Türk since 2005. He managed Banking Service Group till October 2012 and he was assigned as the Executive Vice President of Treasury and International Banking as of same date.



**Nurettin Kolaç**  
**Executive Vice President - Legal and Risk Tracking**

Born in Elazığ in 1966, Mr. Kolaç graduated from Faculty of Law at Marmara University. He served as an attorney and legal counselor in banking, financial leasing insurance industries. He worked as the Vice Head of Department and head of Department (Legal) in Banking Regulation and Supervision Agency from 2004 till April 2010. Mr. Kolaç has an experience of twenty eight years in law and banking and he has been serving as the Executive Vice President of Legal and Risk Tracking in 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 master's degree at Sheffield University with thesis on topic of Critical Elements of Strategy Implementation in Banking Sector. He began his banking career in Kuveyt Türk Treasury Directorate in 1995, served at the Treasury Directorate for 6 years and continued his career at 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 - Individual Banking**

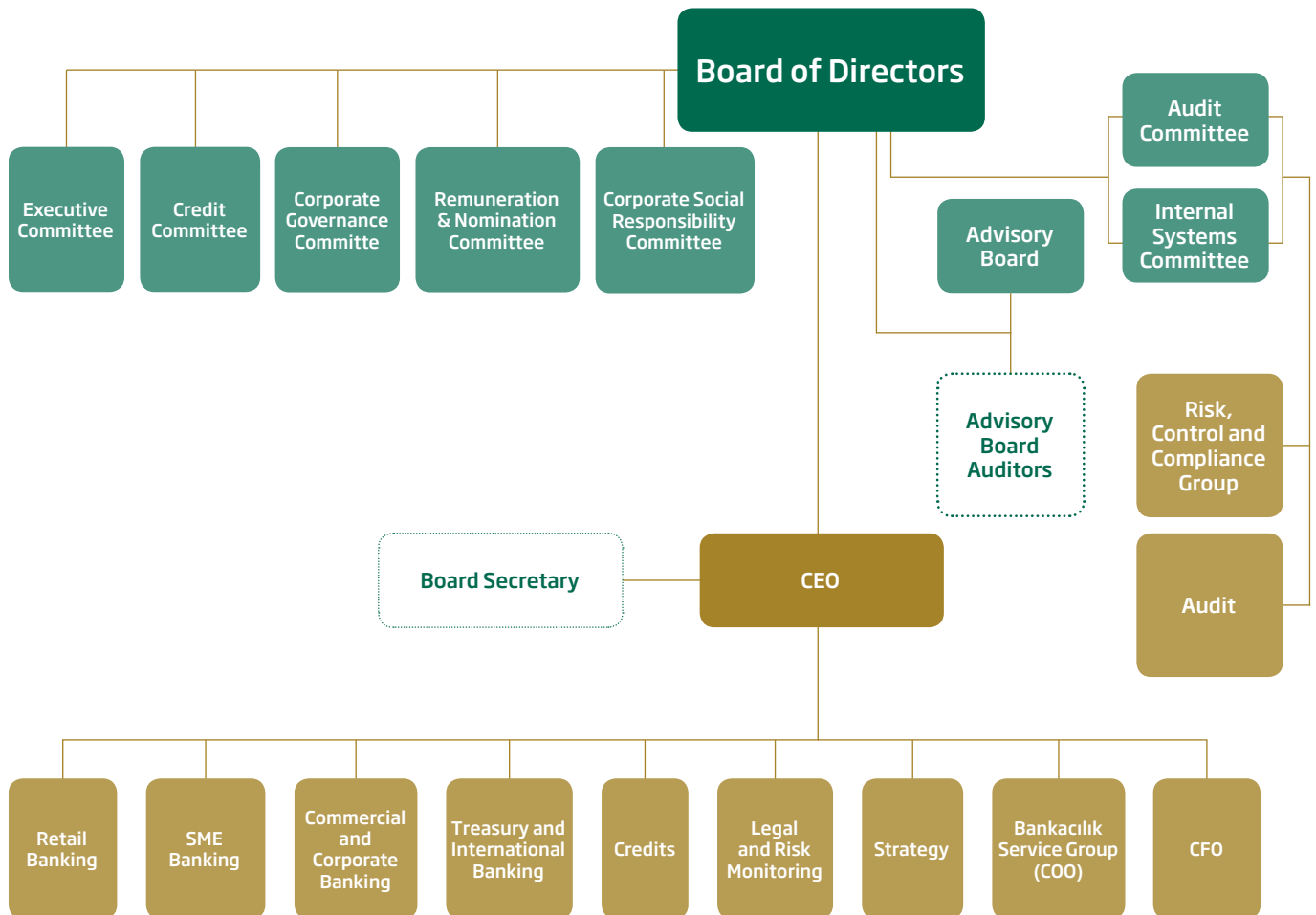
Born in Istanbul in 1967, Mr. Oral graduated from the Business Administration Department of Uludağ University. He began his career in Kuveyt Türk family at the Head Office Branch in 1992. He worked as the manager in İMES, Bursa and Merter branches between 2000 and 2005 and he was assigned as the Regional Manager at the Istanbul European Side Regional Directorate in 2005 after the transition to Regional Directorate structure. After having served as the Regional Manager for 4 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 Individual 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 Kuveyt Türk family at the Project and Investment Directorate and he worked at the Corporate and Commercial Banking Sales Directorate and Financial Analysis and Information Directorate till 2000. Mr. Delipoyraz worked as the Branch Manager at Beşyüzevler and Bakırköy Branches between 2000 and 2004 and he was assigned as the Regional Manager in December 2004 and he worked at 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 48.5 billion as of year-end, Kuveyt Türk boosted its net profit by 21.9% year-on-year to TL 542 million.

Total funds allocated increased to TL 30 billion with total funds collected increasing to TL 31.9 billion. In confirmation of the asset quality, the Bank's non-performing loan ratio was 2.45%, well above the sector average. Recording a significant uptick over the prior year, the Bank's return on equity was 14.82% 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 385 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	President of Risk, Control and Compliance Bachelor's
Bahattin AKÇA	Committee of Inspection Bachelor's
Fadil ULUŞIK	President of Internal Audit Post Graduate
Vefa Okan ARIK	President of Risk Management Bachelor's
Hayrettin ÇAPOĞLU	President of Regulations and Compliance Post Graduate

### HÜSEYİN CEVDET YILMAZ

#### President of Risk, Control and Compliance

Mr. Yılmaz, born in Istanbul in 1966, graduated from the Business Administration Department of Boğaziçi University in 1989. He began his banking career as the Deputy Inspector at Esbank Committee of Inspection Directorate. After having served as the Inspection and Branch Manager in the same institution, he began his duty as the Committee of Inspection President in Kuveyt Türk in September 2000. He was assigned as the Audit and Risk Group President in 2003. Yılmaz has been serving as the Risk, Control and Compliance President since 2012.

### BAHATTİN AKÇA

#### Committee of Inspection President

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 President of Committee of Inspection.

### FADIL ULUŞIK

#### President of Internal Audit

Mr. Uluşık, born in 1973, graduated from Istanbul University, Faculty of Political Sciences in 1996. He received his post graduate degree on Money-Banking Department at the Social Sciences Institution of Istanbul University in 1999. Mr. Uluşık began his career in Kuveyt Türk in 1996 and he has been serving as the President of Internal Audit since December 2007.

### VEFA OKAN ARIK

#### President 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 President of Risk Management.

### HAYRETTİN ÇAPOĞLU

#### President of Regulations and Compliance

Mr. Çapoğlu, born in 1977, graduated from Boğaziçi University, Faculty of Administrative Sciences, Department of Political Sciences and International Affairs in 1997. He received his post graduate degree on International Affairs 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 President of Regulations and Compliance.

## 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, President of Risk, Control and Compliance
A. Süleyman KARAKAYA	Member, Executive Vice President, Commercial Banking
R. Ahmet ALBAYRAK	Member, Executive Vice President, Corporate and International Banking
Ahmet KARACA	Member, Executive Vice President, Financial Control
Bilal SAYIN	Member, Executive Vice President, Loans
Mehmet ORAL	Member, Executive Vice President, Individual Banking
İrfan YILMAZ	Member, Executive Vice President, Banking Service Group
Nurettin KOLAÇ	Member, Executive Vice President, Legal and Risk Tracking
Aslan DEMİR	Member, Executive Vice President, Strategy
Ahmet Tarık TÜZÜN	Member, Group Manager, Treasury

#### Duties and Responsibilities

This is the senior management committee responsible from Bank's assets-liabilities and financial management. Gathers weekly on regular basis.

#### Participation in Committee Meetings

Board of Directors gathers when necessary in line with the Articles of Association and takes decisions based on demands. Board of Directors gathered for 7 times in 2016.

Audit Committee has been tracking Bank's audit and risk operations within legal regulations, especially the Banking Law, and takes actions on these. The Audit Committee gathered for 7 times in 2016.

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 for 7 times in 2016.

Loan Committee has undertaken the duty of examining and approving the loans up to 10% of equities and gathered for 7 times in 2016.

The Assets and Liabilities Committee, responsible from the financial management of the bank and supervising the assets-liabilities balance of the bank, gathered for 51 times in 2016.

Unless they have 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 millions
Securverdi Güvenlik Hizmetleri A.Ş.	Money transportation to ATMs
Securverdi Güvenlik Hizmetleri A.Ş.	Transportation of valuable papers and cash (CIT service)
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 pay roll 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 golds
Venüs Eğitim Dan. Tel. Org. Bil. San. ve Tic. A.Ş.	Supply of mobile banking software, maintenance and support services
Venüs Eğitim Dan. Tel. Org. Bil. San. ve Tic. A.Ş.	Providing maintenance and support service with the integration of mobile application development product (Smart Face) into Application Security Technology infrastructure
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.	Providing transportation and storage services for local and international precious metals and bank notes worth of maximum USD 100 millions
Bilişim Sanayi ve Ticaret Ltd. Şti.	Providing execution and operation services for pay roll 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

***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**

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## 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 : 24/01/2016  
Meeting Number :  
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 Supervision Agency 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.

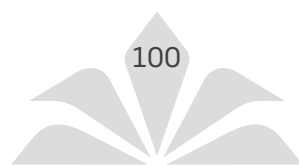
The Internal Control Department is in charge of the internal control function within the Bank. Internal Control System has been established adequately and effectively to cover all of the activities and all domestic and foreign branches, headquarters units and subsidiaries compatible within the scope 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 Auditing 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.

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 15.3% and reached TL 48 billion and equities were increased by 15% and reached TL 3.9 billion. Concordantly, Bank's capital adequacy ratio reached above the legal obligation level as 18.16%. 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	1,296,118	1,439,926	2,018,781	2,564,838	3,110,435
Profit Sharing Expenses	599,570	609,655	877,547	1,096,026	1,440,566
Net Fee and Commission Expenses	75,234	114,931	133,895	133,942	152,970
Other Revenues	237,126	310,001	294,571	368,203	469,153
Other Expenses	699,652	885,993	1,106,961	1,417,481	1,628,780
Tax Charge	59,100	-68,867	-92,289	-108,795	-121,246
Net Profit for the Period	250,156	300,343	370,450	444,681	541,966
Total Assets	18,910,513	25,893,542	34,008,175	42,052,507	48,476,955
Total Equities	1,684,037	2,302,049	3,022,870	3,402,490	3,912,064
Capital Adequacy Ratio (%)	13.97%	14.24%	15.09%	14.23%	18.16%

# **KUVEYT TÜR̈K KATILIM BANKASI A.Ş.**

## **INDEPENDENT AUDITOR'S REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED 31 DECEMBER 2016**

*Translated into English  
from the Original Turkish Report*



# Deloitte.

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**(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)  
INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kuveyt Türk Katılım Bankası A.Ş. ("the Bank"), which comprise the balance sheet as at 31 December 2016, and the statement of income, statement of income and expense items accounted under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Bank Management is responsible for the preparation and fair presentation of the financial statements 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Independent Auditing Standards which is a part of Turkish Auditing Standards published 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 statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the BRSA Accounting and Reporting Regulations.

### **Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

### **Additional paragraph for English translation:**

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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



Müjde Şehsuvaroğlu  
Partner  
İstanbul, 13 February 2017

**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
AS OF 31 DECEMBER 2016**

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

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

- General information about the participation bank
- Unconsolidated financial statements of the participation bank
- Explanations on accounting policies
- Information on financial structure of the bank
- Footnotes and explanations on unconsolidated financial statements
- Other explanations
- Independent auditors' report
- Annual report

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

**Hamad Abdulmohsen AL-MARZOUQ**  
Chairman of the Board of Directors  
And Head of the Audit Committee

**Adnan ERTEM**  
Vice Chairman of BOD

**Ahmad S A A AL KHARJI**  
Member of the Audit Committee

**Mohamad AL-MIDANI**  
Member of the Audit Committee

**Ufuk UYAN**  
General Manager

**Ahmet KARACA**  
Chief Financial Officer

**İsmail Hakkı YEŞİLYURT**  
External Reporting Manager

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

Name-Surname: İsmail Hakkı YEŞİLYURT  
Position: External Reporting Manager  
Telephone: 0212 354 12 84  
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# Kuveyt Türk 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.)

### SECTION ONE GENERAL INFORMATION

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

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

#### II. Shareholding structure, shareholders jointly or individually having direct or indirect, control over the management and supervision of the Bank and the disclosures on any related changes in the current period, if any and information about the Group that the Bank belongs to

As of 31 December 2016, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Date of Audit Committee assignment	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
	Vice Chairman of the BOD and Head of the Audit Committee				
Dr. Adnan ERTEM	Member of BOD	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KHE AL SALEH	Member of BOD	20/10/2006		Bachelor	0.0105%
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmed S. AL KHARJI	Member of BOD and Audit Committee	26/03/2014	24/09/2014	Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	0.0556%
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006		Master	0.0041%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	0.0035%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005		Bachelor	0.0156%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005		Doctorate	0.0091%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010		Bachelor	0.0007%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012		Bachelor	0.0047%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012		Bachelor	0.0029%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015		Bachelor	0.0028%

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.11% of the Bank's share capital (31 December 2015 - 0.11%).

# 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.)

### IV. Information on qualified shareholders

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	1,736,531	62.24%	1,736,531	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	522,267	18.72%	522,267	-
<b>Total</b>	<b>2,258,798</b>	<b>80.96%</b>	<b>2,258,798</b>	<b>-</b>

As of 31 December 2016, the shares of parent shareholder of Bank, Kuwait Finance House ("KFH") are 51.44% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. 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 lending such funds to its customers. As of 31 December 2016, the Bank is operating through 386 branches (31 December 2015 - 359) with 5,588 employees (31 December 2015 - 5,442). Summary of some of the Bank's operations described in the Articles of Association are as follows:

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

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

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

None.





## **SECTION TWO THE UNCONSOLIDATED FINANCIAL STATEMENTS**

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Unconsolidated Balance Sheet

### As of 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Audited			Audited		
		Current period (31.12.2016)			Prior period (31.12.2015)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>(I-a)</b>	<b>695,627</b>	<b>7,607,425</b>	<b>8,303,052</b>	<b>662,376</b>	<b>6,906,439</b>	<b>7,568,815</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>(I-b)</b>	<b>40,311</b>	<b>125,663</b>	<b>165,974</b>	<b>12,302</b>	<b>76,312</b>	<b>88,614</b>
2.1 Held for trading financial assets		40,311	125,663	165,974	12,302	76,312	88,614
2.1.1 Public sector debt securities		10,760	36,148	46,908	100	-	100
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		22,217	87,833	110,050	11,995	32,613	44,608
2.1.4 Other marketable securities		7,334	1,682	9,016	207	43,699	43,906
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>(I-c)</b>	<b>14,384</b>	<b>4,683,697</b>	<b>4,698,081</b>	<b>10,341</b>	<b>3,573,153</b>	<b>3,583,494</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>(I-d)</b>	<b>1,832,753</b>	<b>1,760,173</b>	<b>3,592,926</b>	<b>1,578,258</b>	<b>752,109</b>	<b>2,330,367</b>
5.1 Equity securities		10,325	43,160	53,485	9,571	55,244	64,815
5.2 Public sector debt securities		<b>1,821,991</b>	<b>1,500,041</b>	<b>3,322,032</b>	<b>1,560,223</b>	<b>347,953</b>	<b>1,908,176</b>
5.3 Other marketable securities		437	216,972	217,409	8,464	348,912	357,376
<b>VI. LOANS AND RECEIVABLES</b>	<b>(I-e)</b>	<b>23,266,913</b>	<b>5,145,528</b>	<b>28,412,441</b>	<b>21,565,734</b>	<b>4,285,266</b>	<b>25,851,000</b>
6.1 Loans and receivables		23,104,574	5,145,528	28,250,102	21,441,275	4,285,266	25,726,541
6.1.1 Loans to risk group of the Bank		73,485	62,891	136,376	76,162	152,608	228,770
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		23,031,089	5,082,637	28,113,726	21,365,113	4,132,658	25,497,771
6.2 Non-performing loans		<b>748,062</b>	-	<b>748,062</b>	<b>442,519</b>	-	<b>442,519</b>
6.3 Specific provisions (-)		<b>585,723</b>	-	<b>585,723</b>	<b>318,060</b>	-	<b>318,060</b>
<b>VII. HELD TO MATURITY INVESTMENTS (Net)</b>	<b>(I-f)</b>	-	-	-	-	-	-
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(I-g)</b>	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
<b>IX. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>(I-h)</b>	<b>349,513</b>	-	<b>349,513</b>	<b>299,312</b>	-	<b>299,312</b>
9.1 Unconsolidated financial subsidiaries		<b>325,833</b>	-	<b>325,833</b>	<b>276,382</b>	-	<b>276,382</b>
9.2 Unconsolidated non-financial subsidiaries		23,680	-	23,680	22,930	-	22,930
<b>X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	<b>(I-i)</b>	<b>20,000</b>	-	<b>20,000</b>	<b>15,500</b>	-	<b>15,500</b>
10.1 Accounted for under equity method		20,000	-	20,000	15,500	-	15,500
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XI. FINANCE LEASE RECEIVABLES</b>	<b>(I-j)</b>	<b>1,104,588</b>	<b>439,955</b>	<b>1,544,543</b>	<b>947,273</b>	<b>235,587</b>	<b>1,182,860</b>
11.1 Finance lease receivables		1,241,824	503,366	1,745,190	1,084,062	278,938	1,363,000
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		137,236	63,411	200,647	136,789	43,351	180,140
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(I-k)</b>	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>	<b>(I-l)</b>	<b>439,544</b>	<b>89</b>	<b>439,633</b>	<b>503,954</b>	<b>95</b>	<b>504,049</b>
<b>XIV. INTANGIBLE ASSETS (Net)</b>	<b>(I-m)</b>	<b>95,108</b>	-	<b>95,108</b>	<b>77,966</b>	-	<b>77,966</b>
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		95,108	-	95,108	77,966	-	77,966
<b>XV. INVESTMENT PROPERTIES (Net)</b>		-	-	-	-	-	-
<b>XVI. TAX ASSET</b>	<b>(I-o)</b>	<b>118,112</b>	-	<b>118,112</b>	<b>107,150</b>	-	<b>107,150</b>
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		118,112	-	118,112	107,150	-	107,150
<b>XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>47,975</b>	-	<b>47,975</b>	<b>32,640</b>	-	<b>32,640</b>
17.1 Held for sale		47,975	-	47,975	32,640	-	32,640
17.2 Discontinued operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	<b>(I-r)</b>	<b>254,825</b>	<b>434,772</b>	<b>689,597</b>	<b>312,330</b>	<b>98,410</b>	<b>410,740</b>
<b>TOTAL ASSETS</b>		<b>28,279,653</b>	<b>20,197,302</b>	<b>48,476,955</b>	<b>26,125,136</b>	<b>15,927,371</b>	<b>42,052,507</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Unconsolidated Balance Sheet

### As of 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**1. BALANCE SHEET - LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)**

	Note	Audited Current period (31.12.2016)			Audited Prior period (31.12.2015)		
		TL	FC	Total	TL	FC	Total
<b>I. FUND COLLECTED</b>	<b>(II-a)</b>	<b>17,943,622</b>	<b>13,958,141</b>	<b>31,901,763</b>	<b>14,536,125</b>	<b>13,586,541</b>	<b>28,122,666</b>
1.1 Funds from risk group of the Bank		97,013	188,483	285,496	105,516	379,359	484,875
1.2 Other		17,846,609	13,769,658	31,616,267	14,430,609	13,207,182	27,637,791
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(II-b)</b>	<b>40,580</b>	<b>79,147</b>	<b>119,727</b>	<b>9,962</b>	<b>61,561</b>	<b>71,523</b>
<b>III. FUNDS BORROWED</b>	<b>(II-c)</b>	<b>647,994</b>	<b>7,388,827</b>	<b>8,036,821</b>	<b>684,076</b>	<b>6,827,603</b>	<b>7,511,679</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>1,219,873</b>	<b>-</b>	<b>1,219,873</b>	<b>711,542</b>	<b>-</b>	<b>711,542</b>
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. SUNDRY CREDITORS</b>	<b>(II-d)</b>	<b>133,001</b>	<b>24,963</b>	<b>157,964</b>	<b>108,349</b>	<b>10,629</b>	<b>118,978</b>
<b>VII. OTHER LIABILITIES</b>	<b>(II-d)</b>	<b>375,840</b>	<b>23,611</b>	<b>399,451</b>	<b>424,538</b>	<b>30,070</b>	<b>454,608</b>
<b>VIII. FINANCE LEASE PAYABLES</b>	<b>(II-e)</b>	<b>-</b>	<b>226</b>	<b>226</b>	<b>-</b>	<b>401,990</b>	<b>401,990</b>
8.1 Finance lease payables		-	265	265	-	468,302	468,302
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	39	39	-	66,312	66,312
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>(II-f)</b>	<b>-</b>	<b>137,829</b>	<b>137,829</b>	<b>-</b>	<b>98,650</b>	<b>98,650</b>
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	137,829	137,829	-	98,650	98,650
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>X. PROVISIONS</b>	<b>(II-g)</b>	<b>455,533</b>	<b>126,207</b>	<b>581,740</b>	<b>427,561</b>	<b>104,614</b>	<b>532,175</b>
10.1 General loan loss provisions		238,276	80,549	318,825	261,944	72,174	334,118
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		129,064	-	129,064	106,354	86	106,440
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		88,193	45,658	133,851	59,263	32,354	91,617
<b>XI. TAX LIABILITY</b>	<b>(II-h)</b>	<b>27,851</b>	<b>-</b>	<b>27,851</b>	<b>36,472</b>	<b>-</b>	<b>36,472</b>
11.1 Current tax liability		27,851	-	27,851	36,472	-	36,472
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>(II-i)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	<b>(II-j)</b>	<b>-</b>	<b>1,981,646</b>	<b>1,981,646</b>	<b>-</b>	<b>589,734</b>	<b>589,734</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	<b>(II-k)</b>	<b>3,942,411</b>	<b>(30,347)</b>	<b>3,912,064</b>	<b>3,406,321</b>	<b>(3,831)</b>	<b>3,402,490</b>
14.1 Paid-in capital		2,787,322	-	2,787,322	2,527,322	-	2,527,322
14.2 Capital reserves		1,781	(30,347)	(28,566)	4,258	(3,831)	427
14.2.1 Share premium		22,933	-	22,933	22,933	-	22,933
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		(182)	(30,347)	(30,529)	9,225	(3,831)	5,394
14.2.4 Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5 Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6 Investment property revaluation reserve		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.8 Hedging funds (effective portion)		(7,217)	-	(7,217)	(12,984)	-	(12,984)
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		(13,753)	-	(13,753)	(14,916)	-	(14,916)
14.3 Profit reserves		611,342	-	611,342	430,060	-	430,060
14.3.1 Legal reserves		122,861	-	122,861	100,287	-	100,287
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		351,949	-	351,949	241,553	-	241,553
14.3.4 Other profit reserves		136,532	-	136,532	88,220	-	88,220
14.4 Profit or loss		541,966	-	541,966	444,681	-	444,681
14.4.1 Prior period income/(losses)		-	-	-	-	-	-
14.4.2 Current period income/(losses)		541,966	-	541,966	444,681	-	444,681
14.5 Minority shares	<b>(II-l)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24,786,705</b>	<b>23,690,250</b>	<b>48,476,955</b>	<b>20,344,946</b>	<b>21,707,561</b>	<b>42,052,507</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Statement of Unconsolidated Off-Balance Sheet Commitments and Contingencies as of 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Audited Current period (31.12.2016)			Audited Prior period (31.12.2015)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>45,504,238</b>	<b>19,739,186</b>	<b>65,243,424</b>	<b>33,843,259</b>	<b>16,528,787</b>	<b>50,372,046</b>
<b>I. GUARANTEES (III-a)</b>		<b>5,177,182</b>	<b>4,711,605</b>	<b>9,888,787</b>	<b>4,637,394</b>	<b>4,318,928</b>	<b>8,956,322</b>
1.1 Letters of guarantees		5,026,495	3,088,349	8,114,844	4,607,569	2,732,091	7,339,660
1.1.1 Guarantees subject to state tender law		163,646	-	163,646	153,636	273	153,909
1.1.2 Guarantees given for foreign trade operations		451,059	220,807	671,866	569,151	276,734	845,885
1.1.3 Other letters of guarantee		4,411,790	2,867,542	7,279,332	3,884,782	2,455,084	6,339,866
1.2 Bank loans		2,071	49,973	52,044	7,656	76,452	84,108
1.2.1 Import letter of acceptances		2,071	49,973	52,044	7,656	76,452	84,108
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letter of credits		188	1,019,598	1,019,786	177	1,029,087	1,029,264
1.3.1 Documentary letter of credits		78	302,149	302,227	78	315,930	316,008
1.3.2 Other letter of credits		110	717,449	717,559	99	713,157	713,256
1.4 Pre-financing given as guarantee		-	25,642	25,642	-	21,290	21,290
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Other guarantees		148,428	528,043	676,471	21,992	460,008	482,000
1.7 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS (III-a)</b>		<b>34,594,651</b>	<b>711,955</b>	<b>35,306,606</b>	<b>27,214,987</b>	<b>481,365</b>	<b>27,696,352</b>
2.1 Irrevocable commitments		2,569,656	711,955	3,281,611	2,311,549	481,365	2,792,914
2.1.1 Forward asset purchase commitments		316,785	710,168	1,026,953	231,210	481,365	712,575
2.1.2 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3 Loan granting commitments		151,838	-	151,838	304,107	-	304,107
2.1.4 Securities underwriting commitments		-	-	-	-	-	-
2.1.5 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		1,178,750	-	1,178,750	1,018,655	-	1,018,655
2.1.7 Tax and fund liabilities from export commitments		99	-	99	99	-	99
2.1.8 Commitments for credit card expenditure limits		904,427	-	904,427	739,721	-	739,721
2.1.9 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10 Receivables from short sale commitments		-	-	-	-	-	-
2.1.11 Payables for short sale commitments		-	-	-	-	-	-
2.1.12 Other irrevocable commitments		17,757	1,787	19,544	17,757	-	17,757
2.2 Revocable commitments		32,024,995	-	32,024,995	24,903,438	-	24,903,438
2.2.1 Revocable loan granting commitments		32,024,995	-	32,024,995	24,903,438	-	24,903,438
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS (III-b)</b>		<b>5,732,405</b>	<b>14,315,626</b>	<b>20,048,031</b>	<b>1,990,878</b>	<b>11,728,494</b>	<b>13,719,372</b>
3.1 Derivative financial instruments for hedging purposes		-	1,391,124	1,391,124	-	1,172,816	1,172,816
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	1,391,124	1,391,124	-	1,172,816	1,172,816
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		5,732,405	12,924,502	18,656,907	1,990,878	10,555,678	12,546,556
3.2.1 Forward foreign currency buy/sell transactions		1,499,492	1,909,112	3,408,604	1,139,111	2,030,563	3,169,674
3.2.1.1 Forward foreign currency transactions-buy		712,215	995,591	1,707,806	550,697	1,043,355	1,594,052
3.2.1.2 Forward foreign currency transactions-sell		787,277	913,521	1,700,798	588,414	987,208	1,575,622
3.2.2 Other forward buy/sell transactions		4,232,913	11,015,390	15,248,303	851,767	8,525,115	9,376,882
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>205,775,245</b>	<b>106,164,950</b>	<b>311,940,195</b>	<b>168,473,267</b>	<b>89,309,104</b>	<b>257,782,371</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>7,081,056</b>	<b>2,528,760</b>	<b>9,609,816</b>	<b>5,545,140</b>	<b>1,330,898</b>	<b>6,876,038</b>
4.1 Assets under management		20,794	-	20,794	1	-	1
4.2 Investment securities held in custody		738,025	58,268	796,293	-	-	-
4.3 Checks received for collection		5,292,095	539,190	5,831,285	4,698,688	482,005	5,180,693
4.4 Commercial notes received for collection		1,030,142	144,880	1,175,022	846,451	105,406	951,857
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		-	1,786,422	1,786,422	-	743,487	743,487
<b>V. PLEDGED ITEMS</b>		<b>198,682,550</b>	<b>103,595,106</b>	<b>302,277,656</b>	<b>162,916,488</b>	<b>87,944,184</b>	<b>250,860,672</b>
5.1 Marketable securities		222,995	63,991	286,986	351,154	53,770	404,924
5.2 Guarantee notes		101,921	1,421,085	1,523,006	101,988	1,174,760	1,276,748
5.3 Commodity		3,962,735	640,558	4,603,293	3,362,451	538,357	3,900,808
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		84,503,198	1,815,288	86,318,486	71,286,808	618,846	71,905,654
5.6 Other pledged items		109,891,701	99,654,184	209,545,885	87,814,087	85,558,451	173,372,538
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>41,084</b>	<b>52,723</b>	<b>11,639</b>	<b>34,022</b>	<b>45,661</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>251,279,483</b>	<b>125,904,136</b>	<b>377,183,619</b>	<b>202,316,526</b>	<b>105,837,891</b>	<b>308,154,417</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Unconsolidated Income Statement for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Current Period Audited 01.01.2016 - 31.12.2016	Prior Period Audited 01.01.2015 - 31.12.2015
<b>I. PROFIT SHARE INCOME</b>	<b>(IV-a)</b>	<b>3,110,435</b>	<b>2,564,838</b>
1.1 Profit share on loans		2,740,109	2,284,353
1.2 Profit share on reserve deposits		25,600	9,234
1.3 Profit share on banks		14,552	8,436
1.4 Profit share on money market placements		-	-
1.5 Profit share on marketable securities portfolio		197,440	163,165
1.5.1 Held-for-trading financial assets		-	-
1.5.2 Financial assets at fair value through profit and loss		5,045	316
1.5.3 Available-for-sale financial assets		192,395	162,849
1.5.4 Investments held-to-maturity		-	-
1.6 Finance lease income		110,258	78,646
1.7 Other profit share income		22,476	21,004
<b>II. PROFIT SHARE EXPENSE</b>	<b>(IV-b)</b>	<b>1,440,566</b>	<b>1,096,026</b>
2.1 Expense on profit sharing accounts	(IV-d)	915,407	709,415
2.2 Profit share expense on funds borrowed	(IV-b)	443,628	311,574
2.3 Profit share expense on money market borrowings		74,154	51,895
2.4 Expense on securities issued		-	-
2.5 Other profit share expense		7,377	23,142
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>1,669,869</b>	<b>1,468,812</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>152,970</b>	<b>133,942</b>
4.1 Fees and commissions received		311,783	259,587
4.1.1 Non-cash loans		87,833	82,053
4.1.2 Other	(IV-l)	223,950	177,534
4.2 Fees and commissions paid		158,813	125,645
4.2.1 Non-cash loans		314	200
4.2.2 Other	(IV-l)	158,499	125,445
<b>V. DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>509</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	<b>(IV-e)</b>	<b>275,772</b>	<b>178,108</b>
6.1 Capital market transaction gains / (losses)		7,871	6,263
6.2 Gains/ (losses) from derivative financial instruments		155,429	42,448
6.3 Foreign exchange gains / (losses)		112,472	129,397
<b>VII. OTHER OPERATING INCOME</b>	<b>(IV-f)</b>	<b>192,872</b>	<b>190,095</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>2,291,992</b>	<b>1,970,957</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-g)</b>	<b>511,661</b>	<b>428,736</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(IV-h)</b>	<b>1,117,119</b>	<b>988,745</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>663,212</b>	<b>553,476</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. GAIN / (LOSS) ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(IV-i)</b>	<b>663,212</b>	<b>553,476</b>
<b>XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	<b>(IV-j)</b>	<b>(121,246)</b>	<b>(108,795)</b>
16.1 Current income tax charge		(124,960)	(159,394)
16.2 Deferred tax charge / benefit		3,714	50,599
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>		<b>541,966</b>	<b>444,681</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI. TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	<b>(IV-k)</b>	<b>-</b>	<b>-</b>
21.1 Current income tax charge		-	-
21.2 Deferred tax charge / benefit		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>(IV-l)</b>	<b>541,966</b>	<b>444,681</b>
23.1 Group's income/loss		541,966	444,681
23.2 Minority interest income/loss (-)		-	-

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Statements of Unconsolidated Profit and Loss Accounted for Under Equity for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Audited Current Period 01.01.2016 - 31.12.2016	Audited Prior Period 01.01.2015 - 31.12.2015
<b>I. Additions to marketable securities revaluation differences from available for sale financial assets</b>	<b>(44,904)</b>	<b>(19,594)</b>
<b>II. Tangible assets revaluation differences</b>	-	-
<b>III. Intangible assets revaluation differences</b>	-	-
<b>IV. Currency translation differences for foreign currency transactions</b>	-	-
<b>V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)</b>	<b>7,209</b>	<b>(16,230)</b>
<b>VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)</b>	-	-
<b>VII. The effect of corrections of errors and changes in accounting policies</b>	-	-
<b>VIII. Other profit loss items accounted under equity as per Turkish accounting standards</b>	<b>1,454</b>	<b>3,151</b>
<b>IX. Deferred tax on valuation differences</b>	<b>7,248</b>	<b>6,535</b>
<b>X. Total net profit/loss accounted under equity (I+II+...+IX)</b>	<b>(28,993)</b>	<b>(26,138)</b>
<b>XI. Profit/loss</b>	<b>541,966</b>	<b>444,681</b>
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	(498)	(3,966)
XI.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	542,464	448,647
<b>XII. Total profit/loss accounted for the period (X±XI)</b>	<b>512,973</b>	<b>418,543</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Statement of Unconsolidated Changes in Shareholders' Equity for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other reserves	Share premium	Share certificate cancellation	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities / revaluation reserve	Tangible and intangible assets / revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc. op. valuation fund	Total minority interest	Total equity
I.	Balances at beginning of the period	2,287,005	-	23,250	-	77,869	-	208,951	34,276	-	370,450	21,069	-	-	-	-	3,022,870	3,022,870
II.	Correction made as per TAS B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (I+II)	2,287,005	-	23,250	-	77,869	-	208,951	34,276	-	370,450	21,069	-	-	-	-	-	3,022,870
	Changes during the period																	
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	(15,675)	-	-	-	-	(15,675)	(15,675)
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,984)	-	(12,984)	(12,984)
6.1.	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,984)	-	(12,984)	(12,984)
6.2.	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	240,000	-	-	-	-	-	-	(127)	-	(239,873)	-	-	-	-	-	-	-
14.1.	Cash	-	-	-	-	-	-	-	(127)	-	(239,873)	-	-	-	-	-	-	-
14.2.	Cash	240,000	-	-	-	-	-	-	(127)	-	(239,873)	-	-	-	-	-	-	-
XV.	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Other <sup>(*)</sup>	317	-	(317)	-	-	-	-	2,521	-	-	-	-	-	-	-	-	2,521
XX.	Net income/(loss) for the period	-	-	-	-	-	-	-	444,681	-	-	-	-	-	-	-	-	444,681
20.1.	Profit distribution	-	-	-	-	22,418	-	32,602	36,634	-	(130,577)	-	-	-	-	-	-	(38,923)
20.2.	Dividends distributed	-	-	-	-	-	-	36	-	-	(38,959)	-	-	-	-	-	-	(38,923)
20.3.	Transfers to reserves	-	-	-	-	22,418	-	32,556	36,634	-	(91,618)	-	-	-	-	-	-	(38,923)
	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+V+...+XVIII+XIX+XX)	(II+X)	2,527,322	22,933	100,287	241,553	73,304	444,681	5,394	-	-	-	-	-	(12,984)	-	3,402,490	3,402,490

(\*) In the Ordinary General Assembly Meeting dated 31 March 2015, the Bank decided on reserving primary reserves amount to TL 18,522; other reserves amount to TL 36,507 funded via retained profit from sales of real estates, cash dividend payments amount to TL 36,000; dividend to management amount to TL 2,959; funding capital increase from internal sources via remaining net income amount to TL 240,000 and in return of distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 3,896 and remaining amount to TL 32,566 to extraordinary legal reserves. In addition to this, the Bank has transferred dividend amounting to TL 36 that held by the Bank itself to the extraordinary reserves depending on the General Assembly Meeting decision.

(\*\*) Amounting to TL 2,521 represents actuarial loss on reverse for employee benefits net of tax effect.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Statement of Unconsolidated Changes in Shareholders' Equity for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note	Paid-in capital	Effect of inflation accounting on paid-in and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc. op. valuation fund	Total minority interest	Total equity	
Current Period - (01.01.2016-31.12.2016)																			
I.		2,527,322	-	22,933	-	100,287	-	241,553	73,304	-	444,681	5,394	-	-	(12,984)	-	-	3,402,490	
II.																			
2.1																			
2.2																			
III.		2,527,322	-	22,933	-	100,287	-	241,553	73,304	-	444,681	5,394	-	-	(12,984)	-	-	3,402,490	
Changes during the period																			
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.		-	-	-	-	-	-	-	-	-	-	(35,923)	-	-	-	-	-	(35,923)	
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	5,767	-	-	5,767	
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-	5,767	-	-	5,767	
6.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.		260,000	-	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	
14.1																			
14.2																			
XV.		260,000	-	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII.		-	-	-	-	-	-	-	1,163	-	-	-	-	-	-	-	-	1,163	
XIX.		-	-	-	-	-	-	-	48,788	-	541,966	-	-	-	-	-	-	541,966	
XX.		-	-	-	-	22,574	-	110,396	48,788	-	(185,157)	-	-	-	-	-	-	(3,399)	
20.1		-	-	-	-	-	-	-	-	-	(3,399)	-	-	-	-	-	-	(3,399)	
20.2		-	-	-	-	22,574	-	110,396	48,788	-	(181,758)	-	-	-	-	-	-	(3,399)	
20.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balances at end of the period</b>																			
<b>(II+IV+V+...+XVIII+XIX+XX)</b>																			
		2,787,322	-	22,933	-	122,861	-	351,949	122,779	541,966	-	(30,529)	-	-	(7,217)	-	-	3,912,064	

(\*) In the Ordinary General Assembly Meeting dated 4 April 2016, the Bank decided on reserving primary reserves amounting to TL 22,234, other reserves amounting to TL 48,788 funded via retained profit from sales of real estates, cash dividend, funding capital increase from internal sources via remaining net income amounting to TL 259,524 and in return distributing additional capitalized shares proportionally to shareholder's stake in share capital; secondary reserves amounting to TL 340 and remaining amounting to TL 110,396 to extraordinary legal reserves, other reserve amounting to TL 476 which obtained from research and development activities according to Law No. 5746 under Article 53 regarding capital increase from internal sources.

(\*\*) Amounting to TL 1,163 represents actuarial loss on reverse for employee benefits net of tax effect.

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Cash Flows Statement for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### VI. STATEMENT OF CASH FLOWS

	Audited Current period 01.01.2016 - 31.12.2016	Audited Prior period 01.01.2015 - 31.12.2015
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>487,633</b>	<b>1,099,659</b>
1.1.1 Profit share income received	3,002,920	2,452,888
1.1.2 Profit share expense paid	(1,389,395)	(1,079,785)
1.1.3 Dividend received	509	-
1.1.4 Fees and commissions received	312,372	259,493
1.1.5 Other income	(170,062)	596,962
1.1.6 Collections from previously written off loans	21,564	19,525
1.1.7 Payments to personnel and service suppliers	(822,902)	(729,066)
1.1.8 Taxes paid	(178,171)	(192,328)
1.1.9 Others	(289,202)	(228,030)
<b>1.2 Changes in operating assets and liabilities</b>	<b>1,697,854</b>	<b>2,136,498</b>
1.2.1 Net (increase) decrease held for trading financial assets	(11,918)	(39,207)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions	(940,462)	791,331
1.2.4 Net (increase) decrease in loans	(3,300,792)	(5,963,806)
1.2.5 Net (increase) decrease in other assets	(309,296)	(12,583)
1.2.6 Net increase (decrease) in bank deposits	183,402	10,825
1.2.7 Net increase (decrease) in other deposits	3,583,708	5,954,855
1.2.8 Net increase (decrease) in funds borrowed	485,958	1,203,913
1.2.9 Net increase (decrease) in due payables	-	-
1.2.10 Net increase (decrease) in other liabilities	2,007,254	191,170
<b>I. Net cash provided from / (used in) banking operations</b>	<b>2,185,487</b>	<b>3,236,157</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash provided from / (used in) investing activities</b>	<b>(1,413,772)</b>	<b>(384,287)</b>
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries	(54,701)	(135,957)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries	-	-
2.3 Fixed assets purchases	(47,465)	(98,253)
2.4 Fixed assets sales	10,531	12,101
2.5 Cash paid for purchase of financial assets available for sale	(2,449,424)	(1,151,486)
2.6 Cash obtained from sale of financial assets available for sale	1,166,905	1,017,089
2.7 Cash paid for purchase of investment securities	-	-
2.8 Cash obtained from sale of investment securities	-	-
2.9 Other	(39,618)	(27,781)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash provided from / (used in) financing activities</b>	<b>(3,399)</b>	<b>(39,123)</b>
3.1 Cash obtained from funds borrowed and securities issued	-	-
3.2 Cash used for repayment of funds borrowed and securities issued	-	-
3.3 Capital increase	-	-
3.4 Dividends paid	(3,399)	(38,923)
3.5 Payments for finance leases	-	(200)
3.6 Other	-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(V-d)</b>	<b>140,046</b>
<b>V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>	<b>908,362</b>	<b>2,691,464</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>(V-a)</b>	<b>1,995,829</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>(V-a)</b>	<b>5,595,655</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Statement of Profit Distribution for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### VII. STATEMENT OF PROFIT DISTRIBUTION

	Current Period 01.01- 31.12.2016 <sup>(*)</sup>	Prior Period 01.01-31.12.2015
<b>I. Distribution of current year profit</b>		
1.1. Current period profit	663,212	553,476
1.2. Taxes and legal duties payable (-)	121,246	108,795
1.2.1. Corporate tax (income tax)	124,960	159,394
1.2.2. Withholding tax	-	-
<sup>1,2,3</sup> 1.2.3 Other taxes and duties (**)	(3,714)	(50,599)
<b>A. Net profit for the period (1.1-1.2) (Not V-I-17-c)</b>	<b>541,966</b>	<b>444,681</b>
1.3. Accumulated losses (-)	-	-
1.4. First legal reserves (-)	-	22,234
1.5. Other statutory reserves (-)	-	-
<b>B. Net profit available for distribution [(A-(1.3+1.4+1.5))] (***)</b>	<b>-</b>	<b>422,447</b>
1.6. First dividend to shareholders (-)	-	-
1.6.1. To owners of ordinary shares	-	-
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. Dividends to personnel(-)	-	-
1.8. Dividends to board of directors (-)	-	3,399
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. Second legal reserves (-)	-	340
1.11. Status reserves (-)	-	-
1.12. Extra ordinary reserves (***)	-	110,396
1.13. Other reserves	-	48,788
1.14. Special funds	-	-
<b>II. Distribution of reserves</b>	<b>-</b>	<b>-</b>
2.1. Appropriated reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Dividends to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. Dividends to personnel (-)	-	-
2.5. Dividends to board of directors (-)	-	-
<b>III. Earnings per share</b>	<b>-</b>	<b>-</b>
3.1. To owners of ordinary shares	-	0,181
3.2 To owners of ordinary shares (%)	-	18,053
3.3. To owners of privileged shares	-	-
3.4. To owners of privileged shares (%)	-	-
<b>IV. Dividend per share</b>	<b>-</b>	<b>-</b>
4.1. To owners of ordinary shares	-	-
4.2. To owners of ordinary shares (%)	-	-
4.3. To owners of privileged shares	-	-
4.4. To owners of privileged shares (%)	-	-

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

(\*\*) Deferred tax benefit is presented under other tax and legal liabilities. Deferred tax benefit can not be included in the distributable profit, thus it is classified under extraordinary reserves.

(\*\*\*) TL 259,524 from retained earnings and TL 476 from other reserves are transferred to paid-in capital within capital increase scope.

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

# 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.)

### SECTION THREE ACCOUNTING PRINCIPLES

#### I. Explanations on basis of presentation

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

The Bank prepares its financial statements in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulation" which includes 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 published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

##### b. Classifications

Expertise expense amounting to TL 18,642 which was presented under Other Operating Expenses in the consolidated income statement in the prior period, is classified under "Fees and Commissions Given" in the current period for consistency of presentation.

##### c. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

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

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

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

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

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

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

Gains and losses arising from foreign currency transactions have been recorded in the period in which the transaction took place. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates published by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

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

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

# 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.)

### III. Investments in associates and subsidiaries

Turkish currency denominated associates and subsidiaries are measured at cost value in accordance with the "Consolidated and Separate Financial Statements" ("TAS 27") and then deducted by provisions for impairment losses, if any, reflected to the accompanying unconsolidated financial statements.

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

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

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

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

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

The Bank enters into interest rate and cross currency swap transactions in order to hedge the change in fair values 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 Bank enters into profit share rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under hedging reserves in shareholders' equity, and the ineffective portion is recognised in income statement. The changes recognised in shareholders' equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

The Bank 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.

# 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.)

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

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

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

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

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

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

### VII. Explanations on financial assets

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

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

This category has two sub categories which are "Trading financial assets" and "Financial assets designated at fair value through profit/loss at initial recognition".

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

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

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

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

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

Financial assets available-for-sale gains and losses are valued using internal rate of return and recorded in the income statement as profit share income. Financial assets available-for-sale profit share discounts recognized .

in the profit/share account, current value differences recognized in the "securities value increase fund" under the shareholders' equity. When these securities are disposed of, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

#### c. Loans and receivables:

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

# 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.)

### d. Held to maturity financial assets:

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

### VIII. Explanations on impairment of financial assets

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

#### a. Loans and receivables:

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

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

#### b. Financial assets held to maturity:

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

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

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

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

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

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



# 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.)

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

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

As of 31 December 2016, the Bank has repurchasing agreements amounting to TL 1,219,873 (31 December 2015 - TL 711,542).

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

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

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

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

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

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

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

# 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.)

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

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

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

There is no goodwill related to associates and subsidiaries.

### XIII. Explanations on tangible assets

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

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

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

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

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

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

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

The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

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

### XIV. Explanations on leasing transactions

#### *Bank as a lessee*

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

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

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

# 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.)

### *Bank as a lessor*

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

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

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

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

A provision is provided if liabilities have been originated as a result of past events in the period they arise, if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

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

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

#### **a. Defined benefit plans:**

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

Liabilities amount which is related to "Turkish Accounting Standard on Employee Benefits" ("TAS 19") is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm. Bank is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

#### **b. Defined contribution plans:**

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

#### **c. Short term benefits to employees:**

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

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

# 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.)

### XVII. Explanations on taxation

#### Current tax

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

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

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

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

For the purpose of issuance of certificate of leasing immovables to resource institutions, with the sale of asset leasing companies, the scope of Financial Leasing, Factoring and Financing Companies Law No.6361, dated 21 November 2012 in order to lease it back and in case of taking back at the end of the contract, with the sale of financial leasing companies and asset leasing by asset leasing companies, for gains from the sale of the immovable property inherited from the institution applies this rate as 100% and for the immovable is not compulsory to be in assets at least for a period of two years. But the mentioned immovable's; except in case of failure to fulfill the obligations arising from the source institution, the lesser or leasing agreement, immovable in question by the asset leasing company, in case of selling a third person or institutions, these immovable's with the carrying value before its transfer to resource institution or asset leasing in lesser or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

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

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

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

#### Deferred tax

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



# 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.)

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

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

#### *Borrowing through the rent certificates (Sukuk)*

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

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as "sale and lease back" transaction in accordance with TAS 17. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction is recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. In current period, TL 51,007 (31 December 2015 - TL 48,312) of the aforementioned deferred income is recognized as income in the income statement. The difference accounted as tangible assets mentioned above, will be recognized as expense by accounting under "other expenses" in the income statement during the period of lease.

Rent certificate transaction explained above as issued on 29 October 2011 amounting to USD 350 million is matured as of 31 October 2016.

### **XIX. Explanations on share certificates issued**

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

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

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

### **XXI. Explanations on government grants**

There are no government grants received by the Bank.

### **XXII. Explanations on segment reporting**

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

Segment reporting is disclosed in Section Four, Note X.

### **XXIII. Explanations on other matters**

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

### **XXIV. Additional paragraph for convenience translation**

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

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### SECTION FOUR INFORMATION ON FINANCIAL STRUCTURE

#### I. Explanations and notes on capital adequacy standard ratio

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")" published in the Official Gazette No: 29511 dated 23 October 2015, "Communiqué on Credit Risk Mitigation Techniques" published in the Official Gazette No: 29111 dated 6 September 2014, "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette No: 29511 dated 23 October 2015 and the "Regulation on Equities of Banks" published in the Official Gazette No: 28756 dated 5 September 2013.

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

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

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

Based on the Communiqué concerning "Measurement and Assessment of Capital Adequacy of Banks", the capital adequacy ratio of the Bank is 18.16% (31 December 2015 - 14.23%).

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## 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.)

### a. Components of shareholders' equity:

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,790,000	
Share Premium	22,933	
Reserves	611,342	
Other Comprehensive Income according to TAS	-	
Profit	541,966	
Current Period Profit	541,966	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>3,966,241</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	51,449	
Leasehold Improvements on Operational Leases (-)	47,732	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	57,065	95,108
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,678	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>158,974</b>	
<b>Total Common Equity Tier I Capital</b>	<b>3,807,267</b>	



# 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.)

<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	38,043	95,108
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
<b>Total Deductions from Additional Tier I Capital</b>	<b>38,043</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>3,769,224</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,794,270	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	220,123	
<b>Total Deductions from Tier II Capital</b>	<b>2,014,393</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>2,014,393</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>5,783,617</b>	

# 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.)

<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	5,208
Other items to be Defined by the BRSA (-)	95,439
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>CAPITAL</b>	
Total Capital ( Total of Tier I Capital and Tier II Capital )	5,682,970
Total Risk Weighted Assets	31,286,436
<b>CAPITAL ADEQUACY RATIOS</b>	
CET1 Capital Ratio (%)	12.17
Tier I Capital Ratio (%)	12.05
Capital Adequacy Ratio (%)	18.16
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio	0.63
Capital Conservation Buffer Ratio (%)	0.63
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	6.05
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	220,123
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	220,123
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	-
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

# 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.)

	<b>Prior Period</b>
<b>TIER 1 CAPITAL</b>	<b>3,281,829</b>
Paid-in Capital to be Entitled for Compensation after All Creditors	2,527,322
Share Premium	22,933
Share Cancellation Profits	-
Reserves	341,840
Other Comprehensive Income According to TAS	97,445
Profit	444,681
Current Period Profit	444,681
Prior Period Profit	-
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Tier 1 Capital Before Deductions</b>	<b>3,434,221</b>
<b>Deductions from Tier 1 Capital</b>	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	31,731
Leasehold Improvements on Operational Leases (-)	46,615
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	28,797
Net Deferred Tax Asset/Liability (-)	45,249
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
<b>Total Deductions from Tier I Capital</b>	<b>152,392</b>
<b>Total Tier 1 Capital</b>	<b>3,281,829</b>
<b>ADDITIONAL CORE CAPITAL</b>	<b>-</b>
Preferred Stock not included in Tier 1 Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
<b>Additional Core Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Core Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Core Capital</b>	<b>-</b>
<b>Total Additional Core Capital</b>	<b>-</b>
<b>Deductions from Core Capital</b>	<b>111,070</b>
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	46,780
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	64,290
<b>Total Core Capital</b>	<b>3,170,759</b>

# 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.)

	<b>Prior Period</b>
<b>TIER II CAPITAL</b>	<b>659,168</b>
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	417,402
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	241,766
<b>Tier II Capital Before Deductions</b>	<b>659,168</b>
<b>Deductions from Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>659,168</b>
<b>CAPITAL</b>	<b>3,829,927</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	4,334
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	28,902
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where The Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>EQUITY</b>	<b>3,796,691</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	<b>-</b>
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

# 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.)

### b. Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	2,787,322	2,678	2,790,000	Adjustment related to its own draw backed share of the Bank
Capital Reserves	(28,566)	-	(28,566)	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 (*)
Other Comprehensive Income According to TAS	(51,499)	-	(51,499)	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 (*)
Securities Value Increase Fund	(30,529)	-	(30,529)	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 (*)
Revaluation Surplus on Tangible Assets	-	-	-	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 (*)
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(7,217)	-	(7,217)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	(13,753)	-	(13,756)	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 (*) and inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	-	-	-	
Share Premium	22,933	-	22,933	
Profit Reserves	611,342	-	611,342	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 (*)
Profit or Loss	541,966	-	541,966	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 (*)
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	541,966	-	541,966	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 (*)
Minority Shareholders	-	-	-	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 (*)
Deductions from Common Equity	-	-	-	
Tier I Capital (-)	107,475	-	107,475	Deductions from Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>3,804,589</b>		<b>3,807,267</b>	

# 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.)

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
<b>Tier I Capital</b>			<b>3,769,224</b>	
Subordinated Debts			1,794,270	
General Provisions			220,123	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>2,014,393</b>	
Deductions from Total Capital (-)			100,647	Deductions from Capital as per the Regulation
<b>Total</b>			<b>5,682,970</b>	

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

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

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

### II. Explanations on Credit Risk

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

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

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

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

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits are redefined and additional guarantees are taken and this way the prevention of the bank's loss is aimed. The account statement documents for the loan generations are taken as defined in the legislation. The guarantees are taken within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the allocation decision taken by the credit committee.

# 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.)

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

The positions in the form of futures, options agreements and similar agreements are not held. Indemnified non-cash loans are subject to the same risk weight with the overdue loans in compliance with the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans. The re-scheduled and re-structured loans are followed up in compliance with the methods determined in the relevant legislation.

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

There is no important credit risk concentration when evaluated together with the financial activities of the other financial institutes. The Bank's top 100 and 200 cash loan customers represent 22% and 28% of the total cash loan portfolio, respectively.

The Bank's top 100 and 200 non-cash loan customers represent 44% and 52% of the total non-cash loan portfolio, respectively.

The Bank's top 100 and 200 cash and non-cash loan customers represent 23% and 29% of the total cash and non-cash loan portfolio, respectively.

The general provision for credit risk amounts to TL 318,825 (31 December 2015: TL 334,118).

<b>Exposure Categories (Current Period)</b>	<b>Period end Risk Amount (*)</b>	<b>Average Risk Amount (**)</b>
Conditional and unconditional exposures to central governments or central banks	10,172,133	8,705,754
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	7,362,536	5,113,925
Conditional and unconditional exposures to corporates	8,915,444	11,206,327
Conditional and unconditional retail exposures	5,800,248	4,177,551
Conditional and unconditional exposures secured by real estate property	12,056,561	12,512,656
Past due items	105,359	66,656
Items in regulatory high-risk categories	56,985	69,562
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	83,760	50,501
Equity share investments	-	-
Other items	4,142,032	3,852,013
<b>Total</b>	<b>48,695,058</b>	<b>45,754,945</b>

(\*) Includes total risk amount before the effect of credit risk mitigation but after credit conversions.

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



# 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.)

<b>Exposure Categories (Prior Period)</b>	<b>Period end Risk Amount (*)</b>	<b>Average Risk Amount (**)</b>
Conditional and unconditional exposures to central governments or central banks	5,583,719	5,227,570
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	5,319,390	3,722,023
Conditional and unconditional exposures to corporates	11,873,912	10,700,172
Conditional and unconditional retail exposures	3,747,568	3,701,252
Conditional and unconditional exposures secured by real estate property	10,667,092	10,611,895
Past due items	71,931	68,270
Items in regulatory high-risk categories	233,511	230,667
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	3,555,963	3,643,791
<b>Total</b>	<b>41,053,086</b>	<b>37,905,640</b>

(\*) Includes total risk amount before the effect of credit risk mitigation but after credit conversions.

(\*\*) Average risk amounts are the arithmetical average of the amounts in monthly reports according to the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

# 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.)

### a. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of collective investment undertakings	Other	Total
Domestic	10,172,133	4,304,305	8,782,624	5,789,632	11,889,941	105,284	56,985	69,613	-	41,170,517
European Union (EU)										
Countries	-	1,209,259	1,895	532	19,473	-	-	-	-	1,231,159
OECD Countries(**)	-	433,750	1,174	16	5,143	-	-	-	-	440,083
Off-Shore Banking Regions	-	94,014	21,209	1,691	75,343	-	-	361	-	192,618
USA, Canada	-	395,943	174	21	1,628	-	-	-	-	397,766
Other Countries	-	925,265	108,368	8,356	65,033	75	-	13,786	-	1,120,883
Associates, Subsidiaries and Joint -Ventures	-	-	-	-	-	-	-	-	349,513	349,513
Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	-	3,792,519	3,792,519
<b>Total</b>	<b>10,172,133</b>	<b>7,362,536</b>	<b>8,915,444</b>	<b>5,800,248</b>	<b>12,056,561</b>	<b>105,359</b>	<b>56,985</b>	<b>83,760</b>	<b>4,142,032</b>	<b>48,695,058</b>

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

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

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

Prior Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of collective investment undertakings	Other	Total
Domestic	5,583,719	1,839,724	11,657,449	3,731,555	10,600,110	71,931	233,511	-	-	33,717,999
European Union (EU)										
Countries	-	1,420,697	22,400	3,294	11,439	-	-	-	-	1,457,830
OECD Countries(**)	-	540,571	-	459	4,650	-	-	-	-	545,680
Off-Shore Banking Regions	-	73,398	74,365	2,467	2,898	-	-	-	-	153,128
USA, Canada	-	646,719	-	504	2,726	-	-	-	-	649,949
Other Countries	-	798,281	119,698	9,289	45,269	-	-	-	-	972,537
Associates, Subsidiaries and Joint -Ventures	-	-	-	-	-	-	-	-	299,312	299,312
Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	-	3,256,651	3,256,651
<b>Total</b>	<b>5,583,719</b>	<b>5,319,390</b>	<b>11,873,912</b>	<b>3,747,568</b>	<b>10,667,092</b>	<b>71,931</b>	<b>233,511</b>	<b>3,555,963</b>	<b>41,053,086</b>	

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

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

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

# Kuveyt Türk 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.)

#### b. Risk profile by sectors or counterparties

Current Period <sup>(1)</sup>	Conditional and unconditional receivables from central or central governments banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks	Conditional and unconditional receivables from brokerages and houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSB	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to investment funds	Other receivables	TL	FC	Total
Agriculture	-	-	-	-	-	73,556	91,495	128,003	1,059	5,498	-	-	-	-	-	-	191,842	107,769	299,611
Farming and Stockbreeding	-	-	-	-	-	62,493	52,283	50,874	425	301	-	-	-	-	-	-	100,602	65,774	166,376
Forestry	-	-	-	-	-	110,939	38,621	66,207	592	2,366	-	-	-	-	-	-	78,080	40,745	118,825
Fishery	-	-	-	-	-	24	591	10,982	42	2,831	-	-	-	-	-	-	13,160	1,250	14,410
Manufacturing	-	-	-	-	-	3,731,555	1,373,920	2,165,416	24,298	9,077	-	-	-	-	-	-	2,445,873	4,858,393	7,304,266
Mining and Quarrying	-	-	-	-	-	476,706	269,497	334,786	2,472	1,582	-	-	-	-	-	-	487,378	597,665	1,085,043
Production	-	-	-	-	-	1,881,530	1,020,827	1,720,147	21,386	6,802	-	-	-	-	-	-	1,779,487	2,871,205	4,650,692
Electricity, Gas and Water	-	-	-	-	-	1,373,319	83,596	110,483	440	693	-	-	-	-	-	-	179,008	1,389,523	1,568,531
Construction	10,172,133	-	-	-	-	2,079,689	979,590	2,442,200	20,356	15,440	-	-	-	-	-	-	3,198,215	2,339,060	5,537,275
Services	-	-	-	-	-	2,439,272	1,978,821	3,328,469	36,790	25,739	-	-	-	-	-	-	7,390,605	18,036,914	25,427,520
Wholesale and Retail Trade	-	-	-	-	-	1,161,617	1,334,400	2,127,021	23,811	20,293	-	-	-	-	-	-	2,489,646	2,177,496	4,667,142
Accommodation and Dining	-	-	-	-	-	51,603	52,379	217,081	2,899	2,302	-	-	-	-	-	-	170,604	155,660	326,264
Transportation and Telecom.	-	-	-	-	-	698,823	286,889	319,276	5,006	803	-	-	-	-	-	-	479,165	831,632	1,310,797
Financial Institutions	10,172,133	-	-	-	-	24,139	4,446	24,213	-	-	-	-	-	-	68,760	-	3,540,545	14,130,682	17,671,227
Real Estate and Rental Services	-	-	-	-	-	289,348	46,623	273,481	1,996	-	-	-	-	-	-	-	135,218	476,230	611,448
Professional Services	-	-	-	-	-	32	442	258	-	-	-	-	-	-	-	-	649	83	732
Educational Services	-	-	-	-	-	45,431	19,951	128,116	32	32	-	-	-	-	-	-	129,871	63,691	193,562
Health and Social Services	-	-	-	-	-	168,279	233,691	239,023	3,046	2,309	-	-	-	-	-	-	444,908	201,440	646,348
Others	-	-	-	-	-	591,374	1,376,422	3,992,470	22,856	1,231	-	-	-	-	-	-	4,142,032	7,129,280	2,997,105
<b>Total</b>	<b>10,172,133</b>	-	-	-	-	<b>8,915,446</b>	<b>5,800,248</b>	<b>12,056,558</b>	<b>105,359</b>	<b>56,985</b>	-	-	-	-	<b>83,760</b>	<b>4,142,032</b>	<b>20,355,816</b>	<b>28,339,241</b>	<b>48,695,058</b>

<sup>(1)</sup> Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

# 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.)

Prior Period <sup>(*)</sup>	Conditional and unconditional receivables from central or local governments banks	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral bank development	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from brokerage houses	Conditional and unconditional receivables from retail	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSAs	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	163,156	59,929	83,186	1,105	752										241,067	67,061	308,128
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Construction</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	5,583,719	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Telecom.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	5,583,719	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Others</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,583,719</b>	<b>11,873,912</b>	<b>3,747,568</b>	<b>71,931</b>	<b>10,667,092</b>	<b>1,131,322</b>	<b>4,190,297</b>	<b>9,591</b>	<b>211,161</b>	<b>4,400</b>	<b>16,190</b>	<b>4,466,247</b>	<b>5,127,209</b>	<b>3,555,963</b>	<b>26,258,037</b>	<b>14,795,050</b>	<b>41,053,086</b>

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

# 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.)

### c. Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Categories <sup>(*)</sup> - Current Period	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	1,181,398	-	-	-	2,843,165
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	117,994	749,327	478,971	151,718	1,166,445
Conditional and unconditional exposures to corporates	1,703,371	245,383	449,780	793,041	5,697,019
Conditional and unconditional retail exposures	566,460	194,535	444,758	934,129	3,499,088
Conditional and unconditional exposures secured by real estate property	330,512	131,511	295,867	1,042,870	10,255,801
Past due exposures					
Items in regulatory high-risk categories	26,038	2,830	4,630	6,552	16,935
Items in regulatory high-risk categories					
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	4,073	6,282	19,101	6,027	48,277
Other items	-	-	-	-	-
<b>Total</b>	<b>3,929,846</b>	<b>1,329,868</b>	<b>1,693,107</b>	<b>2,934,337</b>	<b>23,526,730</b>

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

# 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.)

Exposure Categories (*) Prior Period	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	-	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,656,109	10,676	7,051	58	62,003
Conditional and unconditional exposures to corporates	2,594,417	799,666	1,176,863	1,914,405	5,309,618
Conditional and unconditional retail exposures	309,999	276,831	459,285	680,940	1,749,110
Conditional and unconditional exposures secured by real estate property	290,258	375,670	656,172	1,334,167	8,010,825
Past due items					
Items in regulatory high-risk categories	11,879	841	1,721	2,076	216,993
Items in regulatory high-risk categories					
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings					
Other items	63,483	-	7,455	-	-
<b>Total</b>	<b>4,926,145</b>	<b>1,463,684</b>	<b>2,308,547</b>	<b>3,931,646</b>	<b>15,348,549</b>

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

# 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.)

### d. Exposure Categories

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

The ratings of an international credit rating institution are used for Banks and Corporate Receivables and being limited to the receivables in which the counter party resides abroad The banks and institutions residing in the country are evaluated without rating.

“Credit Quality Levels” corresponding to the ratings of the credit rating institution are given in the following table.

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

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



# Kuveyt Türk 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.)

### e. Credit risk using the standard approach:

Credit risk exposed and credit risk mitigation effects:

Risk Classes	Receivable before CCF and CRM		Receivable post- CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Receivables from central governments and Central Banks	8,990,735	-	8,990,735	-	3,364,644	37
2 Receivables from regional and local government	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	6,699,629	1,338,212	6,699,629	451,861	3,117,746	44
7 Receivables from corporate	6,276,910	5,326,477	6,276,910	2,626,262	8,789,776	99
8 Retail receivables	4,259,275	4,335,868	4,259,275	1,538,925	4,271,246	74
9 Receivables secured by residential property	5,176,958	642,906	5,176,958	238,600	1,885,452	35
10 Receivables secured by commercial property	6,178,648	1,001,579	6,178,648	452,901	4,176,281	63
11 Non-performing receivables	105,359	-	105,359	-	89,527	85
12 Receivables in high-risk categories	56,985	-	56,985	-	85,478	150
13 Mortgage-backed securities	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	83,760	-	83,760	-	39,005	47
16 Other receivables	4,142,032	-	4,142,032	-	1,822,847	44
17 Equity share investments	-	-	-	-	-	-
<b>18 Total</b>	<b>41,970,291</b>	<b>12,645,042</b>	<b>41,970,291</b>	<b>5,308,549</b>	<b>27,642,002</b>	<b>678</b>

# 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.)

### Exposures by asset classes and risk weights:

	0%	10%	20%	50%	75%	100%	150%	200%	Others *	Total risk amount (post-CCF and CRM)
<b>Risk Classes / Risk Weights *</b>										
1 Receivables from central governments and Central Banks	2,245,952	-	25,824	6,718,959	-	-	-	-	-	8,990,735
2 Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	9,456	1,831,157	5,118,960	-	-	191,680	237	-	-	7,151,490
7 Receivables from corporate	50,136	79,075	8,773,961	-	-	-	-	-	-	8,903,172
8 Retail receivables	74,628	38,968	5,684,604	-	-	-	-	-	-	5,798,200
9 Receivables secured by residential property	21,702	15,983	-	-	-	-	-	-	5,377,873	1,885,452
10 Receivables secured by commercial property	33,251	68,235	4,734,858	-	-	1,795,205	-	-	-	4,176,281
11 Non-performing receivables	-	2	31,650	-	-	73,702	-	-	-	89,527
12 Receivables in high-risk categories	-	-	-	-	-	-	56,985	-	-	85,478
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	17,205	3,662	49,241	-	-	13,652	-	-	-	39,005
16 Equity share investments	-	-	-	-	-	-	-	-	-	-
17 Other receivables	2,303,466	-	19,657	-	-	1,818,914	-	-	-	1,822,847
<b>18 Total</b>	<b>4,755,796</b>	<b>-</b>	<b>2,082,563</b>	<b>16,653,668</b>	<b>5,684,604</b>	<b>12,667,114</b>	<b>57,222</b>	<b>-</b>	<b>5,377,873</b>	<b>47,278,840</b>

# 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.)

### f. Risk amounts according to risk weights:

#### Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Exposures before Credit Risk Mitigation	4,576,074	-	1,880,300	5,415,558	16,732,966	5,798,200	12,818,520	57,222	-	100,647
Exposures after Credit Risk Mitigation	4,755,796	-	2,082,563	5,377,873	16,653,668	5,684,604	12,667,114	57,222	-	100,647

#### Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Exposures before Credit Risk Mitigation	7,816,812	-	4,619,478	-	9,640,423	3,745,657	14,997,001	129,019	104,695	33,236
Exposures after Credit Risk Mitigation	8,183,508	-	4,619,478	-	9,640,423	3,655,406	14,720,661	128,915	104,695	33,236

### g. Information by major sectors and type of counterparties

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

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

Current Period	Credits		Provisions	
	Impaired Credits	Past due Credits	Value Adjustments (*)	Provisions
<b>Agriculture</b>	<b>12,911</b>	<b>7,418</b>	<b>149</b>	<b>6,356</b>
Farming and Stockbreeding	2,096	2,880	59	1,371
Forestry	5,496	3,700	74	2,538
Fishery	5,319	838	16	2,447
<b>Manufacturing</b>	<b>151,649</b>	<b>356,287</b>	<b>7,237</b>	<b>118,278</b>
Mining and Quarrying	40,872	101,654	1,958	36,822
Production	107,475	245,392	5,067	79,288
Electricity, Gas and Water	3,302	9,241	212	2,168
<b>Construction</b>	<b>207,297</b>	<b>329,181</b>	<b>6,821</b>	<b>171,501</b>
<b>Services</b>	<b>304,037</b>	<b>556,834</b>	<b>11,171</b>	<b>241,443</b>
Wholesale and Retail Trade	225,312	361,914	7,209	181,142
Accommodation and Dining	11,949	49,255	1,015	6,748
Transportation and Telecommunication	43,191	73,849	1,505	37,382
Financial Institutions	-	43	1	-
Real Estate and Rental Services.	7,244	33,227	643	5,248
Professional Services	-	-	-	-
Educational Services	1,106	6,629	133	1,042
Health and Social Services	15,235	31,917	665	9,881
<b>Others</b>	<b>72,168</b>	<b>294,429</b>	<b>5,685</b>	<b>48,145</b>
<b>Total</b>	<b>748,062</b>	<b>1,544,149</b>	<b>31,063</b>	<b>585,723</b>

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

Prior Period	Credits		Provisions	
	Impaired Credits	Past due Credits	Value Adjustments (*)	Provisions
Agriculture	6,600	5,595	239	5,166
Farming and Stockbreeding	2,942	2,269	90	2,067
Forestry	3,096	2,238	101	2,567
Fishery	562	1,088	48	532
<b>Manufacturing</b>	<b>98,473</b>	<b>255,518</b>	<b>10,558</b>	<b>75,743</b>
Mining and Quarrying	12,073	47,454	2,159	9,212
Production	86,085	198,159	8,004	66,437
Electricity, Gas and Water	315	9,905	395	94
<b>Construction</b>	<b>66,057</b>	<b>346,333</b>	<b>13,421</b>	<b>49,253</b>
<b>Services</b>	<b>150,694</b>	<b>421,770</b>	<b>16,898</b>	<b>100,763</b>
Wholesale and Retail Trade	114,725	297,211	12,799	79,192
Accommodation and Dining	3,208	16,451	581	2,240
Transportation and Telecommunication	18,316	64,514	2,005	10,197
Financial Institutions	-	2,007	53	-
Real Estate and Rental Services.	2,360	14,114	585	902
Professional Services	-	-	-	-
Educational Services	101	243	9	49
Health and Social Services	11,984	27,230	866	8,183
<b>Others</b>	<b>120,695</b>	<b>189,335</b>	<b>4,526</b>	<b>87,135</b>
<b>Total</b>	<b>442,519</b>	<b>1,218,551</b>	<b>45,642</b>	<b>318,060</b>

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

#### h. Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	318,060	461,561	(57,039)	(136,859)	585,723
General Provisions	334,118	-	(15,293)	-	318,825

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	409,218	325,274	(83,247)	(333,185)	318,060
General Provisions	240,776	93,342	-	-	334,118

(\*) Represents written-off 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.)

### i. Risk involved in counter-cyclical capital buffer calculation

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	19,123,206	-	19,123,206
Bahrain	46,600	-	46,600
Saudi Arabia	45,215	-	45,215
Marshall Islands	23,913	-	23,913
Albania	21,803	-	21,803
Kuwait	12,055	-	12,055
Uzbekistan	8,469	-	8,469
Burundi	5,739	-	5,739
United Arab Emirates	5,375	-	5,375
Germany	4,973	-	4,973
Other	18,941	-	18,941

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

The bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings 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%

### III. Explanations on currency risk

Foreign currency risk represents the Bank's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to Standard Method.

The Bank monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross exchange rate risk within the position. As a tool of foreign currency risk management, foreign currency forward transactions are used when necessary to mitigate the risk.

As of 31 December 2016, the Bank carries a net foreign currency long position of TL 40,832 (31 December 2015 - TL 52,807 long position) comprising of TL 4,193,214 balance sheet long position (31 December 2015 - TL 952,092 long position) and TL 4,152,382 off balance sheet short position (31 December 2015 - TL 899,285 short position).

# 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.)

The announced current foreign exchange buying rates of the Bank as of 31 December 2016 and the previous five working days are as follows (full TL):

	<b>26/12/2016</b>	<b>27/12/2016</b>	<b>28/12/2016</b>	<b>29/12/2016</b>	<b>30/12/2016</b>	<b>Balance sheet evaluation rate</b>
USD	3.5077	3.5041	3.5135	3.5329	3.5318	3.5192
EURO	3.6647	3.6639	3.6711	3.6901	3.6939	3.7099
GBP	4.2962	4.2963	4.3040	4.3231	4.3222	4.3189
CHF	3.4116	3.4075	3.4090	3.4277	3.4393	3.4454
100 JPY	0.0298	0.0299	0.0299	0.0300	0.0303	0.0300

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days preceding the balance sheet date are as follows (full TL):

	<b>Monthly average FC purchase rate</b>
USD	3.4822
EUR	3.6767
GBP	4.3424
CHF	3.4096
100 JPY	0.0300

# 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.)

### Currency risk of the Bank:

	EURO	USD	Other FC	Total
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	701,034	4,636,644	2,269,747	7,607,425
Banks	4,053,523	425,655	204,519	4,683,697
Financial assets at fair value through profit and loss	-	37,830	-	37,830
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	1,760,887	-	1,760,887
Loans and finance lease receivables (*)	4,247,602	8,502,920	107,626	12,858,148
Subsidiaries, associates and joint ventures (**)	-	270,560	-	270,560
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	89	-	89
Intangible assets	-	-	-	-
Other assets	416,201	17,685	240	434,126
<b>Total assets</b>	<b>9,418,360</b>	<b>15,652,270</b>	<b>2,582,132</b>	<b>27,652,762</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	36,542	129,933	440,108	606,583
Current and profit sharing accounts FC (****)	2,903,442	8,424,527	2,023,589	13,351,558
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	95,550	8,636,152	638,997	9,370,699
Marketable securities issued	-	-	-	-
Miscellaneous payables	4,346	20,203	414	24,963
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	27,638	53,762	24,345	105,745
<b>Total liabilities</b>	<b>3,067,518</b>	<b>17,264,577</b>	<b>3,127,453</b>	<b>23,459,548</b>
Net balance sheet position	6,350,842	(1,612,307)	(545,321)	4,193,214
Net off-balance sheet position	(6,447,687)	1,761,924	533,381	(4,152,382)
Financial derivative assets	311,483	3,966,378	1,158,845	5,436,706
Financial derivative liabilities	6,759,170	2,204,454	625,464	9,589,088
Non-cash loans (****)	1,653,385	2,698,112	360,108	4,711,605
<b>Prior period</b>				
Total assets	5,412,877	15,092,420	1,963,637	22,468,934
Total liabilities	2,873,661	16,565,606	2,077,575	21,516,842
Net balance sheet position	2,539,216	(1,473,186)	(113,938)	952,092
Net off-balance sheet position	(2,626,021)	1,630,857	95,879	(899,285)
Financial derivative assets	433,025	4,183,696	1,038,566	5,655,287
Financial derivative liabilities	3,059,046	2,552,839	942,687	6,554,572
Non-cash loans (****)	1,391,637	2,607,319	319,972	4,318,928

(\*) Includes foreign currency indexed loans amounting to TL 7,272,665 (31 December 2015 - TL 6,353,696 ) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (31 December 2015 - TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 3,592,926 on the balance sheet and TL 349,513 (31 December 2015 - TL 221,109) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 270,560 on the balance sheet.

(\*\*\*) Does not have any effect to the net off-balance sheet position.

(\*\*\*\*) Precious metals are included in "Other FC" column.

(\*\*\*\*\*) General provision for FC indexed loans amount of TL 30,177 included in Other Liabilities. General loan provisions for the Bank's share and provisions for financial assets at fair value through profit and loss amount of TL 73,702 and TL 548 respectively are not included in currency risk of the Bank.



# 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.)

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below;

- Derivative financial assets held for trading TL 87,833 (31 December 2015 - TL 32,613)
- Prepaid expenses : TL 646 (31 December 2015 - TL 1,343)
- Derivative financial liabilities held for trading : TL 79,147 (31 December 2015 - TL 61,561)
- Marketable securities of FC revaluation reverse: TL 30,347 (31 December 2015 - TL 3,831)
- Derivative financial liabilities held for hedging : TL 137,829 (31 December 2015- TL 98,650)

Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions that are amounting to;

- Forward foreign currency purchase transactions TL 306,728 (31 December 2015 - TL 257,398)
- Forward foreign currency sale transactions: TL 403,440 (31 December 2015 - TL 223,967)

### Currency risk sensitivity:

The bank is mainly exposed to foreign currency risk in EURO, USD and GOLD.

The following table shows the bank's sensitivity to 10% change both USD, EURO and GOLD exchange rate.

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current period	Prior period	Current period	Prior period
USD	10%	14,962	15,767	11,927	15,384
EURO	10%	(9,685)	(8,681)	(9,685)	(8,681)
GOLD	10%	(11,023)	33,967	(11,023)	33,967

### IV. Explanations on position risk of equity securities in banking book

#### a. Relation of risks with gains accounted under equity and analyzing according to their aims including strategic reasons and the accounting policies applied and general information about valuation techniques with assumptions in this application, the elements that manipulate valuation and important changes:

The Bank's non-quoted securities are accounted for fair value. When the fair value cannot be reliably measured, the cost method is used.

# 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.)

### b. Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:

Current Period Equity Securities (Shares)		Comparison	
	Carrying Value	Fair Value	Market Value
<b>1 Securities Available-for-Sale (*)</b>	<b>53,485</b>	-	-
Quoted Securities	-	-	-
<b>2 Investments in Associates</b>	-	-	-
Quoted Securities	-	-	-
<b>3 Investment in Subsidiaries</b>	<b>349,513</b>	-	-
Quoted Securities	50,173	-	-
<b>4 Other</b>	<b>20,000</b>	-	-
Quoted Securities	-	-	-
Prior Period Equity Securities (Shares)		Comparison	
	Carrying Value	Fair Value	Market Value
<b>1 Securities Available-for-Sale (*)</b>	<b>64,815</b>	-	-
Quoted Securities	-	-	-
<b>2 Investment in Subsidiaries</b>	-	-	-
Quoted Securities	-	-	-
<b>3 Investments in Associates</b>	<b>299,312</b>	-	-
Quoted Securities	50,173	-	-
<b>4 Other</b>	<b>15,500</b>	-	-
Quoted Securities	-	-	-

c. Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals: None.

### V. Explanations on liquidity risk

The liquidity risk of the Bank is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. It has been evaluated in two main categories:

Funding Liquidity Risk: It is a kind of risk which does not meet the any unexpected loss and non defaulting debts and liabilities.

Market Liquidity Risk: It is a kind of risk which consists of the position that cannot be sold without affecting market price due to insufficient market depth or market conditions' deterioration or that cannot be completed with the position of market price for any reasons.

### a. Information on risk capacity of the Bank, Responsibilities and structure of liquidity risk management, the Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Market Management Policies and Practices approved by Board of Directors. The Bank's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet its liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Bank, with its strong capital structure and its main shareholder is Kuwait Finance House's support, spread the base of current and participation accounts and be stable, diversified sources of foreign borrowing has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Bank which meets its cash outflows with the high-quality liquid assets is evaluated as high.

# 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.)

Senior management in the ALCO meetings are analyzed indicators of the liquidity situation and liquidity risk are weekly discussed. In addition, the Board of Directors are informed through the Audit Committee.

For the management of liquidity risk, the Risk Management Department follows the funding and liquidity risks, market conditions, in the participating accounts, the distribution of different currencies, maturity, cost and expected future cash flow requirements (particularly with regard to large deposits). Reports on the liquidity gap analysis prepared weekly by Budget and Management Reporting and monitored by the Asset and Liability Committee. These units also estimate the possible liquidity needs of the Bank in case of urgent situations and generate action plans based on these estimates. Risk Management Department follows the limits on liquidity risk determined by the Board of Directors. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenarios on liquidity position of the Bank. The Treasury Group Management manages the liquidity risk and funding risk in order to prevent insufficiencies of funding relating to any time or any source and makes reports related with the liquidity position to Asset and Liability Committee regularly. External Reporting Directorate tracks the liquidity coverage ratio and the results are reported to the BRSA.

### **b. Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries:**

The Bank's liquidity management is performed by the Asset and Liability Management. Depending on the Bank's consolidated subsidiaries are subject to liquidity risk is managed in-house, but the necessary communication and coordination within the Assistant General Manager in charge of Treasury and International Banking are provided.

### **c. Information on the Bank's funding strategy including the policies on funding types and variety of maturities:**

Bank spread to the base of current and participation accounts and that a stable, long-term diversification and aims to be the source of the funds used. Ratio of liquid assets to total assets ratio and risk indicators related to liquidity, credit and the ratio of funds, issues such as the concentration in collected funds are being closely monitored.

### **ç. Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:**

Almost all total liabilities of the Bank consists of the Turkish Lira, American Dollar, Euro, Malaysian Ringgit, or Gold. TL liquidity of the Bank is managed through the open market transactions implemented by the Central Bank of the Turkish Republic and interbank operations. Liabilities in the form of TL are used in order to fund assets in the form of TL, assets in the form of TL are generated through foreign exchange based funds with swap operations if necessary. Foreign currency funds are provided with the foreign sourced credits in the form of foreign currency and sukuk-financial certificates issued. Liquidity in the form of foreign currency is kept at the interbank operations and accounts of the corresponding bonds within the limits. Liabilities in the form of Gold are kept at the required reserve accounts of the Central Bank of the Turkish substantially.

### **d. Information on liquidity risk mitigation techniques:**

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposits. In addition, core deposit analysis is performed and concentration on collected funds are closely monitored.

### **e. Information on the use of stress tests:**

In order to analyze the source of the possible liquidity insufficiencies and whether conformably move exists on existing off-balance sheet and balance sheet positions relevant with liquidity risk expectation, 3 types liquidity stress tests are applied by Risk Management Directorate. These includes stress test scenarios are special to the Bank, related with the overall market or scenarios take in consideration both of the situations. Stress tests related with liquidity risk are repeated at monthly periods. Results are tracked with key risk indicators and monitored by Senior Management.

# 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.)

### f. General information on urgent and unexpected liquidity situation plans:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the Executive Risk Committee. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. Indicators of Liquidity Contingency Plan were determined, in case of unexpected progress at the liquidity situation occur or at situations trigger of other indicators, plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

### Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Bank's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that is mentioned is included the maturity analysis however it is not included the balance sheet value of financial liabilities at the balance sheet.

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
<b>31 December 2016</b>								
Collective Fundings	27,773,102	3,115,215	1,001,456	11,990	-	31,901,763	-	31,901,763
Other Fundings	632,736	1,065,036	2,389,249	6,179,530	1,669,596	11,936,147	(1,917,680)	10,018,467
Funds provided under repurchase agreements	1,258,349	-	-	-	-	1,258,349	(38,476)	1,219,873
Borrowings from								
Leasings	-	-	229	-	-	229	(3)	226
<b>Total</b>	<b>29,664,187</b>	<b>4,180,251</b>	<b>3,390,934</b>	<b>6,191,520</b>	<b>1,669,596</b>	<b>45,096,488</b>	<b>(1,956,159)</b>	<b>43,140,329</b>
<b>31 December 2015</b>								
Collective Fundings	23,937,773	3,164,868	1,009,467	10,558	-	28,122,666	-	28,122,666
Other Fundings	609,987	822,872	4,168,707	2,570,379	613,859	8,785,804	(684,391)	8,101,413
Funds provided under repurchase agreements	712,538	-	-	-	-	712,538	(996)	711,542
Borrowings from								
Leasings	-	-	421,510	-	-	421,510	(19,520)	401,990
<b>Total</b>	<b>25,260,298</b>	<b>3,987,740</b>	<b>5,599,684</b>	<b>2,580,937</b>	<b>613,859</b>	<b>38,042,518</b>	<b>(704,907)</b>	<b>37,337,611</b>

# 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.)

### Maturity analysis for guarantees and contingencies:

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
<b>31 December 2016</b>								
Letters of Guarantee	3,913,667	166,539	572,861	1,876,238	1,471,708	113,831	-	8,114,844
Bills of Exchange and Bank Acceptances	148	5,407	15,320	28,850	2,319	-	-	52,044
Letters of Credit	369,976	76,908	247,672	268,172	57,058	-	-	1,019,786
Other guarantees	151,402	263	2,284	302,238	220,284	-	-	676,471
Pre-financings given as guarantee	25,642	-	-	-	-	-	-	25,642
<b>Total</b>	<b>4,460,835</b>	<b>249,117</b>	<b>838,137</b>	<b>2,475,498</b>	<b>1,751,369</b>	<b>113,831</b>		<b>9,888,787</b>

<b>31 December 2015</b>								
Letters of Guarantee	3,298,997	121,122	515,800	1,665,444	1,612,979	125,318	-	7,339,660
Bills of Exchange and Bank Acceptances	84,108	-	-	-	-	-	-	84,108
Letters of Credit	1,018,404	-	233	3,763	6,864	-	-	1,029,264
Other guarantees	332,410	1,208	21,352	3,024	124,006	-	-	482,000
Pre-financings given as guarantee	21,290	-	-	-	-	-	-	21,290
<b>Total</b>	<b>4,755,209</b>	<b>122,330</b>	<b>537,385</b>	<b>1,672,231</b>	<b>1,743,849</b>	<b>125,318</b>		<b>8,956,322</b>

### Contractual maturity analysis of derivative instruments:

	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
<b>31 December 2016</b>						
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	7,742,474	1,354,727	232,490	-	-	9,329,691
Exit	7,751,615	1,351,680	223,921	-	-	9,327,216
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Entry	-	-	-	628,152	-	628,152
Exit	-	-	-	762,972	-	762,972
<b>Total Cash Inflow</b>	<b>7,742,474</b>	<b>1,354,727</b>	<b>232,490</b>	<b>628,152</b>	<b>-</b>	<b>9,957,843</b>
<b>Total Cash Outflow</b>	<b>7,751,615</b>	<b>1,351,680</b>	<b>223,921</b>	<b>762,972</b>	<b>-</b>	<b>10,090,188</b>

# 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.)

31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	4,263,483	998,257	995,576	291	-	6,257,607
Exit	4,272,317	998,665	1,017,644	323	-	6,288,949
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Entry	-	-	-	542,440	-	542,440
Exit	-	-	-	630,376	-	630,376
<b>Total Cash Inflow</b>	<b>4,263,483</b>	<b>998,257</b>	<b>995,576</b>	<b>542,731</b>	<b>-</b>	<b>6,800,047</b>
<b>Total Cash Outflow</b>	<b>4,272,317</b>	<b>998,665</b>	<b>1,017,644</b>	<b>630,699</b>	<b>-</b>	<b>6,919,325</b>

### Liquidity Coverage Ratio

Current Period	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High-Quality Liquid Assets</b>				
1 Total high-quality liquid assets (HQLA)	7,248,378	6,328,808	6,144,352	5,224,782
<b>Cash Outflows</b>				
2 Retail deposits and deposits from small business customers, of which:	23,479,779	9,318,830	1,517,332	597,257
3 Stable deposits	16,612,915	6,692,505	830,646	334,625
4 Less stable deposits	6,866,864	2,626,325	686,686	262,632
5 Unsecured wholesale funding, of which:	6,214,737	2,217,841	3,845,879	934,698
6 Operational deposits	2,319,448	1,241,513	579,862	310,379
7 Non-operational deposits	2,213,026	912,697	1,583,754	560,688
8 Unsecured funding	1,682,263	63,631	1,682,263	63,631
9 Secured wholesale funding	-	-	-	-
10 Other cash outflows of which	5,309,816	2,511,422	424,294	274,342
11 Outflows related to derivative exposures and other collateral requirements	10,561	-	10,561	-
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,299,255	2,511,422	413,733	274,342
14 Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
<b>16 Total Cash Outflows</b>			<b>5,787,505</b>	<b>1,806,297</b>
<b>Cash Inflows</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	4,589,956	4,468,844	662,942	595,905
19 Other cash inflows	44,971	3,350,234	44,971	3,350,234
<b>20 Total Cash Inflows</b>	<b>4,634,927</b>	<b>7,819,078</b>	<b>707,913</b>	<b>3,946,139</b>
Total Adjusted Value				
<b>21 Total HQLA</b>			<b>6,144,352</b>	<b>5,224,782</b>
<b>22 Total Net Cash Outflows</b>			<b>5,079,592</b>	<b>451,574</b>
23 Liquidity Coverage Ratio (%)			120,96	1,157.02

<sup>(\*)</sup> The average of last three months' liquidity coverage ratio calculated by quarterly and weekly simple averages.

# 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.)

The table below presents highest, lowest and average liquidity coverage ratios as of 31 December 2016:

	Highest	Date	Lowest	Date	Average
TL+FC	294.78	08.01.2016	110.53	30.12.2016	166,66
FC	1,498.10	05.08.2016	393.39	25.03.2016	1,132.26

Prior Period	Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)			
	TL+FC	FC	TL+FC	FC		
<b>High-Quality Liquid Assets</b>						
1	Total high-quality liquid assets (HQLA)		7,152,259	6,495,841	5,892,554	5,236,137
<b>Cash Outflows</b>						
2	Retail deposits and deposits from small usiness customers, of which:		20,207,987	9,032,118	1,283,873	571,159
3	Stable deposits		14,738,520	6,641,070	736,926	332,054
4	Less stable deposits		5,469,467	2,391,048	546,947	239,105
5	Unsecured wholesale funding, of which:		5,117,630	2,361,450	2,829,696	984,199
6	Operational deposits		1,695,445	896,461	423,861	224,115
7	Non-operational deposits		2,025,354	1,413,310	1,027,916	708,405
8	Unsecured funding		1,396,831	51,679	1,377,919	51,679
9	Secured wholesale funding		-	-	-	-
10	Other cash outflows of which		5,513,306	3,014,714	649,792	500,221
11	Outflows related to derivative exposures and other collateral requirements		25,821	-	25,821	-
12	Outflows related to restructured financial instruments		-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets		5,487,485	3,014,714	623,971	500,221
14	Other revocable off-balance sheet commitments and contractual obligations		-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations		-	-	-	-
<b>16</b>	<b>Total Cash Outflows</b>				<b>4,763,361</b>	<b>2,055,579</b>
<b>Cash Inflows</b>						
17	Secured receivables		-	-	-	-
18	Unsecured receivables		5,100,784	4,292,418	1,230,262	829,902
19	Other cash inflows		69,691	617,479	69,691	617,479
20	Total Cash Inflows		5,170,475	4,909,897	1,299,953	1,447,381
					<b>Total Adjusted Value</b>	
<b>21</b>	<b>Total HQLA</b>				<b>5,892,554</b>	<b>5,236,137</b>
<b>22</b>	<b>Total Net Cash Outflows</b>				<b>3,463,409</b>	<b>645,360</b>
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>				<b>170.14</b>	<b>811.35</b>

(\*) The average of last three months' liquidity coverage ratio calculated by quarterly and weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the year 2015:

	Highest	Date	Lowest	Date	Average
TL+FC	318.35	27.03.2015	166.26	02.01.2015	227.12
FC	991.79	11.12.2015	181.55	02.01.2015	565.20



# 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.)

### Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated <sup>(*)</sup>	Total
<b>Current period</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	2,631,152	5,671,900	-	-	-	-	-	8,303,052
Banks	4,698,081	-	-	-	-	-	-	4,698,081
Financial assets at fair value through profit and loss	-	69,433	72,561	11,804	12,176	-	-	165,974
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	1,393,256	443,349	41,275	1,314,088	300,154	100,804	3,592,926
Loans <sup>(*)</sup>	-	5,024,985	3,850,704	9,698,958	9,644,085	1,575,913	162,339	29,956,984
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	411,728	271,885	97,712	-	118,112	-	860,501	1,759,938
<b>Total assets</b>	<b>7,740,961</b>	<b>12,431,459</b>	<b>4,464,326</b>	<b>9,752,037</b>	<b>11,088,461</b>	<b>1,876,067</b>	<b>1,123,644</b>	<b>48,476,955</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	603,760	7,816	-	513	-	-	-	612,089
Current and profit sharing accounts	11,375,407	15,786,119	3,115,215	1,000,943	11,990	-	-	31,289,674
Funds provided from other financial institutions	-	624,257	982,531	2,088,598	5,055,542	1,267,765	-	10,018,693
Money market borrowings	-	1,219,873	-	-	-	-	-	1,219,873
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	105,920	52,044	-	-	-	-	-	157,964
Other liabilities <sup>(**)</sup>	-	445,759	97,132	4,138	137,829	-	4,493,804	5,178,662
<b>Total liabilities</b>	<b>12,085,087</b>	<b>18,135,868</b>	<b>4,194,878</b>	<b>3,094,192</b>	<b>5,205,361</b>	<b>1,267,765</b>	<b>4,493,804</b>	<b>48,476,955</b>
Net liquidity gap	(4,344,126)	(5,704,409)	269,448	6,657,845	5,883,100	608,302	(3,370,160)	-
<b>Prior period</b>								
Total assets	6,108,054	10,768,415	4,529,611	8,790,170	9,571,272	1,280,626	1,004,359	42,052,507
Total liabilities	9,395,700	16,451,251	3,999,249	5,430,098	2,251,818	589,726	3,934,665	42,052,507
Net liquidity gap	(3,287,646)	(5,682,836)	530,362	3,360,072	7,319,454	690,900	(2,930,306)	-

<sup>(\*)</sup> This line also includes receivables from leasing transactions.

<sup>(\*\*)</sup> Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, joint ventures, stationary supplies and prepaid expenses are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions balances.

# 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.)

### VI. Explanations on leverage ratio

#### Leverage ratio:

The leverage ratio table prepared in accordance with the communiqué "Regulation on Measurement and Assessment of Leverage Ratios of Banks" published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

	Current Period (*)	Prior Period (*)
<b>On-balance sheet assets</b>		
1 On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	47,311,644	42,388,827
2 (Assets deducted in determining Tier I capital)	(174,164)	(212,131)
3 Total on-balance sheet risks (sum of lines 1 and 2)	44,137,480	42,176,696
<b>Derivative financial instruments and credit derivatives</b>		
4 Replacement cost associated with all derivative instruments and credit derivatives	90,391	-
5 Add-on amounts for PFE associated with all derivative instruments and credit derivatives	115,612	99,214
6 Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	206,003	99,214
<b>Securities or commodity financing transactions (SCFT)</b>		
7 Risks from SCFT assets (excluding on-balance sheet)	247,175	673,233
8 Risks from brokerage activities related exposures	-	-
9 Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	247,175	673,233
<b>Other off-balance sheet transactions</b>		
10 Gross notional amounts of off-balance sheet transactions	41,996,650	37,197,875
11 (Adjustments for conversion to credit equivalent amounts)	(24,926,904)	(22,663,134)
12 Total risks of off-balance sheet items (sum of lines 10 and 11)	17,069,746	14,534,741
<b>Capital and total risks</b>		
13 Tier I capital	3,738,167	3,189,730
14 Total risks (sum of lines 3, 6, 9 and 12)	64,660,404	57,483,884
<b>Leverage ratio</b>		
15 Leverage ratio	5.78	5.55

(\*) Amounts in the table are three-month average amounts.

In standalone, the Bank's balance sheet date in the last days of the past three months, calculated on the basis of the arithmetic average of the nominal value in the leverage ratio was 5.78% (31 December 2015 - 5.55%) were realized. The main reason for the changes compared to the previous period compared to other off-balance sheet items is higher than the increase in risk item. According to this, while balance sheet items not increased, the core capital was increased by 17.19% due to increase in profit, off balance sheet items showed a 17.44% increase. Accordingly, the leverage ratio of the current period compared to the previous year shows an increase of 23 basis points.

# 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.)

### VII. Explanations on fair values of financial assets and liabilities

The table summarizes the book value and fair value of the financial assets and liabilities that were not accounted by the values in Bank's financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

Current Period	Book Value		Fair Value	
	Current period	Prior period	Current period	Prior period
<b>Financial Assets</b>				
Banks	4,698,081	3,583,494	4,698,081	3,583,494
Financial assets available for sale	3,592,926	2,330,367	3,592,926	2,330,367
Loans and lease receivables	29,794,645	26,909,401	29,519,251	27,568,091
<b>Financial Liabilities</b>				
Current account and funds collected from banks via participation accounts.	612,089	428,687	612,089	428,687
Other current and profit sharing accounts	31,289,674	27,693,979	31,289,674	27,693,979
Money market balances	1,219,873	711,542	1,219,873	711,542
Funds provided from other financial institutions	10,018,467	8,101,413	10,564,148	8,273,059
Miscellaneous payables	157,964	118,978	157,964	118,978
Payables from leasing transactions	226	401,990	214	404,147

The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, available for sales financial assets and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

### VIII. Explanations on the activities carried out on behalf and account of other persons

The Bank does not perform purchases, sales and custody services in the name of others. The Bank has no fiduciary based transactions.

### IX. Explanations on risk management

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee ("ALCO") and the Risk Management Department ("RMD") which has been composed in order to manage systemic risks that the Bank is exposed. The Board of Directors is the owner of the Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Bank's Risk Management System is to identify, measure, monitor and control the risks that the Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level & the quality of related activities.

# 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.)

### a. Explanations on risk management and risk weighted amounts:

#### 1. Risk weighted amounts:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period 31.12.2016	Prior Period 31.12.2015	Current Period 31.12.2016
1 Credit risk (excluding counterparty credit risk) (CCR) <sup>(*)</sup>	27,602,997	23,609,084	2,208,240
2 Of which standardised approach (SA)	27,642,002	23,609,084	2,211,360
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	94,652	15,602	7,572
5 Of which standardised approach for counterparty credit risk (SA-CCR)	94,652	15,602	7,572
6 Of which internal model method (IMM)	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8 Equity investments in funds - look-through approach	39,005	-	3,120
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - 1250% risk weighting Approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB supervisory formula approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	648,947	755,386	51,916
17 Of which standardised approach (SA)	648,947	755,386	51,916
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	2,900,835	2,307,997	232,067
20 Of which basic indicator approach	2,900,835	2,307,997	232,067
21 Of which standardised approach	-	-	-
22 Of which advanced measurement approach	-	-	-
23 Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>31,286,436</b>	<b>26,688,069</b>	<b>2,502,915</b>

# 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.)

### 2. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital risk or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Securitization positions	
<b>Assets</b>					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	8,303,052	8,303,052	-	-	-
Financial Assets Held for Trading	165,974	-	110,050	-	55,924
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	4,698,081	4,698,081	-	-	-
Receivables from money markets	-	-	-	-	-
Available for sale financial assets (net)	3,592,926	3,592,926	-	-	-
Loans and receivables	28,412,441	28,412,441	-	-	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	349,513	349,513	-	-	-
Investments in joint ventures (net)	20,000	20,000	-	-	-
Leasing receivables	1,544,543	1,544,543	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	439,633	439,633	-	-	-
Intangible assets (net)	95,108	95,108	-	-	-
Investment properties (net)	-	-	-	-	-
Tax assets	118,112	118,112	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	47,975	42,767	-	-	5,208
Other Assets	689,597	689,597	-	-	-
<b>Total Assets</b>	<b>48,476,955</b>	<b>48,305,883</b>	<b>110,050</b>	<b>-</b>	<b>55,294</b>

# 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.)

### 2. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

	Carrying values of items in accordance with Turkish Accounting Standards					
	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital risk or subject to deduction from capital
<b>Liabilities</b>						
Deposits	31,901,763	-	-	-	-	31,901,763
Derivative Financial Liabilities Held for Trading	119,727	-	-	-	-	119,727
Loans borrowed	8,036,821	-	-	-	-	8,036,821
Debt to money markets	1,219,873	-	1,219,873	-	-	-
Debt securities issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Various debts	157,964	-	-	-	-	157,964
Other liabilities	399,451	-	-	-	-	399,451
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	226	-	-	-	-	226
Derivative financial liabilities held for hedges	137,829	-	-	-	-	137,829
Provisions	581,190	-	-	-	-	581,740
Tax Liability	27,851	-	-	-	-	27,851
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated Debts	1,981,646	-	-	-	-	1,981,646
Equity	3,912,504	-	-	-	-	3,912,504
<b>Total Liabilities</b>	<b>48,476,845</b>	-	<b>1,219,873</b>	-	-	<b>47,257,082</b>

# 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.)

### 3. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1- Carrying Value of Assets in Accordance with TAS (as per template 1B)	48,476,955	48,305,883	-	110,050	55,924
2- Carrying Value of Liabilities in Accordance with TAS (as per template 1B)	-	-	-	1,219,873	-
3- Total net amount	48,476,955	48,305,883	-	1,329,923	55,924
4- Off-balance sheet amounts	65,243,424	5,308,549	-	234,820	20,048,031
5- Differences in valuations	-	-	-	-	-
6- Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	-	-	-	-
<b>9-Risk Amounts</b>	<b>113,720,379</b>	<b>53,614,432</b>	<b>-</b>	<b>1,564,743</b>	<b>20,103,955</b>

### b. General qualitative information on credit risk:

#### 1. How the business model translates into the components of the bank's credit risk profile:

The business model of the Bank basically consists of two main business fields: collecting funds by means of current accounts and profit/loss participation accounts subject to the interest-free banking rules, and using those funds and equity funds to make funds available to customers. Because of these main business fields, the bank's assets have a credit-weighted structure. Reflecting this business model, its total assets are cash credit-weighted and financial leasing receivable-weighted. The bank lends funds to finance the real sector in general and increases its volume of credits by taking into account its risk-return balance to achieve sustainable growth.

The risk profile of the Bank indicates the types of risks to which it is exposed or expects to be exposed, and its risk level by type of risk. The largest type of risk to which the Bank is exposed or expects to be exposed within its current and target business model is the credit risk. Since the risk of concentration is one of the most important components of the credit risk, concentration limits were set by sector for the concentration risk. Internal limits are set for cash, non-cash and total credits for each of 20 different sectors. Limits were set for monitoring Defaulted Credit Exposures in mentioned sectors and for taking corrective measures. With regard to concentration of the credit risk, internal limits were set for the top 10, 20, 30, 40, 50 and 100 debtor/credit risk groups. Furthermore, country limits were set to avoid concentration in countries selected as part of the sovereign risk process.

#### 2. Criteria and approach used for defining credit risk policy and for setting credit risk limits:

The main purpose of the credit risk policy are to measure the counterparty risk undertaken as part of a credit transaction, to monitor the risk against the legal limits and the Bank's internal limits, to research new techniques and applications for measuring and controlling the risk, to monitor overdue receivables, to analyze the reason of overdue, and to take measures to prevent such reasons from repeating. The term 'credit risk' refers to the potential loss the bank might be exposed to because of credit borrowers' partial or full default of the credit agreements they signed with the bank. This term also includes the loss of market value because of the breakdown of the counterparty's financial position. This term includes on-balance sheet and off-balance sheet transactions too.

Risk limits are set by openly relating it with the Bank's volume on consolidated and non-consolidated basis within the financial system as part of its risk appetite structure. In this context the appetite for risk approved by the Board of Directors are divided between and allocated to other levels considered necessary by type of risk. The uses of the limits are closely monitored, and overdrafts are reported to the executive management for ensuring the necessary measures to be taken.

# 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.)

### 3. Structure and organization of the credit risk management and control function:

Risk Control and Compliance Group works under the Audit Committee and the Internal System Committee reporting to the Board of Directors. Risk Control and Compliance Group Manager and Risk Management Department Manager working under the former are in charge of and responsible for the strategies and policies approved by the Board of Directors and for performing the other tasks assigned by the Internal System Committee. Credit Risk Management and Modeling Unit is one of the units comprising the Risk Management Department performs the risk measurement and management tasks concerning the credit risk.

### 4. Relations between the credit risk management, risk control, compliance and internal audit functions:

The units comprising the internal systems report to the Board of Directors as required by the organizational chart of the bank. Board of Directors has transferred its tasks and responsibilities for the internal systems to the Internal Systems Committee formed by four members of the Board of Directors and appointed to be Internal System Executives. The units in question are supervised and coordinated by the Internal Systems Committee.

The internal control function of the Bank is performed by the Internal Control Department. Internal Control System has been founded in such a manner to be capable and efficient to mitigate, manage, monitor and control the exposure risks of the Bank in accordance with the Bank's organizational structure and business fields as well as changing circumstances, and covers all domestic and international branches, head office, consolidated subsidiaries and all business activities of the Bank. The internal control system and internal control activities of the Bank are designed by the Internal Control Department in cooperation with the relevant management executives and are performed at a sufficient and efficient extent.

Compliance Department is in charge of managing the bank's compliance risk and taking it under control in an efficient way, forecasting and preventing the risk in question, and ensuring the bank's activities to comply with the applicable laws and regulations.

Risk Management Department performs the tasks of determining, measuring and managing the exposure risks of the bank. An efficient risk management system infrastructure has been established for credit risk management tasks, credit policy, and risk management activities falling within the credit risk policy. The internal credit risk limits set by the Board of Directors are measured and reported at regular intervals to the Audit Committee.

Audit Department is in charge of assuring the Board of Directors and the executive management that the Bank's business activities are performed in accordance with the Banking Law, other applicable laws and regulations and the internal strategies, policies, principles and targets of the bank, and that the internal control and risk management systems are efficient and sufficient.

### 5. Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the Board of Directors:

Risk Management Report for the Executive Management, which is the basic report presented to the Board of Directors and the executive management, is prepared before each meeting of the Audit Committee. The report in question contains the basic subjects described below.

Quality of the assets are analyzed in accordance with the classification specified in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside and the assets are compared with those of the previous fiscal period to monitor the sustainability of the asset quality. The report describes the credit risk limits and the figures realized in the relevant fiscal period. Credits lent in 20 different economic sectors are monitored by cash, non-cash and total credits. Credit shares and development trends of the economic sectors are monitored. The risk limits set in accordance with the Bank's appetite for risk and the figures realized are explained. Observed key risk indicators include the ratio of credit risk-weighted items over the total assets, the ratio of the total gross amount of defaulted credits over the total financing (cash credits) portfolio and their distribution by sector, distribution of guarantees by guarantee group, the ratio of the top 10/20/30/40/50/100 risks over the total financing (cash and non-cash credits) portfolio, and the ratio of write-off.

Distribution of cash credits by maturity term is monitored. Detailed information is given about the top 10 customers against whom internal or legal proceedings were filed, their limits, risks, guarantees and provisions, description of their sectors and their state are described. The trend of restructured credits is monitored. Also, loans to risk group of the Bank are reported.

Sovereign ratings, limits and used limits are monitored and compared with the previous fiscal year.

The Bank creates credit portfolios in accordance with its internal segment structure. These segments are divided into sub-segments. Risks realized for cash, non-cash and total credits are monitored by each of these portfolios.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Unconsolidated Financial Statements for the Period Ended 31 December 2016

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Real estate price indexes are analyzed to monitor whether the values of the real estates received as guarantees for the funds lent have increased or decreased. These real estates are also monitored by subcategory in accordance with the classification of regions published by the Turkish Central Bank. They are also compared with the House Price Index of Turkey published by the Turkish Central Bank.

### Credit quality of assets:

	<i>Gross carrying value as per TAS</i>		<i>Allowances/ amortisation and impairments</i>	<i>Net values</i>
	<i>Defaulted</i>	<i>Non-defaulted</i>		
1 Loans	748,062	29,794,645	585,723	29,956,984
2 Debt securities	-	3,641,282	48,356	3,592,926
3 Off-balance sheet exposures <sup>(*)</sup>	-	22,790,309	334,904	22,455,405
<b>4 Total</b>	<b>748,062</b>	<b>56,226,236</b>	<b>968,983</b>	<b>56,005,315</b>

(\*) Accruals of derivative transactions are presented as net amounts under impairments.

### Changes in stock of defaulted loans and debt securities:

	<b>Current Period</b>
1 Defaulted loans and debt securities at end of the previous reporting period	442,519
2 Loans and debt securities that have defaulted since the last reporting period	479,301
3 Receivables back to non-defaulted status	89
4 Amounts written off	136,859
5 Other changes	(36,810)
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>748,062</b>

### 6. Qualitative disclosures related to the credit quality of assets

#### a. Scope and definitions of "overdue" and "provision allocated" receivables for accounting purposes and the differences of definitions between "overdue" and "provision allocated", if any

Overdue receivables and provision allocated receivables are determined according to the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves.

#### b. The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application

None.

#### c. Definitions of the methods used when determining the provision amount

It includes the loans or other receivables classified in the third, fourth and fifth groups and minimum required statutory reserve ratios indicated in paragraph 8 of the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves and minimum statutory collateral consideration ratios required indicated in paragraph 9 of the same legislation.

#### d. Definitions of restructured receivables

According to the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves, restructuring for the performing and non-performing loans means new contractual conditions only for the loan obligators encountered or likely to be encountered in repayment as a result of financial difficulties, excluding loan obligators with no repayment difficulties.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

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### for the Period Ended 31 December 2016

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#### e. Breakdown of exposures by geographical areas, industry and ageing:

Current Period	Loans Under Follow-Up	Specific Provisions	Write-Offs
Domestic	747,396	585,146	136,853
European Union (EU) Countries	43	43	6
OECD Countries	15	15	-
Off-Shore Banking Countries	-	-	-
USA, Canada	-	-	-
Other Countries	6,078	519	-
<b>Total</b>	<b>748,062</b>	<b>585,723</b>	<b>136,859</b>

	Loans Under Follow-Up	Specific Provisions	Write-Offs
<b>Agriculture</b>	<b>12,911</b>	<b>6,356</b>	<b>2,326</b>
Farming and Stockbreeding	2,096	1,371	255
Forestry	5,496	2,538	1,793
Fishery	5,319	2,447	278
<b>Manufacturing</b>	<b>151,649</b>	<b>118,278</b>	<b>31,588</b>
Mining and Quarrying	40,872	36,822	3,265
Production	107,475	79,288	28,173
Electricity, Gas and Water	3,302	2,168	150
<b>Construction</b>	<b>207,297</b>	<b>171,501</b>	<b>19,836</b>
<b>Services</b>	<b>304,037</b>	<b>241,443</b>	<b>67,520</b>
Wholesale and Retail Trade	225,312	181,142	58,073
Accommodation and Dining	11,949	6,748	734
Transportation and Telecommunication	43,191	37,382	5,510
Financial Institutions	-	-	1
Real Estate and Rental Services	7,244	5,248	406
Professional Services	-	-	-
Educational Services	1,106	1,042	193
Health and Social Services	15,235	9,881	2,603
<b>Other</b>	<b>72,168</b>	<b>48,145</b>	<b>15,589</b>
<b>TOTAL</b>	<b>748,062</b>	<b>585,723</b>	<b>136,859</b>

Current period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	206,941	251,890	207,079	24,945	17,798
Retail Loans	4,472	12,574	7,968	1,344	372
Credit cards	3,220	8,213	955	182	109
Other	-	-	-	-	-
<b>Total</b>	<b>214,633</b>	<b>272,677</b>	<b>216,002</b>	<b>26,471</b>	<b>18,279</b>

#### f. Credit risk mitigation techniques

The Bank applies the Comprehensive Financial Collateral Techniques explained in "Credit Risk Mitigation Techniques Communiqué" published in Official Gazette No. 28337 as of 28 June 2012.

There is no balance sheet and off-balance sheet offsetting.

Credit risk mitigation techniques used by the Bank in terms of credit facility are listed as follows:

- Financial Collaterals (Cash, Deposit Pledges, Gold)
- Guarantees
- Real Estate Mortgage

Financial collaterals are evaluated on a daily basis.

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## Notes and Disclosures to the Unconsolidated Financial Statements for the Period Ended 31 December 2016

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For loans that are amounting over TL 3,000 or loans amounting to over 5% of the equity, real estate valuation should be repeated minimum every 3 year by the rating companies authorized from the Banking Regulation and Supervision Agency or Capital Markets Boards of Turkey.

Volatility in real estate market is closely monitored by the Bank; valuations for real estate for commercial real estates are revised at least every year whereas housing real estates are revised at least in every 3 years.

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	25,780,922	4,176,062	381,985	-	-	-	-
2 Debt securities	3,592,926	-	-	-	-	-	-
<b>3 Total</b>	<b>29,373,848</b>	<b>4,176,062</b>	<b>381,985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4 Overdue	162,013	326	41	-	-	-	-

### c. Explanations on Counterparty Credit Risk (CCR):

#### a) Risk management objectives and policies for CCR:

Determination of the creditworthiness of financial counterparties has been made in addition to the Credit Policy of the Bank in accordance with the regulations published by BRSA and the international practices in order to limit the exposure to be suffered by the Bank in case of financial counterparty default. This annex describes allocation of limit to financial counterparties and continuous monitoring activities. In this respect, the creditworthiness assessments of the financial and non-financial entities for CCRs especially including sovereign assessments and limits are finally decided by the committees specified under the Policy.

#### b) The method used to allocate the operational limits defined in terms of internal capital for CCR and central counterparty risks:

Internal model method is not used for calculating the capital requirements for counterparty credit risk and central counterparty risks.

#### c) Policies relating to guarantees and other risk mitigation and assessments concerning counterparty credit risk, including central counterparty risk:

All of the Bank's counterparty credit risk and central counterparty limits are non-committed limits and they include cash and non-cash limits. In case of any transactions involving non-cash risk exposure, the reassurance of the organizations such as International Development Banks is used. If required, cash collateral is sought in order to minimize the exposure. In case of transactions involving cash risk exposure, the risk exposure is mitigated by obtaining shares and bills (sukuk) as security.

#### d) Rules with respect to wrong-way risk:

Internal model is not used for CCR; and as such, no calculation is made with respect to the wrong-way risk.

#### e) The impact in terms of the amount of collateral that the bank is required to provide in case of a credit rating downgrade:

Currently, the Bank does not borrow by providing security for the cash exposure transactions where it is debtor. Therefore, the Bank is not subject to such impacts in case of a possible rating downgrade and the Bank's contracts do not contain such terms and conditions.

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### f) Counterparty credit risk (CCR) approach analysis

	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure	Alpha used for computing regulatory EAD	EAD post- CRM	RWA
1 Standardised Approach CCR (for derivatives)	110,039	124,782	-	1.4	256,075	94,652
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
2 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
5 transactions	-	-	-	-	-	-
<b>6 Total</b>						<b>94,652</b>

### g) Capital requirement for credit valuation adjustment (CVA)

	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation		
1 (i) VaR component (including the 3 multiplier)	-	-
2 (ii) Stressed VaR component (including the 3 multiplier)	-	-
3 All portfolios subject to the Standardised CVA capital obligation	234,821	21,254
<b>4 Total subject to the CVA capital obligation</b>	<b>234,821</b>	<b>21,254</b>

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#### h) CCR exposures by risk class and risk weights

Risk Classes / Risk Weights*	0%	10%	20%	50%	75%	100%	150%	200%	Others***	Total credit risk*
1 Receivables from central governments and Central Banks	1,181,398	-	-	-	-	-	-	-	-	1,181,398
2 Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	-	169,004	42,042	-	-	-	-	-	-	211,046
7 Receivables from corporate	-	-	-	-	12,272	-	-	-	-	12,272
8 Retail receivables	-	-	2,048	-	-	-	-	-	-	2,048
9 Receivables secured by residential property	-	-	-	-	-	-	-	-	4,057	4,057
10 Receivables secured by commercial property	-	-	-	4,097	-	1,300	-	-	-	5,397
11 Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12 Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16 Equity share investments	-	-	-	-	-	-	-	-	-	-
17 Other receivables	-	-	-	-	-	-	-	-	-	-
17 Other assets*	-	-	-	-	-	-	-	-	-	-
<b>18 Total</b>	<b>1,181,398</b>	<b>-</b>	<b>169,004</b>	<b>46,139</b>	<b>2,048</b>	<b>13,572</b>	<b>-</b>	<b>-</b>	<b>4,057</b>	<b>1,416,218</b>

\* Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

\*\* Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCRB.

\*\*\* 35% Risk Weight is classified in Others.

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## 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.)

### d. Explanations on securitization positions

None.

### e. Qualitative explanations on market risk

#### 1. Bank's processes and strategies:

Procedures for the identification, measurement, monitoring and control of the market risk of the bank, as well as processes for risk protection and strategies/processes for monitoring of the continuity of the hedging effectiveness, as well as the strategic objectives for the bank's trading activities:

Risk management activities are consisting of the measurement, monitoring, control and reporting of the risks, arising from risks incurred on the consolidated and solo basis and transactions carried out with the risk group that the Bank is involved in. These activities are carried out by the Bank's Risk Management Department.

The definition of the market risk is made by legislation within the scope of the Pillar 1 risks. The components of the market risk that do not fall within the scope of Pillar 1 risks are assessed internally. This process is carried out by the Risk Management Department with the consultation to other relevant departments.

Measurement of the market risk is carried out by the Risk Management Department. Market risk is measured by the standard method as specified in the third part of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy. The Risk Management Department adopts international standardized methods and advanced statistical methods, which are included in the legislation, in the measurement of risks falling within the scope of the Pillar 2. Developed models as well as the stress tests and scenario analysis are used in the measurement and monitoring of the market risk.

The primary purpose of market risk is for the bank's risk exposure to be within the limits specified by the legislation and to be in accordance with the Bank's risk appetite. In this context, market risk is periodically measured, monitored and reported.

Risk limits related to market risk are established in accordance with the Bank's Risk Appetite Policy. Aforementioned risk limits are determined by the Board of Directors and reviewed at least once a year. Limit usages are closely monitored.

Risk mitigation techniques have been applied in line with the size and complexity of the undertaking market risk and the controls are implemented in order to ensure their effectiveness.

Treasury Group Department monitors foreign currency positions and cash flows on behalf of the Bank.

Moreover, new products and projects are examined in terms of market risk management and appropriate internal controls are implemented in case of necessity.

The Bank's strategic objectives for trading activities are given below.

- Ensure that the bank's lease certificate portfolio is managed at the optimum level within the risk-return balance limits
- Implement transaction by taking into account the future prospects of market developments/movements and the framework of trading opportunities in the current market prices,
- Invest in Sukuk (lease certificates) as an alternative investment tool to manage the liquidity profitably

#### 2. The organization and structure of the market risk management function:

Definition of the market risk management structure established for the implementation of the bank's strategies and processes and the communication mechanism and relationship between the different parties involved in market risk management, as described in part 1.

The market risk service, operates under the Deputy Head responsible from the Market Risk, Operational Risk and Capital Planning within Risk Management Department. This service directly reports to the Board of Directors through the Internal Systems Committee. The results of risk measurement and risk monitoring are shared with other related units. The activities coordinated within the Internal Capital Adequacy Assessment Process are carried out together with other relevant departments of the Bank.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

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### 3. Structure and scope of risk reporting and/or measurement systems

Within the scope of risk management system, the Bank established a reporting system which ensures effective analysis and evaluation for market risks. The risk measurement and risk monitoring results is reported to the Internal Systems Committee on a timely manner.

There is a risk measurement system which covers the scope and complexity of significant market risk components including transactions and operations exposed to market risk.

The details of the market risk calculated as of 31 December 2016 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

### 4. Market risk under standardised approach:

		Risk Weighted Amounts	
		Current Period	Prior Period
<b>Outright products</b>		<b>648,947</b>	<b>713,159</b>
1	Profit share risk (general and specific)	398,423	629,796
2	Equity risk (general and specific)	-	425
3	Foreign exchange risk	191,474	31,048
4	Commodity risk	59,050	51,890
<b>Options</b>		-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
<b>8 Securitisation</b>		-	-
<b>9</b>	<b>Total</b>	<b>648,947</b>	<b>713,159</b>

### f. Explanation on Operational Risk

"Basic Indicator Method" is used in operational risk calculation of the Bank. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Bank for the last 3 years, 2015, 2014 and 2013 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 232,067 corresponding to the 8% of TL 2,900,835 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 232,067 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2013	31/12/2014	31/12/2015	Total/ No. of Years of Positive Gross	Rate (%)	Total
	Amount	Amount	Amount			
Gross Income	1,210,155	1,515,171	1,916,011	1,547,112	15	232,067
Value at Operational Risk (Total*12.5)						2,900,835

Prior Period	31/12/2012	31/12/2013	31/12/2014	Total/ No. of Years of Positive Gross	Rate (%)	Total
	Amount	Amount	Amount			
Gross Income	967,469	1,210,155	1,515,171	1,230,932	15	184,640
Value at Operational Risk (Total*12.5)						2,307,997

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### g. Profit-share rate risk related to banking book:

1. Economic value differences arising from fluctuations in profit share rates in accordance with the regulation on measurement and evaluation of profit share rates derived from banking accounts with standard shock method

#### Current Period:

Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Shareholder's equity-Losses/Shareholder's equity
1 TRY	(+) 500bp	(390,520)	(6.87)%
2 TRY	(-) 400bp	371,356	6.53%
3 USD	(+) 200bp	304,557	5.36%
4 USD	(-) 200bp	(352,670)	(6.21)%
5 EURO	(+) 200bp	43,591	0.77%
6 EURO	(-) 200bp	(45,914)	(0.81)%
<b>Total (For negative shocks )</b>		<b>(27,228)</b>	<b>(0.48)%</b>
<b>Total (For positive shocks)</b>		<b>(42,372)</b>	<b>(0.75)%</b>

#### Prior Period:

Currency	Applied Shock (+/- x basis points)	Gains/Losses	Shareholder's equity-Losses/Shareholder's equity
1 TRY	(+) 500bp	(443,773)	(11.69)%
2 TRY	(-) 400bp	420,405	11.07%
3 USD	(+) 200bp	82,824	2.15%
4 USD	(-) 200bp	(87,057)	(2.26)%
5 EURO	(+) 200bp	33,678	0.89%
6 EURO	(-) 200bp	(36,508)	(0.96)%
<b>Total (For negative shocks )</b>		<b>296,840</b>	<b>7.82%</b>
<b>Total (For positive shocks)</b>		<b>(327,271)</b>	<b>(8.62)%</b>

### h. Risk management objectives and policies:

In accordance with Bank's strategies, risk policies and vision, the analysis that Risk Management Service presents to Internal Systems Committee and Audit Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance to market trends, economic conduct and Bank's strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey are presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analysis contribute to Bank Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

In addition, Risk Management Service verifies its own coordination to be ready proactively in business availability of Kuveyt Türk and situations connected with it.

Risk Management Service continues risk monitoring and analyzing operations in accordance to Board of Director's Kuveyt Türk's mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modeling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being monitored.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable market information for the assets or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that is not based on observable market information.

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of 31 December 2016 and 31 December 2015 are given in the table below:

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading	55,924	110,050	-	165,974
Forward transactions	-	22,304	-	22,304
Swap transactions	-	87,746	-	87,746
Government debt securities	46,908	-	-	46,908
Other marketable securities	9,016	-	-	9,016
Available-for-sale financial assets	3,592,926	-	-	3,592,926
Equity securities	53,485	-	-	53,485
Government debt securities	3,322,032	-	-	3,322,032
Other marketable securities	217,409	-	-	217,409
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	119,727	-	119,727
Forward transactions	-	16,753	-	16,753
Swap transactions	-	102,974	-	102,974
<b>Prior Period</b>				
<b>Financial assets</b>				
Financial assets held for trading	44,006	44,608	-	88,614
Forward transactions	-	15,836	-	15,836
Swap transactions	-	28,772	-	28,772
Government debt securities	100	-	-	100
Other marketable securities	43,906	-	-	43,906
Available-for-sale financial assets	2,330,367	-	-	2,330,367
Equity securities	64,815	-	-	64,815
Government debt securities	1,908,176	-	-	1,908,176
Other marketable securities	357,376	-	-	357,376
<b>Financial liabilities</b>				
Financial liabilities held for trading	71,523	71,523	-	143,046
Forward transactions	-	13,739	-	13,739
Swap transactions	-	57,874	-	57,874

There are no transfers have taken place between Level 1 and Level 2 in the current year.

# 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.)

#### X. Explanations on business segments

The Bank operates in Retail and Enterprise Banking, Commercial Banking, Corporate and International Banking sectors.

Commercial Banking: to meet the financial needs of the customers', unique cash flow and financial solutions are provided to customers through loans, non-cash loans, foreign trade financing services and similar customized products. Domestic and foreign business opportunities are supported by using different corporate banking instruments to serve the sustainability of the production of entities.

Retail and Enterprise Banking; there are main activities: fund collection, commercial installment loan, enterprise loan, non-cash loans, consumer financing and credit cards. The Bank serves in the range of products of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which exceed certain limits, are classified as "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign banks. Besides supplying syndicated loans and issue the Sukuk for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (Forward, Swap) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in BIST and international markets and conducts Murabaha transactions with foreign banks.

#### Specific balance sheet and income statement items according to segments:

	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
<b>Current Period 1 January - 31 December 2016</b>					
Operating income	1,635,946	2,103,864	151,561	-	3,891,371
Operating expenses	1,338,458	299,168	539,483	1,051,050	3,228,159
Transfers between segments	897,849	(909,841)	11,992	-	-
<b>Net operating income(loss)</b>	<b>1,195,337</b>	<b>894,855</b>	<b>(375,930)</b>	<b>(1,051,050)</b>	<b>663,212</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>1,195,337</b>	<b>894,855</b>	<b>(375,930)</b>	<b>(1,051,050)</b>	<b>663,212</b>
Provision for taxation	-	-	-	121,246	121,246
<b>Net income for the period</b>	<b>1,195,337</b>	<b>894,855</b>	<b>(375,930)</b>	<b>(1,172,296)</b>	<b>541,966</b>

#### Current Period

#### 31 December 2016

Segment assets	10,479,838	19,277,375	16,959,804	-	46,717,017
Associates, subsidiaries and joint Ventures	-	-	-	369,513	369,513
Undistributed assets	-	-	-	1,390,425	1,390,425
<b>Total assets</b>	<b>10,479,838</b>	<b>19,277,375</b>	<b>16,959,804</b>	<b>1,759,938</b>	<b>48,476,955</b>
Segment liabilities	24,678,208	7,221,605	11,498,072	-	43,397,885
Undistributed liabilities	-	-	-	1,167,006	1,167,006
Shareholders' equity	-	-	-	3,912,064	3,912,064
<b>Total liabilities</b>	<b>24,678,208</b>	<b>7,221,605</b>	<b>11,498,072</b>	<b>5,079,070</b>	<b>48,476,955</b>

# 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.)

	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
<b>Prior Period 1 January 2015 - 31 December 2015</b>					
Operating income	1,313,514	1,748,923	130,191	-	3,192,628
Operating expenses	966,348	316,341	408,574	947,889	2,639,152
Transfers between segments	497,042	(623,328)	126,286	-	-
<b>Net operating income(loss)</b>	<b>844,208</b>	<b>809,254</b>	<b>(152,097)</b>	<b>(947,889)</b>	<b>553,476</b>
Income from associates	-	-	-	-	-
Income (loss) before tax	844,208	809,254	(152,097)	(947,889)	553,476
Provision for taxation	-	-	-	108,795	108,795
<b>Net income for the period</b>	<b>844,208</b>	<b>809,254</b>	<b>(152,097)</b>	<b>(1,056,684)</b>	<b>444,681</b>
<b>Prior Period 31 December 2015</b>					
Segment assets	9,345,689	17,310,032	13,949,429	-	40,605,150
Associates, subsidiaries and joint Ventures	-	-	-	314,812	314,812
Undistributed assets	-	-	-	1,132,545	1,132,545
<b>Total assets</b>	<b>9,345,689</b>	<b>17,310,032</b>	<b>13,949,429</b>	<b>1,447,357</b>	<b>42,052,507</b>
<b>Prior Period 31 December 2015</b>					
Segment liabilities	20,903,219	7,217,038	9,387,527	-	37,507,784
Undistributed liabilities	-	-	-	1,142,233	1,142,233
Shareholders' equity	-	-	-	3,402,490	3,402,490
<b>Total liabilities</b>	<b>20,903,219</b>	<b>7,217,038</b>	<b>9,387,527</b>	<b>4,544,723</b>	<b>42,052,507</b>

# 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.)

### SECTION FIVE

#### I. Explanations and notes related to assets

##### a. Cash and balances with the Central Bank of Republic of Turkey:

##### 1. Cash and balances with the Central Bank of Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	429,341	1,113,568	433,762	1,279,705
The Central Bank of Republic of Turkey	266,286	5,671,920	220,583	5,136,523
Other (*)	-	821,937	8,031	490,211
<b>Total</b>	<b>695,627</b>	<b>7,607,425</b>	<b>662,376</b>	<b>6,906,439</b>

(\*) As of 31 December 2016, precious metal account amounting to TL 802,280 (31 December 2015- TL 471,703) and money in transit are presented in this line amounting to TL 19,657 (31 December 2015 - TL 26,539).

##### 2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	259,936	20	215,802	9
Unrestricted time deposit	-	-	-	-
Restricted time deposit	6,350	5,671,900	4,781	5,136,514
<b>Total</b>	<b>266,286</b>	<b>5,671,920</b>	<b>220,583</b>	<b>5,136,523</b>

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).

##### b. Information on financial assets at fair value through profit and loss:

1. As of 31 December 2016, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2015 - None).

##### 2. Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	20,373	1,931	10,574	5,262
Swap transactions	1,844	85,902	1,421	27,351
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>22,217</b>	<b>87,833</b>	<b>11,995</b>	<b>32,613</b>

# 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.)

### c. Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	14,384	4,683,697	10,341	3,573,153
Domestic	14,356	3,555,895	10,291	1,765,435
Foreign	28	1,127,802	50	1,807,718
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>14,384</b>	<b>4,683,697</b>	<b>10,341</b>	<b>3,573,153</b>

### 3. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	689,699	-	960,042	-
USA and Canada	393,755	-	647,305	-
OECD Countries (*)	7,893	-	21,339	-
Off-shore Banking Regions	562	-	419	-
Other	35,921	-	178,663	-
<b>Total</b>	<b>1,127,830</b>	<b>-</b>	<b>1,807,768</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada.

### d. Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt Securities	3,540,070	2,268,627
Quoted on stock exchange	3,540,070	2,268,627
Not quoted on stock exchange	-	-
Share certificates	101,212	70,463
Quoted on stock exchange	47,013	4,933
Not quoted on stock exchange	54,199	65,530
Impairment provision (-)	(48,356)	(8,723)
<b>Total</b>	<b>3,592,926</b>	<b>2,330,367</b>

# 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.)

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) 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 KATILIM BANKASI A.Ş.	02/05/2013	02/05/2018	74,275	3.96
XS1057852912	USD	6	TÜRKİYE FİNANS KATILIM BANKASI A.Ş.	24/04/2014	24/04/2019	23,748	3.96
XS1120403313	USD	6	DUBAI INTERNATIONAL 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 KATILIM BANKASI A.Ş.	15/07/2016	10/01/2017	437	10.16

b) In addition; the Bank included rent certificates which are presented below and these amounts are classified under "Government debt securities" at the accompanying financial statements.

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE (%)
XS0831353361	USD	6	Republic of Turkey Treasury	26/9/2012	26/3/2018	305,154	2.8
XS1141043296	USD	6	Republic of Turkey Treasury	25/11/2014	25/11/2024	295,705	4.48
XS0975124180	USD	6	Republic of Turkey Treasury	26/4/2016	10/10/2018	5,504	4.56
XS1303467077	USD	6	Republic of Turkey Treasury	8/6/2016	8/6/2021	466,673	4.26
TRD140721T18	TRY	6	Republic of Turkey Treasury	20/7/2016	14/7/2021	45,183	9.4
TRD150217T18	TRY	6	Republic of Turkey Treasury	18/2/2015	15/2/2017	453,989	7.80
TRD160817T11	TRY	6	Republic of Turkey Treasury	19/8/2015	16/8/2017	317,004	9.96
TRD140218T18	TRY	6	Republic of Turkey Treasury	17/2/2016	14/2/2018	443,857	10.64
TRD220921T16	TRY	6	Republic of Turkey Treasury	28/9/2016	22/9/2021	172,454	2.24
TRD260918T17	TRY	6	Republic of Turkey Treasury	28/9/2016	26/9/2018	99,696	8.8
TRD211118T18	TRY	6	Republic of Turkey Treasury	23/11/2016	21/11/2018	195,000	10.16

### e. Information on loans:

1. All types of loans and advances given to shareholders and employees of the Bank:

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	998	16,818	1,014	13,543
Corporate shareholders	-	16,656	-	13,543
Real person shareholders	998	162	1,014	-
Indirect loans granted to shareholders	135,364	20,290	126,600	600
Loans granted to employees	14,333	319	11,943	3
<b>Total</b>	<b>150,695</b>	<b>37,427</b>	<b>139,557</b>	<b>14,146</b>

# 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.)

2. Information on first and second category loans and other receivables including restructured or rescheduled loans:

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>26,140,600</b>	<b>547,437</b>	-	<b>534,761</b>	<b>1,006,339</b>	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	19,007	-	-	337	-	-
Imports Loans	1,250,992	-	-	10,420	-	-
Enterprise Loans	16,195,975	540,986	-	337,610	909,349	-
Consumer Loans	5,301,314	6,451	-	145,587	31,340	-
Credit Cards	319,971	-	-	8,637	-	-
Precious Metal Loans	104,024	-	-	-	1,736	-
Loans Given to Financial Sector	609,604	-	-	-	-	-
Loans Extended Abroad	249,977	-	-	3,852	63,914	-
Other	2,089,736	-	-	28,318	-	-
<b>Other Receivables</b>	<b>17,916</b>	-	-	<b>3,049</b>	-	-
<b>Total</b>	<b>26,158,516</b>	<b>547,437</b>	-	<b>537,810</b>	<b>1,006,339</b>	-

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>24,141,604</b>	<b>347,322</b>	-	<b>499,331</b>	<b>715,135</b>	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	22,796	-	-	247	-	-
Imports Loans	1,034,926	-	-	1,981	-	-
Enterprise Loans	15,501,924	287,782	-	329,471	705,718	-
Consumer Loans	4,742,925	5,853	-	126,684	7,896	-
Credit Cards	246,452	-	-	5,967	-	-
Precious Metal Loans	149,169	-	-	2,598	-	-
Loans Given to Financial Sector	195,951	-	-	-	-	-
Loans Extended Abroad	237,965	53,687	-	14,339	1,521	-
Other	2,009,496	-	-	18,044	-	-
<b>Other Receivables</b>	<b>19,064</b>	-	-	<b>4,085</b>	-	-
<b>Total</b>	<b>24,160,668</b>	<b>347,322</b>	-	<b>503,416</b>	<b>715,135</b>	-

# 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.)

In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated 1 November 2006 and numbered 26333, information related to the restructuring (after publish date of the aforementioned Communiqué) of the standard loans and loans and other receivables under close monitoring with respect to the payment schedules and terms is as follows (average maturities are taken into the account):

<b>Current Period</b>	<b>Number of Extensions for Repayment Plan</b>	
	<b>Performing Loans and Other Receivables</b>	<b>Performing Loans and Other Receivables</b>
1 or 2 times	547,437	1,006,339
3, 4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>547,437</b>	<b>1,006,339</b>

<b>Extension Periods for Repayment Plan Changes</b>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-Up</b>
	0 - 6 months	4,633
6 - 12 months	15,611	107,110
1 - 2 years	153,136	313,943
2 - 5 years	238,648	497,695
5 years and over	135,409	56,112
<b>Total</b>	<b>547,437</b>	<b>1,006,339</b>

<b>Prior Period</b>	<b>Number of Extensions for Repayment Plan</b>	
	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-Up</b>
1 or 2 times	347,322	715,135
3, 4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>347,322</b>	<b>715,135</b>

<b>Extension Periods for Repayment Plan Changes</b>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-Up</b>
	0 - 6 months	3,386
6 - 12 months	17,113	50,730
1 - 2 years	67,989	231,651
2 - 5 years	133,004	415,379
5 years and over	125,830	928
<b>Total</b>	<b>347,322</b>	<b>715,135</b>



# 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.)

### 3. Breakdown of loans and other receivables according to their maturities:

Current Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>6,665,341</b>	<b>7,459</b>	<b>66,125</b>	<b>40,937</b>
Loans	6,647,425	7,459	63,076	40,937
Other receivables	17,916	-	3,049	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>19,493,175</b>	<b>539,978</b>	<b>471,685</b>	<b>965,402</b>
Loans	19,493,175	539,978	471,685	965,402
Other receivables	-	-	-	-
<b>Total</b>	<b>26,158,516</b>	<b>547,437</b>	<b>537,810</b>	<b>1,006,339</b>

(\*) Loans with have original maturities longer than a year are classified as "Medium and Long Term Loans".

Prior Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>6,497,940</b>	<b>13,522</b>	<b>81,700</b>	<b>25,134</b>
Loans	6,478,876	13,522	77,615	25,134
Other receivables	19,064	-	4,085	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>17,662,728</b>	<b>333,800</b>	<b>421,716</b>	<b>690,001</b>
Loans	17,662,728	333,800	421,716	690,001
Other receivables	-	-	-	-
<b>Total</b>	<b>24,160,668</b>	<b>347,322</b>	<b>503,416</b>	<b>715,135</b>

(\*) Loans with have original maturities longer than a year are classified as "Medium and Long Term 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.)

### 4. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

Current Period	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>36,077</b>	<b>5,327,039</b>	<b>5,363,116</b>
Housing Loans	8,603	4,832,622	4,841,225
Vehicle Loans	8,669	286,162	294,831
Consumer Loans	16,578	156,424	173,002
Other	2,227	51,831	54,058
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>4,754</b>	<b>4,754</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	4,754	4,754
<b>Consumer Loans-FC</b>	<b>-</b>	<b>106,595</b>	<b>106,595</b>
Housing Loans	-	49,422	49,422
Vehicle Loans	-	184	184
Consumer Loans	-	13,065	13,065
Other	-	43,924	43,924
<b>Retail Credit Cards-TL</b>	<b>179,305</b>	<b>79</b>	<b>179,384</b>
With Installment	31,809	79	31,888
Without Installment	147,496	-	147,496
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,064</b>	<b>9,163</b>	<b>10,227</b>
Housing Loans	-	1,396	1,396
Vehicle Loans	302	4,632	4,934
Consumer Loans	760	3,135	3,895
Other	2	-	2
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>7,614</b>	<b>22</b>	<b>7,636</b>
With Installment	2,256	22	2,278
Without Installment	5,358	-	5,358
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>224,060</b>	<b>5,447,652</b>	<b>5,671,712</b>

# 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.)

Prior Period	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>97,352</b>	<b>4,656,748</b>	<b>4,754,100</b>
Housing Loans	2,681	4,371,412	4,374,093
Vehicle Loans	3,997	226,999	230,996
Consumer Loans	89,695	36,603	126,298
Other	979	21,734	22,713
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>8,775</b>	<b>8,775</b>
Housing Loans	-	8,775	8,775
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>193</b>	<b>113,354</b>	<b>113,547</b>
Housing Loans	193	51,882	52,075
Vehicle Loans	-	18	18
Consumer Loans	-	-	-
Other	-	61,454	61,454
<b>Retail Credit Cards-TL</b>	<b>140,945</b>	<b>821</b>	<b>141,766</b>
With Installment	28,719	821	29,540
Without Installment	112,226	-	112,226
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>2,317</b>	<b>4,619</b>	<b>6,936</b>
Housing Loans	3	1,579	1,582
Vehicle Loans	166	2,406	2,572
Consumer Loans	2,126	634	2,760
Other	22	-	22
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>6,693</b>	<b>40</b>	<b>6,733</b>
With Installment	2,045	40	2,085
Without Installment	4,648	-	4,648
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>247,500</b>	<b>4,784,357</b>	<b>5,031,857</b>

# 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.)

#### 5. Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
<b>Commercial Installment Loans-TL</b>	<b>131,542</b>	<b>3,350,939</b>	<b>3,482,481</b>
Business Loans	8,363	805,525	813,888
Vehicle Loans	53,877	899,076	952,953
Consumer Loans	69,302	1,646,104	1,715,406
Other	-	234	234
<b>Commercial Installment Loans-FC Indexed</b>	<b>19,738</b>	<b>1,600,468</b>	<b>1,620,206</b>
Business Loans	518	361,055	361,573
Vehicle Loans	13,966	401,823	415,789
Consumer Loans	5,254	836,926	842,180
Other	-	664	664
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>157,074</b>	<b>157,074</b>
Business Loans	-	144,340	144,340
Vehicle Loans	-	12,734	12,734
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>141,588</b>	<b>-</b>	<b>141,588</b>
With Installment	20,605	-	20,605
Without Installment	120,983	-	120,983
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>292,868</b>	<b>5,108,481</b>	<b>5,401,349</b>

# 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.)

Prior Period	Short term	Medium and long term	Total
<b>Commercial Installment Loans-TL</b>	<b>101,510</b>	<b>3,178,876</b>	<b>3,280,386</b>
Business Loans	3,143	760,710	763,853
Vehicle Loans	55,812	772,597	828,409
Consumer Loans	42,303	1,633,848	1,676,151
Other	252	11,721	11,973
<b>Commercial Installment Loans-FC Indexed</b>	<b>22,962</b>	<b>1,616,759</b>	<b>1,639,721</b>
Business Loans	1,222	423,948	425,170
Vehicle Loans	4,632	347,961	352,593
Consumer Loans	7,829	765,312	773,141
Other	9,279	79,538	88,817
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>148,328</b>	<b>148,328</b>
Business Loans	-	129,225	129,225
Vehicle Loans	-	16,169	16,169
Consumer Loans	-	-	-
Other	-	2,934	2,934
<b>Corporate Credit Cards-TL</b>	<b>103,920</b>	<b>-</b>	<b>103,920</b>
With Installment	14,186	-	14,186
Without Installment	89,734	-	89,734
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>228,392</b>	<b>4,943,963</b>	<b>5,172,355</b>

### 6. Allocation of loans by customers:

	Current period	Prior period
Public	12,780	22,957
Private	28,237,322	25,703,584
<b>Total</b>	<b>28,250,102</b>	<b>25,726,541</b>

### 7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	27,932,359	25,419,029
Foreign loans	317,743	307,512
<b>Total</b>	<b>28,250,102</b>	<b>25,726,541</b>

### 8. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates (*)	14	101,156
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>14</b>	<b>101,156</b>

(\*) The loan amounts stated above, that are granted to the subsidiaries and associates of the Bank are presented in line of "Banks" in the accompanying financial statements

# 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.)

### 9. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	71,172	67,565
Loans and receivables with doubtful collectability	211,227	104,178
Uncollectible loans and receivables	303,324	146,317
<b>Total</b>	<b>585,723</b>	<b>318,060</b>

### 10. Information on non-performing loans (net):

(i). Information on non-performing loans and other receivables restructured or rescheduled:

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period</b>			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	1,961	-	-
Rescheduled loans and other receivables	-	-	-

(ii). Information on the movement of total non-performing loans:

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current Period</b>			
<b>Ending balance of prior period 31.12.2015</b>	112,924	160,172	169,423
Additions in the current period (+)	97,221	198,428	183,652
Transfers from other categories of non-performing loans(+)	-	13,383	147,258
Transfers to other categories of non-performing loans (-)	76,844	83,793	4
Collections in the current period (-)	4,865	8,654	23,380
<b>Write offs (-)</b>	<b>-</b>	<b>662</b>	<b>136,197</b>
Corporate and commercial loans	-	570	80,278
Retail loans	-	65	51,537
Credit Cards	-	27	4,382
Other	-	-	-
<b>Ending balance of the current period</b>	<b>128,436</b>	<b>278,874</b>	<b>340,752</b>
Specific provisions (-)	71,172	211,227	303,324
<b>Net balance at the balance sheet 31.12.2016</b>	<b>57,264</b>	<b>67,647</b>	<b>37,428</b>

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2015 - None).

# 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.)

(iv). Gross and net amounts of non-performing loans with respect to user groups:

	<b>Group III: Loans and receivables with limited collectability</b>	<b>Group IV: Loans and receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>57,264</b>	<b>67,647</b>	<b>37,428</b>
Loans granted to real persons and legal entities (Gross)	128,436	278,874	340,752
Specific provision (-)	71,172	211,227	303,324
<b>Loans to real persons and legal entities (Net)</b>	<b>57,264</b>	<b>67,647</b>	<b>37,428</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	<b>45,359</b>	<b>55,994</b>	<b>23,106</b>
Loans to real persons and legal entities (Gross)	112,924	160,172	169,423
Specific provision (-)	67,565	104,178	146,317
<b>Loans to real persons and legal entities (Net)</b>	<b>45,359</b>	<b>55,994</b>	<b>23,106</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

The Bank holds collaterals like mortgage pledge, customer cheques and other collaterals against these financial assets.

(v). Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:

<b>Current period</b>	<b>Less than 30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>More than 91 days</b>	<b>Total</b>
Loans and receivables					
Corporate loans	904,414	276,634	177,537	-	1,358,585
Retail loans	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>232,357</b>	<b>-</b>	<b>1,544,149</b>
<b>Prior Period</b>	<b>Less than 30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>More than 91 days</b>	<b>Total</b>
Loans and receivables					
Corporate loans	695,566	204,218	178,290	-	1,078,074
Retail loans	26,109	69,528	38,873	-	134,510
Credit cards	4,337	1,154	476	-	5,967
<b>Total</b>	<b>726,012</b>	<b>274,900</b>	<b>217,639</b>	<b>-</b>	<b>1,218,551</b>

# 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.)

### 11. Main guidelines for liquidation process of uncollectible loans and other receivables:

Loans and other receivables, which were deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. Within 2016, non-performing loans amounting to TL 136,859 have been written-off (31 December 2015 - TL 333,185).

### 12. Information on the write-off policy:

The Bank's write-off policy is to write-off the loan receivables that have been already transferred to legal follow-up and fully provided for and for which there is no possibility of collection through legal process and for which there is no collateral. Such loans are written off as per the decision of top management.

#### f. Information on held-to-maturity investments (Net):

None (31 December 2015 - None).

#### g. Information on investment in associates (Net):

1. The 1.69% ownership of Kredi Garanti Fonu A.Ş. of TL 4,719 (31 December 2015 - TL 4,210), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2015 - TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 5,201 (31 December 2015 - TL 4,956), TL 390 amount of swift shares (31 December 2015 - TL 390) and 0.0035% ownership of share of TL 15 (31 December 2015 - TL 15) that is traded in Borsa İstanbul A.Ş. and VISA Inc. share of TL 6,660 (31 December 2015 - TL 0) are classified as financial assets available for sale since the Bank's ownership in these institutions is less than 10% and the Parent Bank does not have a significant influence on these institutions.

2. Information about investments in unconsolidated associates: None (31 December 2015 - None).

3. Information related to consolidated associates: None (31 December 2015 - None).

#### h. Information on investment in associates (Net):

1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, these subsidiaries do not confirm to the definition of financial subsidiary in accordance with "Regulation related to the Preparation of Consolidated Financial Statements by Banks" published in the Official Gazette No. 26340 dated 8 November 2006; hence these subsidiaries which are "Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. ve Tic. A.Ş. ve Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş." have not been consolidated. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until 31 December 2004.



# 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.)

### 2. Information on subsidiaries:

Title	Address (City/ Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Kuwait Turkish Participation Bank Dubai Ltd. (*)	Dubai/United Arab Emirates	100%	100%
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	Istanbul/Turkey	99.99%	99.99%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	75.00%	97.61%
KT Sukuk Varlık Kiralama A.Ş. (**)	Istanbul/Turkey	100%	100%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	100%	100%
KT Bank AG (*)	Frankfurt/Germany	100%	100%
KT Portföy Yönetimi A.Ş. (***)	Istanbul/Turkey	100%	100%
Architect Bilşim Sistemleri ve Pazarlama Tic A.Ş. (**)	Istanbul/Turkey	100%	100%
KT Sukuk Company Limited (***)	George Town/ Cayman Islands	-	-

Information on subsidiaries in the order presented in the above table:

Total assets	Equity	Total fixed assets	Profit share income	Income from			Fair value
				marketable securities	Current period profit/loss	Prior period profit/loss	
210,614	175,960	-	32,165	-	6,448	(296)	-
29,345	29,282	-	-	-	6,946	633	-
120,883	79,585	-	-	-	30,935	(439)	-
160	154	-	-	-	11	35	-
4,763,885	94	-	-	-	5	44	-
400,190	222,594	-	-	-	(41,161)	(36,770)	-
2,710	5,000	-	-	-	(1,587)	(1)	-
3,202	2,671	-	-	-	1,674	-	-
1,268	-	-	-	-	-	-	-

(\*) As of 31 December 2016, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(\*\*) These figures are shown per Turkish Trade Law financial statements as at 31 December 2016.

(\*\*\*) KT Sukuk Company Limited is established in Cayman on July 31, 2015, for the need of a second subordinated loan for the Bank. According to relevant article of IFRS 10, it is described as a subsidiary.

### Movement for subsidiaries

	Current period	Prior period
<b>Balance at the beginning of the year</b>	<b>299,312</b>	<b>168,355</b>
Movements during the year	-	-
Purchases (*)	50,201	130,957
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
(Impairment)/reversal of impairment	-	-
Capital commitment payments	-	-
<b>Balance at the end of the year</b>	<b>349,513</b>	<b>299,312</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(\*) Purchase is the capital payments to Architect Bilşim Sistemleri amounting to TL 750 and to KT Bank AG amounting to TL 49,451

# 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.)

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	270,560	221,109
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	55,273	55,273

Subsidiaries that are quoted on the stock exchange:

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	50,173	50,173
Quoted on International Stock Exchanges	-	-
<b>Total</b>	<b>50,173</b>	<b>50,173</b>

### 3. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

#### i. Information on joint ventures (business partnerships) (Net):

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. <sup>(*)</sup> (**)	50%	687,002	28,219	1,582	4,846	1,353

(\*) As of 31 December 2016, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations.

(\*\*) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish a Pension Company in line with main shares. Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş. and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

#### j. Information on finance lease receivables (Net):

##### 1. Presentation of remaining maturity of net finance leases:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	1,119,851	958,746	1,008,185	850,194
1 to 4 years	493,529	461,817	305,026	285,153
More than 4 years	131,810	123,980	49,789	47,513
<b>Total</b>	<b>1,745,190</b>	<b>1,544,543</b>	<b>1,363,000</b>	<b>1,182,860</b>

##### 2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	1,745,190	1,363,000
Unearned finance lease income (-)	(200,647)	(180,140)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>1,544,543</b>	<b>1,182,860</b>

# 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.)

### 3. Information on finance lease contracts:

The Bank determines the installments of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be modified with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 13,086 are included in the non-performing loans in the balance sheet (31 December 2015- TL 3,506).

Impairment provision amounting to TL 12,126 (31 December 2015- TL 2,941) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

**k. Information on derivative financial assets for hedging purposes:** None (31 December 2015 - None).

### I. Explanations on Tangible Assets (Net)

	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets(*)	Total
<b>At End of Prior Period: 31 December 2015</b>					
Cost	168,961	134,132	798	398,814	702,705
Accumulated Depreciation (-)	12,059	20,655	724	165,218	198,656
Net Book Value	156,902	113,477	74	233,596	504,049
<b>At End of Current Period: 31 December 2016</b>					
Net book value at beginning of period	156,902	113,477	74	233,596	504,049
Additions	2,110	365	50	44,940	47,465
Disposals (-)	7,471	-	29	3,031	10,531
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment/Reversal of Impairment Losses (**)	-	51,007	-	-	51,007
Depreciation Expense (-)	7,499	739	9	42,096	50,343
Cost at period end	163,600	83,490	819	440,723	688,632
Accumulated depreciation end of period (-)	19,558	21,394	733	207,314	248,999
<b>Closing net book value</b>	<b>144,042</b>	<b>62,096</b>	<b>86</b>	<b>233,409</b>	<b>439,633</b>
<b>At End of Prior Period: 31 December 2014</b>					
Cost	165,029	181,224	798	305,428	652,479
Accumulated Depreciation (-)	7,030	17,173	714	128,576	153,493
Net Book Value	157,999	164,051	84	176,852	498,986
<b>At End of Current Period: 31 December 2015</b>					
Net book value at beginning of period	157,999	164,051	84	176,852	498,986
Additions	11,745	1,220	-	85,288	98,253
Disposals (-)	7,813	-	-	4,288	12,101
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	12,386	12,386
Impairment/Reversal of Impairment Losses (**)	-	48,312	-	-	48,312
Depreciation Expense (-)	5,029	3,482	10	36,642	45,163
Cost at period end	168,961	134,132	798	398,814	702,705
Accumulated depreciation end of period (-)	12,059	20,655	724	165,218	198,656
<b>Closing net book value</b>	<b>156,902</b>	<b>113,477</b>	<b>74</b>	<b>233,596</b>	<b>504,049</b>

(\*) TL 30,128 (31 December 2015-TL 36,872) includes the amount of real estates to be disposed off.

(\*\*) Includes TL 51,007 impairment for real estate property transferred from KT Sukuk Varlık Kiralama A.Ş. The difference occurred as a result of sale and lease back transaction, is accounted as expense during the lease period (Section 3, Note XVIII) (31 December 2015- TL 48,312).

# 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.)

### m. Explanations on Intangible Assets:

#### 1. Cost and accumulated amortization balances at beginning and end of period:

	End of Period	Beginning of Period
Cost	181,989	142,371
Accumulated Amortization	(86,881)	(64,405)
<b>Total (net)</b>	<b>95,108</b>	<b>77,966</b>

#### 2. Movements of intangible assets

	Current Period	Prior Period
Opening balance	77,966	70,265
Additions	48,032	35,887
Disposals (-), net	8,414	8,153
Depreciation amount (-)	22,476	20,033
<b>Closing net book value</b>	<b>95,108</b>	<b>77,966</b>

Intangible assets include computer software and program licenses which are taken for banking systems.

### n. Investment property:

None. (31 December 2015 - None)

### o. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 31 December 2016 is TL 130,520 (31 December 2015 - TL 117,108) and deferred tax liability is TL 12,408 (31 December 2015 - TL 9,958).

	Current period	Prior period
Reserve for employee benefits	14,755	11,646
Retirement pay liability	11,058	9,642
Deferred income	29,683	27,131
Rediscounts for derivative instruments held for trading	27,731	21,827
Impairment provision for subsidiaries, fixed assets and assets held for sale	36,425	26,223
Precious metals valuation difference	-	14,440
Other	10,868	6,199
<b>Deferred tax asset</b>	<b>130,520</b>	<b>117,108</b>
Difference between carrying value and tax base of tangible assets	(7,753)	(6,852)
Valuation difference on available for sale financial asset	(220)	(482)
Valuation difference on precious metal	(3,131)	-
Other	(1,304)	(2,624)
<b>Deferred tax liability</b>	<b>(12,408)</b>	<b>(9,958)</b>
<b>Deferred tax asset, (net)</b>	<b>118,112</b>	<b>107,150</b>

# 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.)

Table for deferred tax asset movement:

	Current period	Prior period
As of January 1	107,150	50,016
Deferred tax income	3,714	50,599
Deferred tax accounted under shareholders' equity	7,248	6,535
<b>Deferred tax asset</b>	<b>118,112</b>	<b>107,150</b>

### p. Assets held for sale and assets of discontinued operations

Tangible assets which are obtained through receivables of the Bank and which the Bank plans to sell within one year have been announced in the web site are valued with the lower of the cost less accumulated depreciation and fair value as is required by the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Asset Held For Sale" published on 1 November 2006 in the Official Gazette No. 26333 in the unconsolidated financial statements.

	Current Period	Prior Period
Opening balance	32,640	31,316
Additions	15,335	13,956
Transfer from tangible assets	-	-
Disposals (-), net	-	246
Transfer to tangible assets	-	12,386
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	-
<b>Closing net book value</b>	<b>47,975</b>	<b>32,640</b>

### r. Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 689,597 (31 Aralık 2015 - TL 410,740). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

# 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.)

### II. Explanations and notes related to liabilities

#### a. Information on funds collected:

##### 1. Information on maturity structure of funds collected:

###### i. Current period:

	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>3,573,258</b>	-	-	-	-	-	-	-	<b>3,573,258</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>3,455,975</b>	<b>6,185,646</b>	<b>481,322</b>	-	<b>227,354</b>	<b>160,993</b>	-	<b>10,511,290</b>
<b>III. Other current accounts-TL</b>	<b>2,373,397</b>	-	-	-	-	-	-	-	<b>2,373,397</b>
Public sector	57,536	-	-	-	-	-	-	-	57,536
Commercial sector	2,283,566	-	-	-	-	-	-	-	2,283,566
Other institutions	27,325	-	-	-	-	-	-	-	27,325
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	4,970	-	-	-	-	-	-	-	4,970
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	741	-	-	-	-	-	-	-	741
Foreign banks	3,427	-	-	-	-	-	-	-	3,427
Participation banks	802	-	-	-	-	-	-	-	802
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>349,795</b>	<b>821,429</b>	<b>44,001</b>	-	<b>132,379</b>	<b>135,889</b>	-	<b>1,483,493</b>
<b>Public sector</b>	-	<b>301</b>	<b>33,481</b>	-	-	<b>40</b>	-	-	<b>33,822</b>
Commercial sector	-	321,734	738,766	32,343	-	126,604	134,965	-	1,354,412
Other institutions	-	27,021	48,987	11,658	-	5,725	401	-	93,792
Commercial and other institutions	-	739	182	-	-	10	-	-	931
Banks and participation banks	-	-	13	-	-	-	523	-	536
<b>V. Real persons current accounts-FC</b>	<b>3,090,964</b>	-	-	-	-	-	-	-	<b>3,090,964</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>1,625,988</b>	<b>2,820,800</b>	<b>651,610</b>	-	<b>454,239</b>	<b>164,990</b>	-	<b>5,717,627</b>
<b>VII. Other current accounts-FC</b>	<b>1,642,234</b>	-	-	-	-	-	-	-	<b>1,642,234</b>
Commercial residents in Turkey	1,341,943	-	-	-	-	-	-	-	1,341,943
Commercial residents in Abroad	129,723	-	-	-	-	-	-	-	129,723
Banks and participation banks	170,568	-	-	-	-	-	-	-	170,568
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	7,665	-	-	-	-	-	-	-	7,665
Foreign banks	160,585	-	-	-	-	-	-	-	160,585
Participation banks	2,318	-	-	-	-	-	-	-	2,318
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>378,656</b>	<b>629,124</b>	<b>93,215</b>	-	<b>28,981</b>	<b>37,319</b>	-	<b>1,167,295</b>
Public sector	-	-	80	-	-	-	-	-	80
Commercial sector	-	286,537	540,032	80,034	-	22,641	26,130	-	955,374
Other institutions	-	59,622	37,781	28	-	741	0	-	98,172
Commercial and other institutions	-	28,971	47,051	13,153	-	5,599	11,103	-	105,877
Banks and participation banks	-	3,526	4,180	-	-	-	86	-	7,792
<b>IX. Precious metal funds</b>	<b>1,299,314</b>	-	<b>930,175</b>	<b>73,925</b>	-	<b>36,607</b>	-	-	<b>2,340,021</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	<b>2,184</b>	-	<b>2,184</b>
Residents in Turkey	-	-	-	-	-	-	2,184	-	2,184
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11,979,167</b>	<b>5,810,414</b>	<b>11,387,174</b>	<b>1,344,073</b>	-	<b>879,560</b>	<b>501,375</b>	-	<b>31,901,763</b>

There are no 7 day notification and accumulative deposit accounts of the Bank.

# 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.)

ii. Prior period:

	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>2,647,535</b>	-	-	-	-	-	-	-	<b>2,647,535</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>2,725,707</b>	<b>4,697,143</b>	<b>545,322</b>	-	<b>212,632</b>	<b>218,604</b>	-	<b>8,399,408</b>
<b>III. Other current accounts-TL</b>	<b>1,944,033</b>	-	-	-	-	-	-	-	<b>1,944,033</b>
Public sector	66,484	-	-	-	-	-	-	-	66,484
Commercial sector	1,843,791	-	-	-	-	-	-	-	1,843,791
Other institutions	24,319	-	-	-	-	-	-	-	24,319
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	9,439	-	-	-	-	-	-	-	9,439
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,202	-	-	-	-	-	-	-	1,202
Foreign banks	4,839	-	-	-	-	-	-	-	4,839
Participation banks	398	-	-	-	-	-	-	-	398
Others	3,000	-	-	-	-	-	-	-	3,000
<b>IV. Profit sharing accounts-TL</b>	-	<b>285,158</b>	<b>1,016,935</b>	<b>50,342</b>	-	<b>107,013</b>	<b>78,509</b>	-	<b>1,537,957</b>
Public sector	-	43	22,580	5,000	-	19	-	-	27,642
Commercial sector	-	261,501	941,747	38,593	-	103,772	78,126	-	1,423,739
Other institutions	-	23,614	50,911	6,749	-	3,222	383	-	84,879
Commercial and other institutions	-	-	1,685	-	-	-	-	-	1,685
Banks and participation banks	-	-	12	-	-	-	-	-	12
<b>V. Real persons current accounts-FC</b>	<b>2,802,853</b>	-	-	-	-	-	-	-	<b>2,802,853</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>1,647,358</b>	<b>3,055,045</b>	<b>607,343</b>	-	<b>393,923</b>	<b>169,584</b>	-	<b>5,873,253</b>
<b>VII. Other current accounts-FC</b>	<b>1,337,892</b>	-	-	-	-	-	-	-	<b>1,337,892</b>
Commercial residents in Turkey	1,169,549	-	-	-	-	-	-	-	1,169,549
Commercial residents in Abroad	114,891	-	-	-	-	-	-	-	114,891
Banks and participation banks	53,452	-	-	-	-	-	-	-	53,452
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4,215	-	-	-	-	-	-	-	4,215
Foreign banks	47,939	-	-	-	-	-	-	-	47,939
Participation banks	1,298	-	-	-	-	-	-	-	1,298
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>312,332</b>	<b>1,482,288</b>	<b>67,155</b>	-	<b>69,741</b>	<b>294,886</b>	-	<b>2,226,402</b>
Public sector	-	-	15	-	-	-	-	-	15
Commercial sector	-	170,129	1,373,343	47,301	-	43,511	94,839	-	1,729,123
Other institutions	-	72,423	56,230	348	-	353	-	-	129,354
Commercial and other institutions	-	26,189	39,467	19,506	-	17,006	-	-	102,168
Banks and participation banks	-	43,591	13,233	-	-	8,871	200,047	-	265,742
<b>IX. Precious metal funds</b>	<b>585,999</b>	-	<b>679,839</b>	<b>47,987</b>	-	<b>32,316</b>	-	-	<b>1,346,141</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	<b>7,192</b>	-	<b>7,192</b>
Residents in Turkey	-	-	-	-	-	-	7,192	-	7,192
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,318,312</b>	<b>4,970,555</b>	<b>10,931,250</b>	<b>1,318,149</b>	-	<b>815,625</b>	<b>768,775</b>	-	<b>28,122,666</b>

# 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.)

### 2. Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund:

i. Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

Deposit	Under the guarantee of saving deposit insurance		Exceeding the limit of saving	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	8,985,542	7,234,693	5,052,687	3,775,703
FC accounts	4,058,175	4,001,565	6,504,045	5,831,455
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411.

ii. If the headquarters of the Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Bank is in Turkey.

iii. Current and Profit Share Accounts of the real persons who are not in the scope of Saving Deposits Insurance Fund:

The Bank has no current or profit sharing accounts which are not under the guarantee of the Saving Deposit Insurance Fund except for the current and profit sharing accounts of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first degree relatives.

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	3,046	2,887
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities	355	291



# 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.)

### b. Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	15,459	1,294	9,669	4,070
Swap transactions	25,121	77,853	293	57,491
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>40,580</b>	<b>79,147</b>	<b>9,962</b>	<b>61,561</b>

### c. Information on funds borrowed:

#### 1. Information on banks and other financial institutions:

	Current period		Prior period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	588,987	4,456,579	628,868	2,786,766
From Foreign Banks, Institutions and Funds	59,007	2,932,248	55,208	4,040,837
<b>Total</b>	<b>647,994</b>	<b>7,388,827</b>	<b>684,076</b>	<b>6,827,603</b>

#### 2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	637,766	3,057,394	684,076	4,684,992
Medium and Long-Term	10,228	4,331,433	-	2,142,611
<b>Total</b>	<b>647,994</b>	<b>7,388,827</b>	<b>684,076</b>	<b>6,827,603</b>

# 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.)

Details of significant transactions that are accounted under Funds Borrowed are stated in table below.

#### Current Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	11/10/2016	11/01/2017	TRY	9.96%	180,000,000	4,582,350
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	08/11/2016	14/02/2017	TRY	10.06%	200,000,000	5,477,260
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	30/11/2016	07/03/2017	TRY	10.25%	160,000,000	4,422,144
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	01/11/2016	02/11/2021	USD	5.14%	500,000,000	130,325,993
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	26/06/2014	26/06/2019	USD	5.08%	500,000,000	128,767,923
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/07/2015	15/07/2020	MYR	5.64%	300,000,000	85,894,027
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/05/2015	15/05/2020	MYR	5.64%	200,000,000	57,262,685
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	31/03/2015	31/03/2020	MYR	5.72%	300,000,000	87,095,343
	PUBLIC INSTITUTE FOR SOCIAL						
Wakala	SECURITIES KW	27/10/2016	27/01/2017	USD	2.20%	100,000,000	562,222
Wakala	KFH - KUWAIT	04/11/2016	06/02/2017	USD	2.20%	100,000,000	574,444
	PUBLIC INSTITUTE FOR SOCIAL						
Wakala	SECURITIES KW	27/05/2016	02/06/2017	USD	1.90%	120,000,000	2,349,667
Wakala	KFH - KUWAIT	21/06/2016	27/06/2017	USD	2.05%	100,000,000	2,112,639
Wakala	KFH - KUWAIT	31/10/2016	07/11/2017	USD	2.15%	101,666,667	2,258,694

#### Prior Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	16/12/2015	16/03/2016	TRY	10.72%	150,000,000	4,065,075
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	13/11/2015	10/05/2016	TRY	10.82%	200,000,000	10,759,610
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/07/2015	15/07/2020	MYR	5.64%	300,000,000	85,894,027
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	30/06/2015	05/01/2016	TRY	10.48%	160,000,000	8,806,880
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/05/2015	15/05/2020	MYR	5.64%	200,000,000	57,262,685
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	31/03/2015	31/03/2020	MYR	5.72%	300,000,000	87,095,343
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	26/06/2014	26/06/2019	USD	5.08%	500,000,000	128,767,923
Sukuk	KT SUKUK V.K.Ş.	31/10/2011	31/10/2016	USD	5.88%	213,129,648	63,545,937
Wakala	KFH - KUWAIT	20/01/2015	27/01/2016	USD	1.80%	125,000,000	2,454,167
Wakala	KFH - KUWAIT	21/05/2015	27/05/2016	USD	1.80%	120,000,000	2,232,000
Wakala	KFH - KUWAIT	15/06/2015	21/06/2016	USD	1.80%	100,000,000	1,911,667
Wakala	PIFSS - KUWAIT	22/10/2015	31/10/2016	USD	1.80%	100,000,000	1,666,667
	EMIRATES NBD BANK PJSC (HEAD						
Syndicated	OFFICE) - DUBAI	29/12/2014	29/12/2016	USD	1.25%	300,000,000	7,642,605

### 3. Explanations related to the concentrations of the Bank's major liabilities:

All of the borrowings consist of foreign currency loans and majorly they are formed by the transactions with the off-shore financial institutions.

There is no risk concentration of the Bank's current and profit sharing accounts.

#### d. Information on other liabilities and miscellaneous payables:

As of 31 December 2016, other liabilities amounting TL 399,451 (31 Aralık 2015 - TL 454,608), sundry creditors amounting to TL 157,964 (31 Aralık 2015 - TL 118,978), both of them do not exceed 10% of the balance sheet total.

#### e. Information on finance lease payables (net):

The Bank bought some of the information technology equipment through financial lease and the liabilities originated from the agreements are paid in monthly installments to the leasing firms. These agreements do not raise any further liabilities other than already committed payments by the Bank.

# 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.)

As of 31 December 2016, finance lease payables details of the transaction of issuing certificate of rent (sukuk) is explained under section three and disclosure XVIII, with the permission of BRSA's decision numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and as of 13 March 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.

i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2015 - None).

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	265	226	468,302	401,990
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>265</b>	<b>226</b>	<b>468,302</b>	<b>401,990</b>

iii. Information on Operational Leases:

The leasing transactions, in which all risks and benefits of the leased asset are held by the lessor, are classified as operational leases. Such transactions consist of rent contracts of branches which may be cancelled by declaration.

There are no significant commitments regarding the changes at the operational lease agreements.

The payments related with operational leases are recognized as expense in the income statement during the period of the agreement in equal installments.

iv. Information on sale and leaseback transactions:

The transaction of issuing certificate of rent (sukuk) is explained under section three and disclosure XVIII, with the permission of the decision of the BRSA numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated as 13 March 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.

f. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	137,829	-	98,650
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>137,829</b>	<b>-</b>	<b>98,650</b>

# 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.)

### g. Information on provisions:

#### 1. Information on general provisions:

	Current period	Prior Period
<b>General Provisions</b>	<b>318,825</b>	<b>334,118</b>
<b>I.For Loans and Receivables in Group I (Total)</b>	<b>238,477</b>	<b>242,204</b>
Profit Sharing Accounts' Share	85,063	70,988
The Bank's Share	153,414	158,152
Other	-	-
<b>I.Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>-</b>	<b>13,064</b>
Profit Sharing Accounts' Share	-	3,482
The Bank's Share	-	9,582
Other	-	-
<b>II.Loans and Receivables in Group II (Total)</b>	<b>31,063</b>	<b>45,256</b>
Profit Sharing Accounts' Share	13,639	584
The Bank's Share	17,424	10,692
Other	-	-
<b>II.Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>-</b>	<b>33,980</b>
Profit Sharing Accounts' Share	-	17,298
The Bank's Share	-	16,682
Other	-	-
<b>Provisions for Non Cash Loans</b>	<b>21,629</b>	<b>19,363</b>
<b>Other</b>	<b>27,656</b>	<b>27,295</b>

According to the provisional article 11 added on 14 December 2016 to "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" that is published in Official Gazette numbered 26333 on 1 November 2006; it has been stated that the banks can apply the rates disclosed in paragraph 1, article 7 of the related regulation for general provisions as minimum five over thousand percent (0.5%) for commercial cash loans in Group I; minimum one over thousand percent (0.1%) for commercial non-cash loans in Group I; zero percent (0 %) for the small and medium-sized enterprise cash and non-cash loans in Group I, cash and non-cash loans used for the purpose of transit trade, exports, sales and deliveries considered as exports and foreign exchange earning services and activities, and the syndication loans used for the financing of large-scale public tenders; minimum one percent (1 %) for the small and medium-sized enterprise cash loans in Group II, cash loans used for the purpose of transit trade, exports, sales and deliveries considered as exports and foreign exchange earning services and activities; two over thousand percent (0.2%) for the non-cash loans with the same nature in Group II. These exceptional clauses were partially applied in the current period financial statements.

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2016, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 651 (31 Aralık 2015 - TL 28,352) and TL 5,953 (31 Aralık 2015 - TL 37,431) is offset against loans and receivables.

# 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.)

### 3. Information on other provisions:

	Current Period	Prior Period
Provisions for non- liquidated non cash loans <sup>(*)</sup>	74,736	66,746
Provisions for cheque books <sup>(*)</sup>	4,633	8,768
Provisions from equity/profit sharing accounts	14,668	7,564
Provisions for Promotion Activities for Credit Cards	818	551
Other <sup>(**)</sup>	38,996	7,988
<b>Total</b>	<b>133,851</b>	<b>91,617</b>

<sup>(\*)</sup> Effective from 1 March 2011, according to temporary article 2 of "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", the Bank recognizes provisions for non- liquidated non-cash loans and check books of customers who have any other non-performing exposures within the Bank.

<sup>(\*\*)</sup> Other item includes TL 4,050 litigation provision in current period ( 31 December 2015 - TL 4,450). In addition to this, TL 14,450 includes provision amount is related to audit related penalty from Ministry of Customs and Trade (31 December 2015 - TL 0) and TL 18,550 includes the repayment amount foreseen for delay in penalties (31 December 2015 - TL 0).

### 4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to, TL 55,291 (31 Aralık 2015 - TL 48,208), vacation pay liability amounting to TL 792 (31 Aralık 2015 - TL 355), performance premium amounting TL 55,927 (31 Aralık 2015 - TL 49,677), retirement bonuses on payment of TL 10,340 (31 December 2015 - TL 3,360) and committee fee amounting to 6,714 TL (31 December 2015 - TL 4,840).

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire.

The amount payable consists of one month's salary limited to a maximum of TL 4,297 (31 Aralık 2015 - TL 4,093) for each year of service. The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current period	Prior period
Discount Rate (%)	11.46	10.83
Inflation rate (%)	7.78	7.40
Interest rate (%)	8.78	8.40

Movements in the reserve for employment termination benefits during period are as follows:

	Current period	Prior period
Balance at the beginning of the period	48,208	41,916
Provisions provided during the period	16,416	13,063
Actuarial loss	(7,880)	(3,151)
Paid during the period	(1,453)	(3,620)
<b>Balances at the end of the period</b>	<b>55,291</b>	<b>48,208</b>

# 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.)

### h. Explanations on tax liability:

#### 1. Explanations on current tax liability:

i. Information on tax provisions: As of 31 December 2016, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 27,851.

	Current period	Prior period
Provision for corporate income tax (*)	124,960	159,529
Prepaid taxes	(97,109)	(123,057)
<b>Total (**)</b>	<b>27,851</b>	<b>36,472</b>

(\*) Related amount represents the amount before the adjustment of the prior period tax provision amounting to TL 122 (31 December 2015 - TL 135).

(\*\*) It is presented in the current tax liability line, under liabilities.

#### ii. Information on taxes payable (\*):

	Current period	Prior period
Taxation of marketable securities	14,130	10,502
Taxation of immovable property	1,111	997
Banking Insurance Transaction Tax (BITT)	17,170	13,200
Value Added Tax Payable	1,324	1,020
Income tax deducted from wages	7,331	6,488
Other	1,065	1,001
<b>Total</b>	<b>42,131</b>	<b>33,208</b>

#### iii. Information on premiums (\*):

	Current period	Prior period
Social Security Premiums-Employee	4,287	3,636
Social Security Premiums-Employer	4,622	3,913
Unemployment insurance-Employee	307	260
Unemployment insurance-Employer	698	573
<b>Total</b>	<b>9,914</b>	<b>8,382</b>

(\*)Included in sundry creditors line item on the balance sheet.

iv. Information on deferred tax liability: None (31 December 2015 - None).

i. Information on payables related to assets held for sale: None (31 December 2015 - None).

# 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.)

### j. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,981,646	-	589,734
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	-	<b>1,981,646</b>	-	<b>589,734</b>

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.

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.

### k. Information on shareholders' equity:

#### 1. Presentation of paid-in capital:

	Current period	Prior period
Common shares	2,790,000	2,530,000
Preference shares	-	-
Repurchased shares amount (*)	(2,678)	(2,678)
<b>Total</b>	<b>2,787,322</b>	<b>2,527,322</b>

(\*) It represents the Bank's acquisition of its own shares as a result of the other shareholders not using their right of preference according to the commitment made in the capital increase in the Bank

**2. Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital:** Registered capital system is not applied in the bank.

**3. Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period:**

Date for Increase	Increased Amount	Internal Sources	Retained Earnings for Increased
5 April 2016	260,000	260,000	-

**4. Information on share capital increases from capital reserves during the current period:** None. (31 December 2015 - None)



# 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.)

### 5. Possible effect of estimations made for the Bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the Bank's prior and current period indicators related to net profit share and commission income, it is observed that the Bank continues its operations profitably.

### 6. Summary of privileges given to shares representing the capital: None.

### 7. Information on marketable securities value increase fund:

	Current period		Prior period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	(182)	(30,347)	9,225	(3,831)
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(182)</b>	<b>(30,347)</b>	<b>9,225</b>	<b>(3,831)</b>

(\*)Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under available for sale in the balance sheet.

### I. Information on minority shares: None (31 December 2015 - None).

## III. Explanations and notes related to off-balance sheet commitments

### a. Explanations on off-balance sheet accounts:

**1. Type and amount of irrevocable commitments:** Commitment for credit card limits, as of 31 December 2016 is TL 904,427 (31 December 2015 - TL 739,721); payment commitments for cheque books are TL 1,178,750 (31 December 2015 - TL 1,018,655)

### 2. Type and amount of probable losses and obligations arising from off-balance sheet items:

i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 31 December 2016, the Bank has guarantees and suretyships constituting TL 8,114,844 (31 December 2015 - TL 7,339,660) letters of guarantee; TL 52,044 (31 December 2015 - TL 84,108) acceptances and TL 1,019,786 (31 December 2015 - TL 1,029,264) letters of credit. In addition, the Bank has also Other Guarantees and Securities amounting to TL 702,113 (31 December 2015 - TL 503,290)

ii. Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i).

### 3. (i). Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	9,888,787	8,956,322
<b>Total</b>	<b>9,888,787</b>	<b>8,956,322</b>



# 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.)

### (ii). Sectorial risk concentration of non-cash loans

	Current period				Prior period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
<b>Agriculture</b>	<b>39,728</b>	<b>0.76</b>	<b>10,773</b>	<b>0.23</b>	<b>29,503</b>	<b>0.63</b>	<b>30,804</b>	<b>0.71</b>
Farming and Stockbreeding	17,721	0.34	7,487	0.16	12,707	0.27	11,025	0.26
Forestry	21,925	0.42	3,286	0.07	16,714	0.36	19,497	0.45
Fishery	82	0.00	-	-	82	0.00	282	0.01
<b>Manufacturing</b>	<b>753,859</b>	<b>14.56</b>	<b>927,124</b>	<b>19.67</b>	<b>750,567</b>	<b>16.19</b>	<b>892,634</b>	<b>20.67</b>
Mining and quarrying	213,839	4.13	294,194	6.24	179,242	3.87	278,631	6.45
Production	335,303	6.48	357,625	7.59	346,077	7.46	333,253	7.72
Electricity, Gas, Water	204,717	3.95	275,305	5.84	225,248	4.86	280,750	6.50
<b>Construction</b>	<b>2,277,316</b>	<b>43.99</b>	<b>1,171,081</b>	<b>24.86</b>	<b>2,031,713</b>	<b>43.81</b>	<b>1,174,744</b>	<b>27.20</b>
<b>Services</b>	<b>1,426,827</b>	<b>27.56</b>	<b>1,656,399</b>	<b>35.16</b>	<b>1,265,473</b>	<b>27.29</b>	<b>1,435,932</b>	<b>33.25</b>
Wholesale and Retail Trade	599,580	11.58	449,934	9.55	509,495	10.99	406,579	9.41
Hotel, Food and Beverage Services	70,677	1.37	31,106	0.66	54,590	1.18	32,191	0.75
Transportation and Telecom.	389,561	7.52	700,476	14.87	365,675	7.89	597,765	13.84
Financial Institutions	23,491	0.45	398,649	8.46	6,461	0.14	321,613	7.45
Real Estate and Renting Services	18,035	0.35	1,874	0.04	14,230	0.31	5,094	0.12
"Self-Employment" Type Services	70	0.00	-	-	130	0.00	-	-
Educational Services	41,418	0.80	1,994	0.04	27,509	0.59	3,882	0.09
Health and Social Services	283,995	5.49	72,366	1.54	287,383	6.20	68,808	1.59
<b>Other</b>	<b>679,452</b>	<b>13.13</b>	<b>946,228</b>	<b>20.08</b>	<b>560,138</b>	<b>12.08</b>	<b>784,814</b>	<b>18.17</b>
<b>Total</b>	<b>5,177,182</b>	<b>100.00</b>	<b>4,711,605</b>	<b>100.00</b>	<b>4,637,394</b>	<b>100.00</b>	<b>4,318,928</b>	<b>100.00</b>

### (iii). Non-cash loans classified under Group I and II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>5,122,017</b>	<b>4,687,573</b>	<b>55,165</b>	<b>24,032</b>
Letters of Guarantee	4,971,330	3,068,991	55,165	19,358
Bills of Exchange and Bank Acceptances	2,071	49,973	-	-
Letters of Credit	188	1,014,924	-	4,674
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	148,428	553,685	-	-
Prior Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>4,551,524</b>	<b>4,283,748</b>	<b>85,870</b>	<b>35,180</b>
Letters of Guarantee	4,521,699	2,698,368	85,870	33,723
Bills of Exchange and Bank Acceptances	7,656	76,004	-	448
Letters of Credit	177	1,028,078	-	1,009
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	21,992	481,298	-	-

# 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.)

### b. Financial derivative instruments

	Derivative transactions according to aims	
	Current Period	Prior Period
<b>Trading derivatives</b>		
<b>Foreign Currency Related Derivative</b>		
<b>Transactions (I):</b>	<b>18,635,729</b>	<b>12,441,792</b>
Currency Forwards-Purchases, sales	3,408,604	3,169,674
Currency Swaps-Purchases, sales	15,227,125	9,272,118
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Interest Rate Related Derivative</b>		
<b>Transactions (II):</b>	-	-
Interest rates forwards-Purchase, sales	-	-
Interest rates swaps-Purchases, sales	-	-
Interest rates options-Purchases, sales	-	-
Interest rates futures-Purchases, sales	-	-
<b>Other Trading Derivatives (III)</b>	<b>21,178</b>	<b>104,764</b>
<b>A.Total Trading Derivatives (I+II+III)</b>	<b>18,656,907</b>	<b>12,546,556</b>
<b>Hedging Derivatives</b>		
Fair value hedges	-	-
Cash flow hedges	1,391,124	1,172,816
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>1,391,124</b>	<b>1,172,816</b>
<b>Total Derivatives Transactions (A+B)</b>	<b>20,048,031</b>	<b>13,719,372</b>

The Bank enters into short term swap transactions based on its market expectations and cash flow. These transactions are generally short term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2016, the Bank has commitments to buy TL 4,827,866, USD 1,053,129,000, EUR 79,150,000, GBP 976,000 and MYR 800,000,000 in return of selling commitments of TL 904,538, USD 570,101,074, EUR 1,796,912,000 and GBP 700,000 (As of 31 December 2015, the Bank has commitments to buy TL 1,402,158, USD 1,387,161,000, EUR 121,900,000, GBP 3,005,000 and 800,000,000 MYR in return of selling commitments of TL 588,724, USD 824,214,000, EUR 945,395,000 and GBP 1,986,000)

**c. Credit derivatives and risk exposures on credit derivatives:** None.

### d. Contingent liabilities and assets:

In accordance with decision of the Bank's Board of Directors numbered 1117 and dated 21 June 2011, recoverable foreign currency loan granting commitments to real and legal persons and who do not have the unconditional right to utilize these commitment has been translated into Turkish Lira and no longer followed as foreign currency commitments.

### e. Explanations on custodian and intermediary services

The Bank does not operate in money placements on behalf of real or legal persons, charitable foundations, retirement insurance funds and other institution.

# 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.)

### f. Summary Information on the Bank's Rating by the International Rating Institutions

Fitch Rating's November 2016	Notes
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F2
Local Currency Long Term Issuer Default Rating	BBB
Local Currency Short Term Issuer Default Rating	F2
Support Rating	2

### IV. Explanations and disclosures related to the income statement

#### a. Information on profit share income:

##### 1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
<b>Profit share on loans</b>	<b>2,560,187</b>	<b>179,922</b>	<b>2,141,419</b>	<b>142,934</b>
Short term loans	657,871	13,138	558,220	12,489
Medium and long term loans	1,896,616	166,784	1,576,241	130,445
Profit share on non-performing loans	5,700	-	6,958	-
Premiums received from resource utilization support fund	-	-	-	-

##### 2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	3,760	10,792	302	8,134
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>3,760</b>	<b>10,792</b>	<b>302</b>	<b>8,134</b>

##### 3. Information on profit share income from securities portfolio:

The Bank received TL 197,440 of profit share income from rent certificates (sukuk) that are disclosed in detail in available for sale financial assets information. (1 January-31 December 2015: TL 163,165)

##### 4. Information on profit share income received from associates and subsidiaries:

	Current period	Prior period
Profit share income received from associates and subsidiaries	3,172	1,562

# 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.)

### b. Information on profit share expenses:

#### i. Information on profit share expense given to funds borrowed:

	Current period		Prior period	
	TL	FC	TL	FC
<b>Banks</b>	<b>79,807</b>	<b>363,821</b>	<b>12,923</b>	<b>76,628</b>
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	9,362	6,971	10,434	2,220
Foreign banks	9,867	71,080	2,489	74,408
Branches and head office abroad	-	-	-	-
<b>Other Institutions</b>	<b>60,578</b>	<b>285,770</b>	<b>50,251</b>	<b>171,772</b>
<b>Total</b>	<b>79,807</b>	<b>363,821</b>	<b>63,174</b>	<b>248,400</b>

#### ii. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	199,750	199,129

#### iii. Profit share expense paid to securities issued: None (1 January-31 December 2015: None).

### c. Information on dividend income:

	Current period	Prior period
Held for Trading Financial Assets	-	-
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other (*)	509	-
<b>Total</b>	<b>509</b>	<b>-</b>

(\*) This amount related to non-cash capital increase of Kredi Garanti Fonu A.Ş. which is presented in Available for sale financial assets.

# 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.)

### d. Distribution of profit share on funds based on maturity of funds:

Current period	Profit Sharing Accounts							Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	Accumulated profit sharing accounts	
<b>TL</b>								
Collected funds from banks through current and profit share accounts	-	2,967	-	-	-	-	-	2,967
Non-trading profit sharing								
Account of individuals	228,615	416,199	38,548	-	16,636	13,890	-	713,888
Public sector profit sharing account	80	2,249	434	-	-	-	-	2,763
Commercial sector profit sharing account	19,168	53,160	3,997	-	965	1,391	-	78,681
Other institutions profit sharing account	2,096	3,676	690	-	154	34	-	6,650
<b>Total</b>	<b>249,959</b>	<b>478,251</b>	<b>43,669</b>	<b>-</b>	<b>17,755</b>	<b>15,315</b>	<b>-</b>	<b>804,949</b>
<b>FC</b>								
Banks	426	1,795	-	-	17	230	-	2,468
Non-trading profit sharing account of individuals	22,239	41,478	9,412	-	6,776	2,677	-	82,582
Public sector profit sharing account	-	1	-	-	-	-	-	1
Commercial sector profit sharing account	2,567	9,739	1,555	-	275	444	-	14,580
Other institutions profit sharing account	1,832	1,412	265	-	128	832	-	4,469
Precious metal accounts	-	5,657	395	-	306	-	-	6,358
<b>Total</b>	<b>27,064</b>	<b>60,082</b>	<b>11,627</b>	<b>-</b>	<b>7,502</b>	<b>4,183</b>	<b>-</b>	<b>110,458</b>
<b>Grand Total</b>	<b>277,023</b>	<b>538,333</b>	<b>55,296</b>	<b>-</b>	<b>25,257</b>	<b>19,498</b>	<b>-</b>	<b>915,407</b>
Prior Period	Profit Sharing Accounts							Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	Accumulated profit sharing accounts	
<b>TL</b>								
Collected funds from banks through current and profit share accounts	-	1	-	-	-	-	-	1
Non-trading profit sharing of individuals account	162,510	284,933	39,724	-	13,305	17,389	-	517,861
Public sector profit sharing account	5	136	1	-	1,527	549	-	2,218
Commercial sector profit sharing account	16,602	44,527	7,503	-	1,370	1,685	-	71,687
Other institutions profit sharing account	2,303	2,403	425	-	106	29	-	5,266
<b>Total</b>	<b>181,420</b>	<b>332,000</b>	<b>47,653</b>	<b>-</b>	<b>16,308</b>	<b>19,652</b>	<b>-</b>	<b>597,033</b>
<b>FC</b>								
Banks	555	669	394	-	370	3,876	-	5,864
Non-trading profit sharing account of individuals	18,411	36,005	8,335	-	5,119	3,158	-	71,028
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	2,600	20,364	1,086	-	1,209	790	-	26,049
Other institutions profit sharing account	1,755	957	171	-	191	56	-	3,130
Precious metal accounts	-	5,669	379	-	263	-	-	6,311
<b>Total</b>	<b>23,321</b>	<b>63,664</b>	<b>10,365</b>	<b>-</b>	<b>7,152</b>	<b>7,880</b>	<b>-</b>	<b>122,382</b>
<b>Grand Total</b>	<b>204,741</b>	<b>395,664</b>	<b>58,018</b>	<b>-</b>	<b>23,460</b>	<b>27,532</b>	<b>-</b>	<b>709,415</b>

# 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.)

### e. Information on trading income/loss (Net):

	Current period	Prior period
<b>Trading income/loss (net)</b>	<b>275,772</b>	<b>178,108</b>
<b>Income</b>	<b>12,302,853</b>	<b>12,890,224</b>
Gain on capital market transactions	9,074	7,957
Gain on derivative financial instruments	456,035	278,124
Foreign exchange gains	11,837,744	12,604,143
<b>Losses (-)</b>	<b>12,027,081</b>	<b>12,712,116</b>
Losses on capital market transactions	1,203	1,694
Losses on derivative financial instruments	300,606	235,676
Foreign exchange losses	11,725,272	12,474,746

### f. Information on other operating income:

The details of other operating income are presented below. There are no unusual items in the other operating income which materially affect the income of the Bank.

	Current period	Prior period
Reversal of prior period provisions	79,001	104,529
Income from sale of assets	53,907	27,221
Income from the real estate sales' gains by rent certificates	51,007	48,312
Lease income	2,478	1,825
Other Income	6,479	8,208
<b>Total</b>	<b>192,872</b>	<b>190,095</b>

### g. Provisions for loan losses and other receivables of the Bank:

	Current period	Prior period
Specific provisions for loans and other receivables	461,561	325,274
III. group loans and receivables	79,691	74,037
IV. group loans and receivables	217,987	146,981
V. group loans and receivables	163,883	104,256
Doubtful commissions, fees and other receivables	1,254	191
General provision expenses	-	93,342
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	3,081	559
Financial Assets at fair value through profit and loss	3,081	559
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	714
Associates	-	714
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other (*)	45,765	8,656
<b>Total</b>	<b>511,661</b>	<b>428,736</b>

(\*) Other item includes TL 4,450 is lawsuit provision (31 December 2015: TL 4,450), TL 14,450 is provision which is related to possible penalty regarding inspection by the Ministry of Customs and Trade (31 December 2015: None.) and TL 18,850 is provision amount foreseen for delay in penalties. According to the provision regulation, it consists both the provision is allocated 5% of profit which will be distributed to participation accounts and %5 impairment amount booked for non-depreciable assets which are classified for held for sale assets.

# 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.)

### h. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	582,645	499,902
Provision for retirement pay liability	8,536	9,443
Depreciation expenses of fixed assets	49,329	44,101
Impairment expenses of tangible assets	51,007	48,312
Depreciation expenses of intangible assets	22,476	20,033
Depreciation expenses of assets held for sale	1,014	1,062
Other operating expenses	255,799	236,537
Rent expenses	96,626	85,742
Maintenance expenses	24,294	18,151
Advertisement expenses	22,492	10,010
Communication expenses	30,043	26,785
Heating, electricity and water expenses	12,390	11,558
Cleaning expenses	5,185	4,813
Vehicle expenses	4,541	4,477
Stationery expenses	4,236	4,215
Other expenses	55,992	70,786
Losses on sales of assets	366	782
Deposit insurance fund expenses	66,069	59,498
Other	79,878	69,075
<b>Total</b>	<b>1,117,119</b>	<b>988,745</b>

### i. Information on profit/loss from continued and discontinued operations before taxes:

Income before tax amounts to TL 663,212 increased by 19.83% as compared to the prior period (2015 - TL 553,476). Income before tax includes TL 1,669,869 (2015 - TL 1,468,812) net profit share income and TL 152,970 (2015 - TL 133,942) net fees and commission income. Other operating expense amount is TL 1,117,119 (2015 - TL 988,745).

### j. Information on tax provision for continued and discontinued operations:

At current period, deferred tax income of the Bank is TL 3,174 (31 December 2015 - TL 50,599 -income) deferred tax income) and current tax provision expense is TL 124,960 (2015 - TL 159,394).

### k. Information on net income/loss from continued and discontinued operations:

There is no income or loss for discontinued operation in net operating income after tax.

### l. Information on net income/loss:

i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of 31 December 2016, net profit share income is TL 1,669,869 (1 January-31 December 2015 - 1,468,812 TL), net fees and commission income is TL 152,970 (1 January-31 December 2015 - TL 133,942).

ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-31 December 2015- None).

iii. Profit/Loss attributable to minority interest: None (1 January-31 December 2015 - None).

# 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.)

### m. Details of sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:

As of 31 December 2016, other fees and commissions received is TL 223,950 (1 January-31 December 2015 - TL 177,534), TL 45,655 of this amount is related with credit card fees and commissions (1 January-31 December 2015 - TL 31,283) and TL 46,026 of this amount is related with POS machine commissions (1 January-31 December 2015 - TL 36,962).

As of 31 December 2016, other fees and commissions given is TL 158,499 (1 January-31 December 2015 - TL 125,445), TL 54,634 (1 January-31 December 2015 - TL 42,855) of this amount is related with POS clearing commissions and installation expenses, TL 7,831 (1 January-31 December 2015 - TL 5,920) of this amount is related with fees and commissions paid for credit cards.

### v. Statement of Changes in Shareholders' Equity

#### a) There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements.

Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

b) In the current year, the Bank made dividend payments amounting to TL 3,399 to members of Board of Directors. In the General Assembly meeting held in 31 March 2016 it has been decided that TL 22,574 would be transferred to legal reserves, TL 110,396 would be transferred to extraordinary reserve, TL 48,788 would be transferred to other reserves and TL 260,000 would be transferred to paid up capital.

### vi. Explanations and notes related to cash flow statement

#### a. Information regarding the balances of cash and cash equivalents at the beginning of the period:

##### 1. Components of cash and cash equivalents and accounting policy applied in their determination:

"Cash" is defined as cash in vault and foreign currency cash, cash in transit, checks purchased, unrestricted amount in the Central Bank and demand deposits in Banks. "Cash equivalents" is defined as money market placements, investments in securities and time deposits in banks with original maturity less than three months.

(i). Cash and cash equivalents at the beginning of the period:

	Current period	Prior period
<b>Cash</b>	<b>4,687,293</b>	<b>1,995,829</b>
Cash in TL/foreign currency, others	1,713,467	756,737
Demand deposits at banks	2,973,826	1,239,092
<b>Cash equivalents</b>	<b>-</b>	<b>-</b>
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>4,687,293</b>	<b>1,995,829</b>



# 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.)

(ii). Cash and cash equivalents at the end of the period:

	Current period	Prior period
<b>Cash</b>	<b>5,595,655</b>	<b>4,687,293</b>
Cash in TL/foreign currency, others	740,629	1,713,467
Demand deposits at banks (up to 3 months)	4,855,026	2,973,826
<b>Cash equivalents</b>	<b>-</b>	<b>-</b>
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>5,595,655</b>	<b>4,687,293</b>

**b. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:** None.

**c. Effects of the changes in foreign currency rates on cash and cash equivalents:**

"Other items" amounting to TL (289,202) (1 January-31 December 2015: TL (228,030)) in "Operating profit before changes in operating assets and liabilities" consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

"Net increase/decrease in other liabilities" amounting to TL 2,007,254 (1 January-31 December 2015: TL 191,170) in "Changes in operating assets and liabilities" consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

"Net increase/decrease in other assets" amounting to TL (309,296) (1 January-31 December 2015: TL (12,583)) in "Changes in operating assets and liabilities" consist of changes in prepaid rent expense and other asset.

**d. Effects of the change in foreign currency rates on cash and cash equivalents:**

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 140,046 as of 31 December 2016 (31 December 2015 - TL (121,283)). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

# 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.)

### VII. Explanations and notes related to risk group of the Bank:

#### a. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

##### 1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	101,156	132	1,014	13,543	126,600	600
Balance at end of period	14	883	998	16,818	135,364	20,290
Profit share and commission income	3,172	4	102	3	7,632	1

(\*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

##### 2. Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	20,036	25,640	580	13,638	79,663	283
Balance at end of period	101,156	132	1,014	13,543	126,600	600
Profit share and commission income	1,562	4	75	-	6,050	1

(\*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

##### 3. (i). Information on current and profit sharing accounts of the Bank's risk group:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	290,113	224,299	57,602	42,633	137,160	207,428
Balance at the end of period	113,140	290,113	58,441	57,602	113,915	137,160
Profit share expense	2,618	6,575	3,213	2,572	3,186	6,706

(\*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411



# 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.)

(ii) Forward and option agreements and other similar agreements with the risk group of the Bank: None.

#### 4. Information on loans received from the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
	<b>Loans Received</b>					
Balance at beginning of period	3,651,891	2,220,205	2,607,122	2,618,833	166,742	26,640
Balance at end of period	6,031,523	3,651,891	2,954,769	2,607,122	-	166,742
Profit share expense	197,132	192,554	74,722	80,076	2,965	872

#### b. Information on remunerations provided to top management:

As of 31 December 2016, the Bank has paid TL 21,160 to top management (31 December 2015 - TL 18,085).

### VIII. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices

#### 1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	385	3,933			
			<b>Country</b>	<b>Total Assets (TL)</b>	<b>Legal Capital (USD)</b>
Foreign representative offices					
Foreign bank	1	10	Dubai	210,614	50,000,000
	1	70	Germany	400,190	63,251,307
Off-shore branches	1	3	Bahrain	2,933,420	
Foreign branches					

(\*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number.

#### 2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

In 2016, 27 new domestic branches (2015-52 branches) were opened.

# 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.)

### IX. Significant Events and Matters Arising Subsequent to Balance Sheet Date

The Board of Directors of the Bank has 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.

The Board of Directors of the Bank has 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 has decided the early payment 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. has issued a rent certificate with three month maturity, TL 80,000 nominal and 10.3% borrowing rate on 11 January 2017.

### SECTION SIX OTHER EXPLANATIONS AND DISCLOSURES

**I. Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet:** None.

### SECTION SEVEN INDEPENDENT AUDITORS' REPORT

#### I- Explanations on the auditors' report:

The unconsolidated financial statements of the Bank have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 13 February 2017 is presented before the accompanying financial statements.

**II- Notes and disclosures prepared by independent auditors:** None

# 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.)

### SECTION EIGHT ANNUAL REPORT

#### I- Explanations on annual report

##### a. About Kuveyt Türk

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

As of 31 December 2016, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

##### b. Financial Informations Summary

<b>UNCONSOLIDATED BALANCE SHEET</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
CASH BALANCES AND CENTRAL BANK	8,303,052	7,568,815
BANKS	4,698,081	3,583,494
LOANS	28,412,441	25,851,000
FINANCE LEASE RECEIVABLES	1,544,543	1,182,860
TANGIBLE ASSETS (Net)	439,633	504,049
OTHER ASSETS	5,079,205	3,362,289
<b>TOTAL ASSETS</b>	<b>48,476,955</b>	<b>42,052,507</b>
FUND COLLECTED	31,901,763	28,122,666
FUNDS BORROWED	8,036,821	7,511,679
FINANCE LEASE PAYABLES	226	401,990
SUBORDINATED LOANS	1,981,646	589,734
OTHER LIABILITIES	2,644,435	2,023,948
SHAREHOLDERS EQUITY	3,912,064	3,402,490
<b>TOTAL LIABILITIES</b>	<b>48,476,955</b>	<b>42,052,507</b>

<b>UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
PROFIT SHARE INCOME	3,110,435	2,564,838
PROFIT SHARE EXPENSE	1,440,566	1,096,026
NET PROFIT SHARE INCOME/EXPENSE	1,669,869	1,468,812
NET FEES AND COMMISSION INCOME/EXPENSE	152,970	133,942
DIVIDEND INCOME	509	-
NET TRADING INCOME	275,772	178,108
OTHER OPERATING INCOME	192,872	190,095
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	511,661	428,736
OTHER OPERATING EXPENSES (-)	1,117,119	988,745
PROFIT / (LOSS) BEFORE TAX	663,212	553,476
TAX CHARGE	(121,246)	(108,795)
<b>CURRENT PERIOD INCOME/(LOSSES)</b>	<b>541,966</b>	<b>444,681</b>



# 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.)

	31 December 2016	31 December 2015
Total Loans/Total Assets*	61.80%	64.29%
Total Loans/Fund Collected*	93.90%	96.13%
Average Equity Profit	14,82%	13.84%
Average Assets Profit	1,20%	1.17%
Capital Adequacy Ratio	18.16%	14.23%

\* Finance Lease Receivables is included in total loans.

### c. Financial Position, Performance and Assessment of the Prospects for the Future

As of 31 December 2016, unconsolidated financial statements asset size is TL 48 million 476 thousand, amount of the utilization of funds is TL 28 million 412 thousand and funds collected amount is TL 31 million 901 thousand. Due to the effect of the first nine months' profit TL 542 thousand, the ratio of shareholder equity increased 15 % by reaching TL 3 million 912 thousand. As of December 31, 2016, unconsolidated capital adequacy ratio has been reached 18.16 %.

The expectations for growth and profitability will continue in the development line.

### d. Announcement regarding important developments during the period

The Bank obtained a subordinated loan with 10-years maturity (the old legislation with the definition of "subordinated debt"), amounting to USD 200 million, from Kuwait Finance House on 29 September 2011. Published by the BRSA made to the Regulation on Equities of Banks and at March 31st, 2016 contract to adapt to the changes that came into force has been amended on March 29, 2016, 25.04.2016 the BRSA should be considered as a capital contribution of credit monitoring capital contribution in the bank records continue to be particularly suitable.

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.

The bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. through seven separate process with a total nominal value of 685.000 thousand, different term minimum and maximum 9.66% 10.36% cost has issued sukuk.

The number of branches of the Bank in the new year was 359, and as of report date the number of branches of the Bank is 386. The number of employee was 5,442 in the new year, as of report date it reached 5,588.

### e. Assessments about regarding expectations on the subsequent interim period

After the period, opening new branch facilities is in process now. It is planned that branch number will reach 400 until the year end.



# **KUVEYT TÜR K KATILIM BANKASI ANONİM ŐİRKETİ AND ITS FINANCIAL SUBSIDIARIES**

**INDEPENDENT AUDITOR'S  
REPORT, CONSOLIDATED FINANCIAL  
STATEMENTS AND NOTES  
FOR THE YEAR ENDED  
31 DECEMBER 2016**

*Translated into English  
from the Original Turkish Report*



# Deloitte.

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(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş. ("the Bank") and its consolidated subsidiaries (together will be referred as "the Group"), which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Bank Management is responsible for the preparation and fair presentation of the consolidated financial statements 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Independent Auditing Standards which is a part of Turkish Auditing Standards published 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 consolidated financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. and its consolidated subsidiaries as at 31 December 2016, and of its their financial performance and its their cash flows for the year then ended in accordance with the BRSA Accounting and Reporting Regulations.

### **Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

### **Additional paragraph for English translation:**

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's and its consolidated subsidiaries' financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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



Müjde Şehsuvaroğlu  
Partner

İstanbul, 28 February 2017

**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
AS OF DECEMBER 31, 2016**

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

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

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

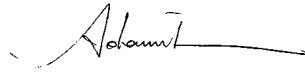
The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of the reporting package are as follows:

Subsidiaries	Associates	Jointly Controlled Entities
1. Kuwait Turkish Participation Bank Dubai LTD.	-	Katılım Emeklilik ve Hayat A.Ş.
2. KT Sukuk Varlık Kiralama A.Ş.	-	-
3. KT Kira Sertifikaları Varlık Kiralama A.Ş.	-	-
4. Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-
5. KT Bank AG	-	-
6. KT Portföy Yönetimi A.Ş.	-	-
7. KT Sukuk Company Limited	-	-

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



**Hamad Abdulmohsen AL-MARZOUQ**  
Chairman of the Board of Directors



**Adnan ERTEM**  
And Head of the Audit Committee




**Ahmad S A A AL KHARJI**  
Member of the Audit Committee



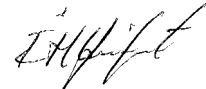
**Mohamad AL-MIDANI**  
Member of the Audit Committee



**Ufuk UYAN**  
General Manager



**Ahmet KARACA**  
Chief Financial Officer



**İsmail Hakkı YEŞİLYURT**  
External Reporting Manager

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

Name-Surname : İsmail Hakkı YEŞİLYURT  
Position : External Reporting Manager  
Telephone : 0212 354 12 84  
Facsimile : 0212 354 11 03



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# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### SECTION ONE GENERAL INFORMATION

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

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

The Bank's subsidiary, Kuveyt Turkish Participation Bank Dubai Ltd. which is 100% owned by the Bank was established in November, 2009. Main field of its operations are providing interest free corporate banking services, acting as investment intermediary, providing consulting services, performing asset management activities, performing investment activities and collecting funds through current and profit/loss sharing accounts in compliance with the regulation.

The Bank's 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, acting as investment intermediary, providing consulting services, performing asset management activities, performing investment activities and collecting funds through current and profit/loss sharing accounts in compliance with the regulation.

The Parent Bank and consolidated financial subsidiaries are named as "Group" together.

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

As of 31 December 2015, 62.24% of the Parent Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Date of assignment to the audit committee	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KHE AL SALEH	Member of BOD	20/10/2006		Bachelor	%0.0105
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad AL-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmed S. AL KHARJI	Member of BOD and Audit Committee	26/03/2014	24/09/2014	Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	%0.0556
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006		Master	%0.0041
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	%0.0035
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005		Bachelor	%0.0156
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005		Doctorate	%0.0091
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010		Bachelor	%0.0007
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012		Bachelor	%0.0047
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012		Bachelor	%0.0029
Ahmedrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015		Bachelor	%0.0028

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.11% of the Bank's share capital (31 December 2015 - 0.11%).



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### IV. Information on qualified shareholders:

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	1,736,531	%62.24	1,736,531	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	522,267	%18.72	522,267	-
<b>Total</b>	<b>2,258,798</b>	<b>%80.96</b>	<b>2,258,798</b>	<b>-</b>

As of 31 December 2016, the shares of parent shareholder of the Parent Bank, Kuwait Finance House ("KFH") are 51.44% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Parent Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 December 2016, the Group is operating through 391 domestic branches (31 December 2015 - 362) with 5,691 employees (31 December 2015 - 5,542). Summary of some of the Parent Bank's operations described in the Articles of Association are as follows;

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

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

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

None.



## **SECTION TWO**

### **THE CONSOLIDATED FINANCIAL STATEMENTS**

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



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Consolidated Balance Sheet

### as of 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Audited Current Period 31.12.2016			Audited Prior Period 31.12.2015		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>(I-a)</b>	<b>695,627</b>	<b>7,630,187</b>	<b>8,325,814</b>	<b>662,376</b>	<b>6,950,238</b>	<b>7,612,614</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>(I-b)</b>	<b>36,056</b>	<b>125,663</b>	<b>161,719</b>	<b>12,302</b>	<b>76,312</b>	<b>88,614</b>
2.1 Held for trading financial assets		36,056	125,663	161,719	12,302	76,312	88,614
2.1.1 Public sector debt securities		10,760	36,148	46,908	100	-	100
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		22,217	87,833	110,050	11,995	32,613	44,608
2.1.4 Other marketable securities		3,079	1,682	4,761	207	43,699	43,906
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>(I-c)</b>	<b>26,887</b>	<b>4,753,493</b>	<b>4,780,380</b>	<b>10,342</b>	<b>3,619,174</b>	<b>3,629,516</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>(I-d)</b>	<b>1,835,182</b>	<b>1,917,545</b>	<b>3,752,727</b>	<b>1,573,904</b>	<b>781,195</b>	<b>2,355,099</b>
5.1 Equity securities		10,325	43,160	53,485	9,571	55,244	64,815
5.2 Public sector debt securities		1,821,991	1,500,041	3,322,032	1,560,223	347,953	1,908,176
5.3 Other marketable securities		2,866	374,344	377,210	4,110	377,998	382,108
<b>VI. LOANS AND RECEIVABLES</b>	<b>(I-e)</b>	<b>23,266,913</b>	<b>5,367,770</b>	<b>28,634,683</b>	<b>21,565,734</b>	<b>4,423,307</b>	<b>25,989,041</b>
6.1 Loans and receivables		23,104,574	5,368,014	28,472,588	21,441,275	4,421,858	25,863,133
6.1.1 Loans to risk group of the Bank		73,485	62,891	136,376	76,162	51,462	127,624
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		23,031,089	5,305,123	28,336,212	21,365,113	4,370,396	25,735,509
6.2 Non-performing loans		748,062	552	748,614	442,519	13,796	456,315
6.3 Specific provisions (-)		585,723	796	586,519	318,060	12,347	330,407
<b>VII. HELD TO MATURITY INVESTMENTS (Net)</b>	<b>(I-f)</b>	-	-	-	-	-	-
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(I-g)</b>	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
<b>IX. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>(I-h)</b>	<b>23,680</b>	-	<b>23,680</b>	<b>22,930</b>	-	<b>22,930</b>
9.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated non-financial subsidiaries		23,680	-	23,680	22,930	-	22,930
<b>X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	<b>(I-i)</b>	<b>15,301</b>	-	<b>15,301</b>	<b>8,378</b>	-	<b>8,378</b>
10.1 Accounted for under equity method		15,301	-	15,301	8,378	-	8,378
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XI. FINANCE LEASE RECEIVABLES</b>	<b>(I-j)</b>	<b>1,104,588</b>	<b>439,955</b>	<b>1,544,543</b>	<b>947,273</b>	<b>235,587</b>	<b>1,182,860</b>
11.1 Finance lease receivables		1,241,824	503,366	1,745,190	1,084,062	278,938	1,363,000
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		137,236	63,411	200,647	136,789	43,351	180,140
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(I-k)</b>	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>		<b>439,614</b>	<b>5,558</b>	<b>445,172</b>	<b>456,989</b>	<b>4,653</b>	<b>461,642</b>
<b>XIV. INTANGIBLE ASSETS (Net)</b>		<b>95,328</b>	<b>45,138</b>	<b>140,466</b>	<b>78,136</b>	<b>41,204</b>	<b>119,340</b>
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		95,328	45,138	140,466	78,136	41,204	119,340
<b>XV. INVESTMENT PROPERTIES (Net)</b>		-	-	-	-	-	-
<b>XVI. TAX ASSET</b>	<b>(I-l)</b>	<b>118,111</b>	-	<b>118,111</b>	<b>107,150</b>	-	<b>107,150</b>
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		118,111	-	118,111	107,150	-	107,150
<b>XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>47,975</b>	-	<b>47,975</b>	<b>32,640</b>	-	<b>32,640</b>
17.1 Held for sale		47,975	-	47,975	32,640	-	32,640
17.2 Discontinued operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	<b>(I-m)</b>	<b>336,264</b>	<b>399,200</b>	<b>735,464</b>	<b>379,304</b>	<b>105,868</b>	<b>485,172</b>
<b>TOTAL ASSETS</b>		<b>28,041,526</b>	<b>20,684,509</b>	<b>48,726,035</b>	<b>25,857,458</b>	<b>16,237,538</b>	<b>42,094,996</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Consolidated Balance Sheet

### as of 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Audited Current Period 31.12.2016			Audited Prior Period 31.12.2015		
		TL	FC	Total	TL	FC	Total
<b>I. FUND COLLECTED</b>	<b>(II-a)</b>	<b>17,920,145</b>	<b>14,092,833</b>	<b>32,012,978</b>	<b>14,506,929</b>	<b>13,618,371</b>	<b>28,125,300</b>
1.1 Funds from risk group of the Bank		73,536	117,619	191,155	76,312	131,124	207,436
1.2 Other		17,846,609	13,975,214	31,821,823	14,430,617	13,487,247	27,917,864
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(II-b)</b>	<b>40,580</b>	<b>79,147</b>	<b>119,727</b>	<b>9,962</b>	<b>61,561</b>	<b>71,523</b>
<b>III. FUNDS BORROWED</b>	<b>(II-c)</b>	<b>59,080</b>	<b>3,215,662</b>	<b>3,274,742</b>	<b>65,698</b>	<b>4,195,945</b>	<b>4,261,643</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>1,219,873</b>	<b>-</b>	<b>1,219,873</b>	<b>711,542</b>	<b>-</b>	<b>711,542</b>
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	<b>(II-d)</b>	<b>580,571</b>	<b>4,174,842</b>	<b>4,755,413</b>	<b>602,602</b>	<b>3,033,517</b>	<b>3,636,119</b>
<b>VI. SUNDRY CREDITORS</b>	<b>(II-e)</b>	<b>133,655</b>	<b>35,495</b>	<b>169,150</b>	<b>109,145</b>	<b>17,144</b>	<b>126,289</b>
<b>VII. OTHER LIABILITIES</b>	<b>(II-e)</b>	<b>416,174</b>	<b>23,611</b>	<b>439,785</b>	<b>426,782</b>	<b>30,070</b>	<b>456,852</b>
<b>VIII. FINANCE LEASE PAYABLES</b>	<b>(II-f)</b>	<b>-</b>	<b>226</b>	<b>226</b>	<b>-</b>	<b>131</b>	<b>131</b>
8.1 Finance lease payables		-	265	265	-	145	145
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	39	39	-	14	14
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>(II-g)</b>	<b>-</b>	<b>137,829</b>	<b>137,829</b>	<b>-</b>	<b>98,650</b>	<b>98,650</b>
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	137,829	137,829	-	98,650	98,650
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>X. PROVISIONS</b>	<b>(II-h)</b>	<b>455,692</b>	<b>127,312</b>	<b>583,004</b>	<b>427,667</b>	<b>104,938</b>	<b>532,605</b>
10.1 General loan loss provisions		238,276	80,549	318,825	261,944	72,174	334,118
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		129,223	15	129,238	106,460	410	106,870
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		88,193	46,748	134,941	59,263	32,354	91,617
<b>XI. TAX LIABILITY</b>	<b>(II-i)</b>	<b>27,842</b>	<b>-</b>	<b>27,842</b>	<b>36,477</b>	<b>-</b>	<b>36,477</b>
11.1 Current tax liability		27,842	-	27,842	36,477	-	36,477
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	<b>(II-j)</b>	<b>-</b>	<b>1,981,646</b>	<b>1,981,646</b>	<b>-</b>	<b>589,734</b>	<b>589,734</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	<b>(II-k)</b>	<b>4,091,183</b>	<b>(87,363)</b>	<b>4,003,820</b>	<b>3,474,757</b>	<b>(26,626)</b>	<b>3,448,131</b>
14.1 Paid-in capital		2,787,322	-	2,787,322	2,527,322	-	2,527,322
14.2 Capital reserves		(65,314)	(30,347)	(95,661)	(14,116)	(3,831)	(17,947)
14.2.1 Share premium		24,208	-	24,208	24,208	-	24,208
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		(4,933)	(30,347)	(35,280)	9,225	(3,831)	5,394
14.2.4 Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5 Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6 Investment property revaluation reserve		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.8 Hedging funds (effective portion)		(70,836)	-	(70,836)	(32,633)	-	(32,633)
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		(13,753)	-	(13,753)	(14,916)	-	(14,916)
14.3 Profit reserves		741,764	-	741,764	503,247	(491)	502,756
14.3.1 Legal reserves		122,861	-	122,861	100,287	-	100,287
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		351,949	-	351,949	241,553	-	241,553
14.3.4 Other profit reserves		266,954	-	266,954	161,407	(491)	160,916
14.4 Profit or loss		607,418	(57,016)	550,402	446,046	(22,304)	423,742
14.4.1 Prior period income/(losses)		1,365	(22,304)	(20,939)	(17,060)	14,784	(2,276)
14.4.2 Current period income/(losses)		606,053	(34,712)	571,341	463,106	(37,088)	426,018
14.5 Minority shares	<b>(II-l)</b>	19,993	-	19,993	12,258	-	12,258
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24,944,795</b>	<b>23,781,240</b>	<b>48,726,035</b>	<b>20,371,561</b>	<b>21,723,435</b>	<b>42,094,996</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Statement of Consolidated Off-Balance Sheet Commitments and Contingencies as of 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Audited Current Period 31.12.2016			Audited Prior Period 31.12.2015		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>45,504,238</b>	<b>19,739,616</b>	<b>65,243,854</b>	<b>33,843,259</b>	<b>16,526,496</b>	<b>50,369,755</b>
<b>I. GUARANTEES</b>	(III-a)	<b>5,177,182</b>	<b>4,712,035</b>	<b>9,889,217</b>	<b>4,637,394</b>	<b>4,319,484</b>	<b>8,956,878</b>
1.1 Letters of guarantees		5,026,495	3,089,530	8,116,025	4,607,569	2,732,647	7,340,216
1.1.1 Guarantees subject to state tender law		163,646	-	163,646	153,636	273	153,909
1.1.2 Guarantees given for foreign trade operations		451,059	220,807	671,866	569,151	276,734	845,885
1.1.3 Other letters of guarantee		4,411,790	2,868,723	7,280,513	3,884,782	2,455,640	6,340,422
1.2 Bank loans		2,071	49,973	52,044	7,656	76,452	84,108
1.2.1 Import letter of acceptances		2,071	49,973	52,044	7,656	76,452	84,108
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letter of credits		188	1,019,598	1,019,786	177	1,029,087	1,029,264
1.3.1 Documentary letter of credits		78	302,149	302,227	78	315,930	316,008
1.3.2 Other letter of credits		110	717,449	717,559	99	713,157	713,256
1.4 Pre-financing given as guarantee		-	25,642	25,642	-	21,290	21,290
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Other guarantees		148,428	527,292	675,720	21,992	460,008	482,000
1.7 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(III-a)	<b>34,594,651</b>	<b>711,955</b>	<b>35,306,606</b>	<b>27,214,987</b>	<b>481,365</b>	<b>27,696,352</b>
2.1 Irrevocable commitments		2,569,656	711,955	3,281,611	2,311,549	481,365	2,792,914
2.1.1 Forward asset purchase commitments		316,785	710,168	1,026,953	231,210	481,365	712,575
2.1.2 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3 Loan granting commitments		151,838	-	151,838	304,107	-	304,107
2.1.4 Securities underwriting commitments		-	-	-	-	-	-
2.1.5 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		1,178,750	-	1,178,750	1,018,655	-	1,018,655
2.1.7 Tax and fund liabilities from export commitments		99	-	99	99	-	99
2.1.8 Commitments for credit card expenditure limits		904,427	-	904,427	739,721	-	739,721
2.1.9 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10 Receivables from short sale commitments		-	-	-	-	-	-
2.1.11 Payables for short sale commitments		-	-	-	-	-	-
2.1.12 Other irrevocable commitments		17,757	1,787	19,544	17,757	-	17,757
2.2 Revocable commitments		32,024,995	-	32,024,995	24,903,438	-	24,903,438
2.2.1 Revocable loan granting commitments		32,024,995	-	32,024,995	24,903,438	-	24,903,438
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>5,732,405</b>	<b>14,315,626</b>	<b>20,048,031</b>	<b>1,990,878</b>	<b>11,725,647</b>	<b>13,716,525</b>
3.1 Derivative financial instruments for hedging purposes		-	1,391,124	1,391,124	-	1,172,816	1,172,816
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	1,391,124	1,391,124	-	1,172,816	1,172,816
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		5,732,405	12,924,502	18,656,907	1,990,878	10,552,831	12,543,709
3.2.1 Forward foreign currency buy/sell transactions		1,499,492	1,909,112	3,408,604	1,139,111	2,027,716	3,166,827
3.2.1.1 Forward foreign currency transactions-buy		712,215	995,591	1,707,806	550,697	1,041,921	1,592,618
3.2.1.2 Forward foreign currency transactions-sell		787,277	913,521	1,700,798	588,414	985,795	1,574,209
3.2.2 Other forward buy/sell transactions		4,232,913	11,015,390	15,248,303	851,767	8,525,115	9,376,882
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>205,775,245</b>	<b>106,164,950</b>	<b>311,940,195</b>	<b>168,473,267</b>	<b>89,309,104</b>	<b>257,782,371</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>7,081,056</b>	<b>2,528,760</b>	<b>9,609,816</b>	<b>5,545,140</b>	<b>1,330,898</b>	<b>6,876,038</b>
4.1 Assets under management		20,794	-	20,794	1	-	1
4.2 Investment securities held in custody		738,025	58,268	796,293	-	-	-
4.3 Checks received for collection		5,292,095	539,190	5,831,285	4,698,688	482,005	5,180,693
4.4 Commercial notes received for collection		1,030,142	144,880	1,175,022	846,451	105,406	951,857
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		-	1,786,422	1,786,422	-	743,487	743,487
<b>V. PLEDGED ITEMS</b>		<b>198,682,550</b>	<b>103,595,106</b>	<b>302,277,656</b>	<b>162,916,488</b>	<b>87,944,184</b>	<b>250,860,672</b>
5.1 Marketable securities		222,995	63,991	286,986	351,154	53,770	404,924
5.2 Guarantee notes		101,921	1,421,085	1,523,006	101,988	1,174,760	1,276,748
5.3 Commodity		3,962,735	640,558	4,603,293	3,362,451	538,357	3,900,808
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		84,503,198	1,815,288	86,318,486	71,286,808	618,846	71,905,654
5.6 Other pledged items		109,891,701	99,654,184	209,545,885	87,814,087	85,558,451	173,372,538
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>41,084</b>	<b>52,723</b>	<b>11,639</b>	<b>34,022</b>	<b>45,661</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>251,279,483</b>	<b>125,904,566</b>	<b>377,184,049</b>	<b>202,316,526</b>	<b>105,835,600</b>	<b>308,152,126</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Consolidated Income Statement for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Current Period Audited 01.01 - 31.12.2016	Prior Period Audited 01.01- 31.12.2015
<b>I. PROFIT SHARE INCOME</b>	<b>(IV-a)</b>	<b>3,141,112</b>	<b>2,590,094</b>
1.1 Profit share on loans		2,751,353	2,293,193
1.2 Profit share on reserve deposits		25,600	9,234
1.3 Profit share on banks		24,225	21,761
1.4 Profit share on money market placements		769	-
1.5 Profit share on marketable securities portfolio		205,883	165,423
1.5.1 Held-for-trading financial assets		-	-
1.5.2 Financial assets at fair value through profit and loss		5,045	316
1.5.3 Available-for-sale financial assets		200,838	165,107
1.5.4 Investments held-to-maturity		-	-
1.6 Finance lease income		110,258	78,646
1.7 Other profit share income		23,024	21,837
<b>II. PROFIT SHARE EXPENSE</b>	<b>(IV-b)</b>	<b>1,443,898</b>	<b>1,099,921</b>
2.1 Expense on profit sharing accounts		918,888	717,946
2.2 Profit share expense on funds borrowed		195,311	129,990
2.3 Profit share expense on money market borrowings		74,154	51,895
2.4 Expense on securities issued		255,545	200,090
2.5 Other profit share expense		-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>1,697,214</b>	<b>1,490,173</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>154,660</b>	<b>133,888</b>
4.1 Fees and commissions received		316,072	261,354
4.1.1 Non-cash loans		91,003	82,053
4.1.2 Other	(IV-l)	225,069	179,301
4.2 Fees and commissions paid		161,412	127,466
4.2.1 Non-cash loans		3,231	200
4.2.2 Other	(IV-l)	158,181	127,266
<b>V. DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>509</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	<b>(IV-d)</b>	<b>330,734</b>	<b>203,777</b>
6.1 Capital market transaction gains / (losses)		7,871	6,263
6.2 Gains/ (losses) from derivative financial instruments		155,429	42,448
6.3 Foreign exchange gains / (losses)		167,434	155,066
<b>VII. OTHER OPERATING INCOME</b>	<b>(IV-e)</b>	<b>177,574</b>	<b>144,022</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>2,360,691</b>	<b>1,971,860</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-f)</b>	<b>514,113</b>	<b>441,083</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(IV-g)</b>	<b>1,137,444</b>	<b>988,918</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>709,134</b>	<b>541,859</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. GAIN / (LOSS) ON EQUITY METHOD</b>		<b>2,423</b>	<b>(2,227)</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(IV-h)</b>	<b>711,557</b>	<b>539,632</b>
<b>XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	<b>(IV-i)</b>	<b>(132,481)</b>	<b>(113,724)</b>
16.1 Current income tax charge		(124,964)	(159,411)
16.2 Deferred tax charge / benefit		(7,517)	45,687
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>		<b>579,076</b>	<b>425,908</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI. TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	<b>(IV-j)</b>	<b>-</b>	<b>-</b>
21.1 Current income tax charge		-	-
21.2 Deferred tax charge / benefit		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>(IV-k)</b>	<b>579,076</b>	<b>425,908</b>
23.1 Group's income/loss		571,341	426,018
23.2 Minority interest income/loss (-)		7,735	(110)
Earnings per share income/loss (full TL)		-	-

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Statements of Consolidated Profit and Loss Accounted for Under Equity for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Audited Current Period 01.01-31.12.2016	Audited Prior Period 01.01-31.12.2015
<b>I. Additions to marketable securities revaluation differences from available for sale financial assets</b>	<b>(50,843)</b>	<b>(19,594)</b>
<b>II. Tangible assets revaluation differences</b>	-	-
<b>III. Intangible assets revaluation differences</b>	-	-
<b>IV. Currency translation differences for foreign currency transactions</b>	<b>57,726</b>	<b>50,413</b>
<b>V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)</b>	<b>7,209</b>	<b>(16,230)</b>
<b>VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)</b>	<b>(54,962)</b>	<b>(24,561)</b>
<b>VII. The effect of corrections of errors and changes in accounting policies</b>	-	-
<b>VIII. Other profit loss items accounted under equity as per Turkish accounting standards</b>	<b>1,454</b>	<b>3,151</b>
<b>IX. Deferred tax on valuation differences</b>	<b>18,478</b>	<b>11,447</b>
<b>X. Total net profit/loss accounted under equity (I+II+...+IX)</b>	<b>(20,938)</b>	<b>4,626</b>
<b>XI. Profit/loss</b>	<b>579,076</b>	<b>425,908</b>
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	(498)	(3,966)
XI.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	579,574	429,874
<b>XII. Total profit/loss accounted for the period (X±XI)</b>	<b>558,138</b>	<b>430,534</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Statement of Consolidated Changes in Shareholders' Equity for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

Audited	Note	Paid-in capital	Effect of initiation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities reserve	Tangible and intangible assets revaluation	Bonus shares from investments	Hedging reserves	Asset held for sale and discop. valuation fund	Total excluding minority interest	Minority interest	Total equity
Prior Period - (01.01.31.12.2015)																			
I.	Balances at beginning of the period	2,287,005	-	24,525	-	77,869	-	208,951	56,559	368,174	21,069	-	-	-	-	3,044,152	12,368	3,056,520	
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (I+II)	2,287,005	-	24,525	-	77,869	-	208,951	56,559	368,174	21,069	-	-	-	-	3,044,152	12,368	3,056,520	
Changes during the period																			
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	(15,675)	-	-	-	-	(15,675)	-	(15,675)
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	19,649	-	-	-	-	-	(32,633)	-	(12,984)	-	(12,984)
6.1.	Cash-flow hedge	-	-	-	-	-	-	-	19,649	-	-	-	-	-	(12,984)	-	(12,984)	-	(12,984)
6.2.	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	19,649	-	-	-	-	-	(19,649)	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	30,764	-	-	-	-	-	-	-	30,764	-	30,764
XI.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	240,000	-	-	-	-	-	-	(127)	(239,873)	-	-	-	-	-	-	-	-	-
14.1.	Cash	(14)	-	-	-	-	-	-	(127)	(239,873)	-	-	-	-	-	-	-	-	-
14.2.	Internal sources	240,000	-	-	-	-	-	-	(127)	(239,873)	-	-	-	-	-	-	-	-	-
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other <sup>(*)</sup>	317	-	(317)	-	-	-	-	2,521	-	-	-	-	-	-	-	2,521	-	2,521
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	-	426,018	-	-	-	-	-	-	-	426,018	(110)	425,908
XX.	Profit distribution <sup>(**)</sup>	-	-	-	-	22,418	-	32,602	36,634	(130,577)	-	-	-	-	-	-	(38,923)	-	(38,923)
20.1.	Dividends distributed	-	-	-	-	-	-	36	-	(38,959)	-	-	-	-	-	-	(38,923)	-	(38,923)
20.2.	Transfers to reserves	-	-	-	-	22,418	-	32,566	36,634	(91,618)	-	-	-	-	-	-	-	-	-
20.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX) (II-K)</b>																			
<b>2,527,322 (II-K) 2,527,322 (II-K) 100,287 (II-K) 24,208 (II-K) 146,000 (II-K) 426,018 (II-K) 2,276 (II-K) 5,994 (II-K) 3,435,873 (II-K) 12,258 (II-K) 3,448,131 (II-K)</b>																			

<sup>(\*)</sup> In the Ordinary General Assembly Meeting dated 31 March 2015, the Bank decided on reserving primary reserves amount to TL 18,522; other reserves amount to TL 36,507 funded via retained profit from sales of real estates; cash dividend payments amount to TL 36,000; dividend to management amount to TL 2,959; funding capital increase from internal sources via remaining net income amount to TL 240,000 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 3,896 and remaining amount to TL 32,566 to extraordinary legal reserves. In addition to this, the Bank has transferred dividend amounting to TL 36 that held by the Bank itself to the extraordinary reserves depending on the General Assembly Meeting decision.

<sup>(\*\*)</sup> Amounting to TL 5,161, represents actual loss and tax effect of retirement payments. TL 2,521 is a result of the Bank's shareholders not using the right from the committed capital in the capital increase of bank.

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Statement of Consolidated Changes in Shareholders' Equity

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

Audited	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc. op. valuation fund	Total excluding minority interest	Minority interest	Total equity
<b>Current Period - (01.01-31.12.2016)</b>																			
I.	Balances at beginning of the period	2.527,322	-	24,208	-	100,287	-	241,553	146,000	-	423,742	5,394	-	-	(32,693)	-	3,435,873	12,258	3,448,131
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (I+II)	2.527,322	-	24,208	-	100,287	-	241,553	146,000	-	423,742	5,394	-	-	(32,693)	-	3,435,873	12,258	3,448,131
<b>Changes during the period</b>																			
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	(40,674)	-	-	-	-	(40,674)	-	(40,674)
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	43,970	-	-	-	-	-	(38,203)	-	5,767	-	5,767
6.1	Cash-flow hedge	-	-	-	-	-	-	-	43,970	-	-	-	-	-	(38,203)	-	5,767	-	5,767
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	(43,970)	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	13,756	-	-	-	-	-	-	-	13,756	-	13,756
XI.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	260,000	-	-	-	-	-	-	(476)	(259,524)	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	260,000	-	-	-	-	-	-	(476)	(259,524)	-	-	-	-	-	-	-	-	-
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other <sup>(*)</sup>	-	-	-	-	-	-	-	1,163	-	-	-	-	-	-	-	1,163	-	1,163
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	-	48,788	571,341	(185,157)	-	-	-	-	-	571,341	7,735	579,076
XX.	Profit distribution <sup>(**)</sup>	-	-	-	-	22,574	-	110,396	48,788	(3,399)	(181,758)	-	-	-	-	-	(3,399)	-	(3,399)
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	22,574	-	110,396	48,788	-	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period</b>																			
<b>(II+IV+V+...+XVIII+XIX+XX)</b>																			
<b>(II+K) 2,787,322</b>																			
<b>122,861</b>																			
<b>351,949</b>																			
<b>253,201</b>																			
<b>571,341</b>																			
<b>(20,939)</b>																			
<b>(35,280)</b>																			
<b>(70,836)</b>																			
<b>3,983,827</b>																			
<b>19,993</b>																			
<b>4,003,820</b>																			

(\*) In the Ordinary General Assembly Meeting dated 4 April 2016, the Bank decided on reserving primary reserves amount to TL 22,224; other reserves amount to TL 48,788 funded via retained profit from sales of real estates, cash dividend; dividend to management amount to TL 3,399; funding capital increase from internal sources via remaining net income amount to TL 259,524 and in status distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 340 and remaining amount to TL 110,396 to extraordinary legal reserves, other reserve amount to TL 476 which obtained from research and development activities according to Law No. 5746 under Article 53; funding capital increase from internal sources.

(\*\*) Amounting to TL 1163 represents actual loss and tax effect of retirement payments.

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



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Consolidated Cash Flows Statement

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### VI. CONSOLIDATED CASH FLOWS STATEMENT

	Audited	Audited
	Current period	Prior Period
Note	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>819,666</b>	<b>1,080,406</b>
1.1.1 Profit share income received	3,033,597	2,478,144
1.1.2 Profit share expense paid	(1,392,727)	(1,083,680)
1.1.3 Dividend received	509	-
1.1.4 Fees and commissions received	316,661	261,260
1.1.5 Other income	302,609	529,303
1.1.6 Collections from previously written off loans	21,564	19,525
1.1.7 Payments to personnel and service suppliers	(871,972)	(759,239)
1.1.8 Taxes paid	(167,363)	(191,143)
1.1.9 Others	(423,212)	(173,764)
<b>1.2 Changes in operating assets and liabilities</b>	<b>(588,799)</b>	<b>1,272,173</b>
1.2.1 Net (increase) decrease held for trading financial assets	(7,663)	(39,207)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions	(1,742,742)	791,331
1.2.4 Net (increase) decrease in loans	(3,385,011)	(6,020,635)
1.2.5 Net (increase) decrease in other assets	(302,200)	(26,968)
1.2.6 Net increase (decrease) in bank deposits	112,015	(28,432)
1.2.7 Net increase (decrease) in other deposits	3,763,676	6,029,642
1.2.8 Net increase (decrease) in funds borrowed	365,827	357,842
1.2.9 Net increase (decrease) in due payables	-	-
1.2.10 Net increase (decrease) in other liabilities	607,299	208,600
<b>I. Net cash provided from / (used in) banking operations</b>	<b>230,867</b>	<b>2,352,579</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash provided from / (used in) investing activities</b>	<b>(1,511,284)</b>	<b>(330,316)</b>
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries	(750)	(250)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries	-	-
2.3 Fixed assets purchases	(46,878)	(103,336)
2.4 Fixed assets sales	10,507	12,101
2.5 Cash paid for purchase of financial assets available for sale	(2,587,958)	(1,177,093)
2.6 Cash obtained from sale of financial assets available for sale	1,166,806	1,017,089
2.7 Cash paid for purchase of investment securities	-	-
2.8 Cash obtained from sale of investment securities	-	-
2.9 Other	(53,011)	(78,827)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash provided from / (used in) financing activities</b>	<b>1,261,693</b>	<b>871,317</b>
3.1 Cash obtained from funds borrowed and securities issued	2,079,050	2,066,531
3.2 Cash used for repayment of funds borrowed and securities issued	(813,958)	(1,156,091)
3.3 Capital increase	-	-
3.4 Dividends paid	(3,399)	(38,923)
3.5 Payments for finance leases	-	(200)
3.6 Other	-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(V-d)</b>	<b>140,046</b>
<b>V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>	<b>121,322</b>	<b>2,772,297</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>(V-a)</b>	<b>4,777,114</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>(V-a)</b>	<b>4,898,436</b>

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



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Consolidated Statement of Profit Distribution

### For The Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

The Parent Bank	Current period 01.01.2016-31.12.2016 (*)	Prior period 01.01.2015-31.12.2015
<b>I. Distribution of current year profit (***)</b>		
1.1. Current period profit	663,212	553,476
1.2. Taxes and legal duties payable (-)	121,246	108,795
1.2.1. Corporate tax (income tax)	124,960	159,394
1.2.2. Withholding tax	-	-
1.2.3. Other taxes and duties (**)	(3,714)	(50,599)
<b>A. Net profit for the period (1.1-1.2) (Not V-I-17-c)</b>	<b>541,966</b>	<b>444,681</b>
1.3. Accumulated losses (-)	-	-
1.4. First legal reserves (-)	-	22,234
1.5. Other statutory reserves (-)	-	-
<b>B. Net profit available for distribution [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>422,447</b>
1.6. First dividend to shareholders (-)	-	-
1.6.1. To owners of ordinary shares	-	-
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. Dividends to personnel(-)	-	-
1.8. Dividends to board of directors (-)	-	3,399
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. Second legal reserves (-)	-	340
1.11. Status reserves (-)	-	-
1.12. Extra ordinary reserves (***)	-	110,396
1.13. Other reserves	-	48,788
1.14. Special funds	-	-
<b>II. Distribution of reserves</b>	<b>-</b>	<b>-</b>
2.1. Appropriated reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Dividends to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. Dividends to personnel (-)	-	-
2.5. Dividends to board of directors (-)	-	-
<b>III. Earnings per share</b>		
3.1. To owners of ordinary shares	-	0.181
3.2. To owners of ordinary shares (%)	-	18.053
3.3. To owners of privileged shares	-	-
3.4. To owners of privileged shares (%)	-	-
<b>IV. Dividend per share</b>		
4.1. To owners of ordinary shares	-	-
4.2. To owners of ordinary shares (%)	-	-
4.3. To owners of privileged shares	-	-
4.4. To owners of privileged shares (%)	-	-

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

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

(\*\*\*) TL 259,524 from retained earnings and TL 476 from other reserves are transferred to paid-in capital within capital increase scope.

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE ACCOUNTING PRINCIPLES

#### I. Explanations on basis of presentation

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

The Bank prepares its consolidated financial statements in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulation” which includes 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 published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

##### b. Classifications

Expertise expense amounting to TL 18,642 which was presented under Other Operating Expenses in the consolidated income statement in the prior period, is classified under “Fees and Commissions Given” in the current period for consistency of presentation.

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

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

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

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

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

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

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

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

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

Description	Address (City/ Country)	Principal Activity	30 December 2015	31 December 2014	Consolidation Method
Kuveyt Türk Katılım Bankası Dubai LTD.	Dubai/United Arab Emirates	Banking	%100.00	%100.00	Full consolidation
KT Bank AG	Frankfurt/Germany	Banking	%100.00	%100.00	Full consolidation
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Financial Institution	%75.00	%75.00	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institution	%50.00	%50.00	Accounted for under equity method
KT Sukuk Company Limited	George Town/Cayman Islands	Financial Institution	-	-	Full consolidation

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

Consolidation principles of subsidiaries:

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

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

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

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

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

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Bank classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Derivative Financial Instruments Held for Trading" in accordance with "TAS 39". Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as "held for trading" within the framework of "TAS 39", and are reflected in the "Derivative Financial Assets/Liabilities Held for Trading" account in the balance sheet.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

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.

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

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

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

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

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

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

### VII. Explanations on financial assets

The Group classifies and accounts for its financial assets as "Fair value through profit/loss", "Available for sale", and Loans and receivables" or "Held to maturity. Sale and purchase transactions of the financial assets mentioned above are recognized at the 'Settlement dates'.

The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

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

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

### b. Financial assets available for sale:

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

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

### c. Loans and receivables:

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

### d. Held to maturity financial assets:

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

## VIII. Explanations on impairment of financial assets:

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

### i) Loans and receivables:

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### ii) Financial assets held to maturity:

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

### iii) Financial assets available for sale:

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

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

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

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

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

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

As of 31 December 2016, the Group has repurchaseng agreements amounting to TL 1,219,873 (31 December 2015 - TL 711,542).

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

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

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

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

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

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

There is no goodwill related to associates and subsidiaries.

#### XIII. Explanations on tangible assets

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

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

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

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

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

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

### XIV. Explanations on leasing transactions

#### *Bank as a lessee*

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

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

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

#### *Bank as a lessor*

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

### XV. Explanations on provisions and contingent liabilities

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

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

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

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

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

#### **a) Defined benefit plans:**

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



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

#### **b) Defined contribution plans:**

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

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

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

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

## **XVII. Explanations on taxation**

### *Current tax*

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

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

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

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

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

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



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

As of 31 December 2016, the tax rates applied in foreign countries where the Group operates is as follow:

Country	Tax Rate
Germany	15%
The United Arab Emirates	0%

### Deferred tax

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

### XVIII. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Group.

The Group has not issued convertible bonds.

#### *Borrowing through the rent certificates (Sukuk)*

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

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as "sale and lease back" transaction in accordance with "TAS 17". As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. Current period TL 51,007 of the aforementioned deferred income is recognized as income in the income statement (31 December 2015 - TL 48,312). The difference accounted as tangible assets mentioned above, will be recognized as expense by accounting under "other expenses" in the income statement during the period of lease.

Rent certificate transaction explained above as issued on 29 October 2011 amounting to USD 350 million is matured as of 31 October 2016.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **XIX. Explanations on share certificates issued**

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

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

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

### **XXI. Explanations on government grants**

There are no government grants received by the Group.

### **XXII. Explanations on segment reporting**

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

Segment reporting is disclosed in Section Four, Note X.

### **XXIII. Explanations on other matters**

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



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR INFORMATION ON FINANCIAL STRUCTURE

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

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")" published in the Official Gazette No: 29511 dated 23 October 2015, "Communiqué on Credit Risk Mitigation Techniques" published in the Official Gazette No: 29111 dated 6 September 2014, "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette No: 29511 dated 23 October 2015 and the "Regulation on Equities of Banks" published in the Official Gazette No: 28756 dated 5 September 2013.

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

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

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

Based on the Communiqué concerning "Measurement and Assessment of Capital Adequacy of Banks", the capital adequacy ratio of the Bank is 18.19% (31 December 2015: 14.23%).

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### a. Components of consolidated shareholders' equity:

	Amount	Amount as per the regulation before 1/1/2014 (*)
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,790,000	
Share Premium	24,208	
Reserves	741,764	
Other Comprehensive Income according to TAS	-	
Profit	550,402	
Current Period Profit	571,341	
Prior Period Profit	(20,939)	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Interests	19,993	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>4,126,367</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	119,869	
Leasehold Improvements on Operational Leases (-)	47,732	
Goodwill Netted with Deferred Tax Liabilities		
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	84,280	140,466
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,678	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>254,559</b>	
<b>Total Common Equity Tier I Capital</b>	<b>3,871,808</b>	

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums		-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA		-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		-
<b>Additional Tier I Capital before Deductions</b>		<b>-</b>
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)		-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation		-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)		-
Other items to be defined by the BRSA (-)		-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	56,186	140,466
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>56,186</b>	
<b>Total Additional Tier I Capital</b>		<b>-</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>		<b>3,815,622</b>
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,794,270	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	220,123	
<b>Total Deductions from Tier II Capital</b>		<b>2,014,393</b>
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)		-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation		-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)		-
Other items to be defined by the BRSA (-)		-
<b>Total Deductions from Tier II Capital</b>		<b>-</b>
<b>Total Tier II Capital</b>		<b>2,014,393</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>		<b>5,830,015</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	5,208
Other items to be Defined by the BRSA (-)	95,439
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>CAPITAL</b>	
Total Capital ( Total of Tier I Capital and Tier II Capital )	5,729,368
Total Risk Weighted Assets	31,499,103
<b>CAPITAL ADEQUACY RATIOS</b>	
CET1 Capital Ratio (%)	12.29
Tier I Capital Ratio (%)	12.11
Capital Adequacy Ratio (%)	18.19
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio	0.63
Capital Conservation Buffer Ratio (%)	0.63
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7.79
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	220,123
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	220,123
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	-
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	<b>Prior Period</b>
<b>TIER 1 CAPITAL</b>	<b>3,298,662</b>
Paid-in Capital to be Entitled for Compensation after All Creditors	2,527,322
Share Premium	24,208
Share Cancellation Profits	-
Reserves	414,536
Other Comprehensive Income According to TAS	97,445
Profit	423,742
Current Period Profit	426,018
Prior Period Profit	(2,276)
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Tier 1 Capital Before Deductions</b>	<b>3,487,253</b>
<b>Deductions from Tier 1 Capital</b>	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	51,380
Leasehold Improvements on Operational Leases (-)	46,615
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	45,347
Net Deferred Tax Asset/Liability (-)	45,249
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
<b>Total Deductions from Tier I Capital</b>	<b>188,591</b>
<b>Total Tier 1 Capital</b>	<b>3,298,662</b>
<b>ADDITIONAL CORE CAPITAL</b>	
Preferred Stock not included in Tier 1 Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
<b>Additional Core Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Core Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Core Capital</b>	<b>-</b>
<b>Total Additional Core Capital</b>	<b>-</b>
<b>Deductions from Core Capital</b>	<b>135,894</b>
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	71,604
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	64,290
<b>Total Core Capital</b>	<b>3,162,768</b>



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	<b>Prior Period</b>
<b>TIER II CAPITAL</b>	<b>659,168</b>
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	417,402
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	241,766
<b>Tier II Capital Before Deductions</b>	<b>659,168</b>
<b>Deductions from Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>659,168</b>
<b>CAPITAL</b>	<b>3,821,936</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	4,334
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	28,902
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where The Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>EQUITY</b>	<b>3,788,700</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	<b>-</b>
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### b. Reconciliation of capital items to balance sheet

Current Period	Carrying value	Amount of correction	Value of the capital report	Explanation of differences
Paid-in Capital	2,787,322	2,678	2,790,000	Adjustment related to its own draw backed share of the Bank Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Capital Reserves	(95,661)	-	(95,661)	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Other Comprehensive Income According to TAS	(119,869)	-	(119,869)	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Securities Value Increase Fund	(35,280)	-	(35,280)	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Revaluation Surplus on Tangible Assets	-	-	-	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(70,836)	-	(70,836)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup> and inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	(13,756)	-	(13,756)	
Bonus Shares of Associates, Affiliates and Joint-Ventures	-	-	-	
Share Premium	24,208	-	24,208	
Profit Reserves	741,764	-	741,764	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Profit or Loss	550,402	-	550,402	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Prior Periods Profit/Loss	(20,939)	-	(20,939)	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Current Period Net Profit/Loss	571,341	-	571,341	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Minority Shareholders	19,993	-	19,993	Adjustment effect according to Regulation on Equities of the Banks of the 4th paragraph of Article 10 <sup>(*)</sup>
Deductions from Common Equity Tier I Capital (-)	254,559	-	254,559	Deductions from Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>3,869,130</b>		<b>3,871,808</b>	

Current Period	Carrying value	Amount of correction	Value of the capital report	Explanation of differences
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	
<b>Tier I Capital</b>			<b>3,815,622</b>	
Subordinated Debts			1,794,270	
General Provisions			220,123	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>2,014,393</b>	
Deductions from Total Capital (-)			100,647	Deductions from Capital as per the Regulation
<b>Total</b>			<b>5,729,368</b>	

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

#### II. Explanations on consolidated Credit Risk

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

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

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

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

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits are redefined and additional guarantees are taken and this way the prevention of the bank's loss is aimed. The account statement documents for the loan generations are taken as defined in the legislation. The guarantees are taken within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the allocation decision taken by the credit committee.

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

The positions in the form of futures, options agreements and similar agreements are not held. Indemnified non-cash loans are subject to the same risk weight with the overdue loans in compliance with the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans. The re-scheduled and re-structured loans are followed up in compliance with the methods determined in the relevant legislation.

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



# Kuveyt Türk Katılım Bankası Anonim Şirketi

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There is no important credit risk concentration when evaluated together with the financial activities of the other financial institutes. The Bank's top 100 and 200 cash loan customers represent 22% and 28% of the total cash loan portfolio, respectively.

The Bank's top 100 and 200 non-cash loan customers represent 44% and 52% of the total non-cash loan portfolio, respectively.

The Bank's top 100 and 200 cash and non-cash loan customers represent 23% and 29% of the total cash and non-cash loan portfolio, respectively.

The general provision for credit risk amounts to TL 318,825 (31 December 2015: TL 334,118).

<b>Exposure Categories (Current Period)</b>	<b>Period end Risk Amount (*)</b>	<b>Average Risk Amount (**)</b>
Conditional and unconditional exposures to central governments or central banks	10,172,133	8,710,127
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	7,604,636	5,315,064
Conditional and unconditional exposures to corporates	9,137,686	11,421,828
Conditional and unconditional retail exposures	5,800,248	4,177,551
Conditional and unconditional exposures secured by real estate property	12,056,561	12,512,656
Past due items	105,115	67,137
Items in regulatory high-risk categories	56,985	69,349
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	83,760	50,501
Equity share investments	-	-
Other items	3,931,025	3,683,194
<b>Total</b>	<b>48,948,149</b>	<b>46,007,407</b>

(\*) Includes total risk amount before the effect of credit risk mitigation but after credit conversions.

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

<b>Exposure Categories (Prior Period)</b>	<b>Period end Risk Amount (*)</b>	<b>Average Risk Amount (**)</b>
Conditional and unconditional exposures to central governments or central banks	5,583,719	5,227,570
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	5,365,412	3,767,649
Conditional and unconditional exposures to corporates	12,012,680	10,825,888
Conditional and unconditional retail exposures	3,747,568	3,701,252
Conditional and unconditional exposures secured by real estate property	10,667,092	10,611,895
Past due items	71,931	68,270
Items in regulatory high-risk categories	233,511	230,667
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	3,348,283	3,437,139
<b>Total</b>	<b>41,030,196</b>	<b>37,870,330</b>

(\*) Includes total risk amount before the effect of credit risk mitigation but after credit conversions.

(\*\*) Average risk amounts are the arithmetical average of the amounts in monthly reports according to the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank

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### for the Period Ended 31 December 2016

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#### a. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of collective investment undertakings	Other	Total
Domestic	10,172,133	4,546,405	9,004,866	5,789,632	11,889,941	105,040	56,985	69,613	-	41,634,615
European Union (EU) Countries	-	1,209,259	1,895	532	19,473	-	-	-	-	1,231,159
OECD Countries(**)	-	433,750	1,174	16	5,143	-	-	-	-	440,083
Off-Shore Banking Regions	-	94,014	21,209	1,691	75,343	-	-	361	-	192,618
USA, Canada	-	395,943	174	21	1,628	-	-	-	-	397,766
Other Countries	-	925,265	108,368	8,356	65,033	75	-	13,786	-	1,120,883
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	349,513	349,513
Unallocated	-	-	-	-	-	-	-	-	-	-
Assets/Liabilities(***)	-	-	-	-	-	-	-	-	3,581,512	3,581,512
<b>Total</b>	<b>10,172,133</b>	<b>7,604,636</b>	<b>9,137,686</b>	<b>5,800,248</b>	<b>12,056,561</b>	<b>105,115</b>	<b>56,985</b>	<b>83,760</b>	<b>3,931,025</b>	<b>48,498,149</b>
Domestic	5,583,719	1,885,746	11,796,218	3,731,554	10,600,110	71,931	233,511	-	-	33,902,789
European Union (EU) Countries	-	1,420,697	22,400	3,294	11,439	-	-	-	-	1,457,830
OECD Countries(**)	-	540,571	459	459	4,650	-	-	-	-	545,680
Off-Shore Banking Regions	-	73,398	74,365	2,467	2,898	-	-	-	-	153,128
USA, Canada	-	646,719	504	504	2,726	-	-	-	-	649,949
Other Countries	-	798,281	119,697	9,290	45,269	-	-	-	-	972,537
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	22,930	22,930
Unallocated	-	-	-	-	-	-	-	-	-	-
Assets/Liabilities(***)	-	-	-	-	-	-	-	-	3,325,353	3,325,353
<b>Total</b>	<b>5,583,719</b>	<b>5,365,412</b>	<b>12,012,680</b>	<b>3,747,568</b>	<b>10,667,092</b>	<b>71,931</b>	<b>233,511</b>	<b>3,348,283</b>	<b>41,030,196</b>	

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

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

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

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

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

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

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## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### b. Risk profile by sectors or counterparties

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from international banks organizations	Conditional and unconditional receivables from houses and brokerages	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail mortgages	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSB	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total	
Current Period <sup>(*)</sup>																		
Agriculture	-	-	-	-	73,556	91,495	128,003	1,059	5,498	-	-	-	-	-	191,842	107,769	299,611	
Farming and Stockbreeding	-	-	-	-	62,493	52,283	50,874	425	301	-	-	-	-	-	100,602	65,774	166,376	
Forestry	-	-	-	-	11,059	39,621	6,207	592	2,366	-	-	-	-	-	78,080	40,445	118,825	
Fishery	-	-	-	-	24	591	10,922	42	2,831	-	-	-	-	-	13,160	1,250	14,410	
Manufacturing	-	-	-	-	3,731,555	1,373,920	2,165,416	24,278	9,077	-	-	-	-	-	2,445,853	4,858,393	7,304,246	
Mining and Quarrying	-	-	-	-	476,706	269,497	334,786	2,472	1,582	-	-	-	-	-	487,378	597,665	1,085,043	
Production	-	-	-	-	1,881,530	1,020,827	1,720,147	21,366	6,802	-	-	-	-	-	1,779,467	2,871,205	4,650,672	
Electricity, Gas and Water	-	-	-	-	1,373,319	83,596	110,483	440	693	-	-	-	-	-	179,008	1,389,523	1,568,531	
Construction	-	-	-	-	2,079,689	979,590	2,442,200	20,356	15,440	-	-	-	-	-	3,198,214	2,339,060	5,537,274	
Services	-	-	-	-	7,604,636	2,439,272	3,328,469	36,790	25,739	-	-	-	-	-	7,632,705	18,036,914	25,669,619	
Wholesale and Retail Trade	-	-	-	-	1,161,617	1,334,400	2,127,021	23,811	20,293	-	-	-	-	-	2,489,646	2,177,496	4,667,142	
Accommodation and Dining	-	-	-	-	52,379	217,081	2,899	2,899	2,302	-	-	-	-	-	170,604	155,660	326,264	
Transportation and Telecom	-	-	-	-	698,823	286,989	319,276	5,006	803	-	-	-	-	-	479,165	831,632	1,310,797	
Financial Institutions	-	-	-	-	7,604,636	4,446	24,213	-	-	-	-	-	-	-	7,632,645	14,130,682	17,913,327	
Real Estate and Rental Services	-	-	-	-	289,348	46,623	273,481	1,996	-	-	-	-	-	-	135,218	478,290	611,446	
Professional Services	-	-	-	-	32	442	258	-	-	-	-	-	-	-	649	69	732	
Health and Social Services	-	-	-	-	45,431	19,951	128,116	32	32	-	-	-	-	-	129,871	63,691	193,562	
Others	-	-	-	-	168,279	233,691	239,023	3,046	2,309	-	-	-	-	-	444,907	201,440	646,347	
Total	-	-	-	-	813,615	1,376,422	3,992,473	22,632	1,231	-	-	-	-	-	3,931,025	7,140,282	2,997,105	10,137,397
Prior Period <sup>(*)</sup>	-	-	-	-	163,156	59,929	83,186	1,105	752	-	-	-	-	-	241,067	67,061	308,128	
Agriculture	-	-	-	-	95,367	28,890	28,078	604	8	-	-	-	-	-	105,159	47,788	152,947	
Farming and Stockbreeding	-	-	-	-	57,913	29,227	48,637	501	631	-	-	-	-	-	117,824	19,085	136,909	
Forestry	-	-	-	-	48,637	48,637	501	631	113	-	-	-	-	-	18,084	188	18,272	
Fishery	-	-	-	-	9,876	1,812	6,471	-	-	-	-	-	-	-	6,244,404	710,689	6,955,093	
Manufacturing	-	-	-	-	4,565,303	739,792	1,628,640	11,550	9,008	-	-	-	-	-	896,944	152,855	1,051,799	
Mining and Quarrying	-	-	-	-	685,113	134,966	227,699	2,043	1,978	-	-	-	-	-	4,187,951	438,381	4,626,332	
Production	-	-	-	-	2,694,470	564,640	1,346,270	9,157	7,795	-	-	-	-	-	1,157,509	124,463	1,281,962	
Electricity, Gas and Water	-	-	-	-	1,185,720	40,186	56,671	360	35	-	-	-	-	-	4,647,207	480,002	5,127,209	
Construction	-	-	-	-	2,509,969	548,594	2,051,468	21,598	4,400	-	-	-	-	-	7,821,919	11,142,759	18,964,678	
Services	-	-	-	-	5,365,412	3,989,798	2,713,481	28,147	16,190	-	-	-	-	-	4,466,247	453,755	4,920,002	
Wholesale and Retail Trade	-	-	-	-	2,311,621	830,720	1,749,912	17,208	10,641	-	-	-	-	-	1,197,235	102,259	1,299,494	
Accommodation and Dining	-	-	-	-	75,400	40,595	147,345	264	449	-	-	-	-	-	632,503	104,607	1,039,110	
Transportation and Telecom	-	-	-	-	825,255	213,161	251,186	6,288	3,604	-	-	-	-	-	558,275	70,887	629,162	
Financial Institutions	-	-	-	-	320,008	2,256	282,334	2,679	273	-	-	-	-	-	899	18	917	
Real Estate and Rental Services	-	-	-	-	62	452	343	-	-	-	-	-	-	-	148,423	2,970	151,393	
Professional Services	-	-	-	-	71,113	12,944	67,073	92	171	-	-	-	-	-	585,982	79,625	665,607	
Health and Social Services	-	-	-	-	391,849	139,735	191,355	1,616	1,052	-	-	-	-	-	3,348,283	7,206,117	9,675,088	
Others	-	-	-	-	784,434	1,131,322	4,190,297	9,591	211,161	-	-	-	-	-	3,348,283	26,160,714	14,869,482	
Total	-	-	-	-	5,365,412	12,012,680	3,747,568	10,667,092	71,931	233,511	-	-	-	-	3,348,283	26,160,714	14,869,482	

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

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

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#### c. Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Categories <sup>(*)</sup> - Current Period	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	1,181,398	-	-	-	2,843,165
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	360,094	749,327	478,971	151,718	1,166,445
Conditional and unconditional exposures to corporates	1,925,614	245,383	449,780	793,041	5,697,019
Conditional and unconditional retail exposures	566,460	194,535	444,758	934,129	3,499,088
Conditional and unconditional exposures secured by real estate property	330,512	131,511	295,867	1,042,870	10,255,801
Past due exposures					
Items in regulatory high-risk categories	26,038	2,830	4,630	6,552	16,935
Items in regulatory high-risk categories					
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	4,073	6,282	19,101	6,027	48,277
Other items	-	-	-	-	-
<b>Total</b>	<b>4,394,189</b>	<b>1,329,868</b>	<b>1,693,107</b>	<b>2,934,337</b>	<b>23,526,730</b>

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

Exposure Categories <sup>(*)</sup> Prior Period	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	-	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,656,109	10,676	7,051	58	62,003
Conditional and unconditional exposures to corporates	2,595,049	799,666	1,176,863	1,914,405	5,447,755
Conditional and unconditional retail exposures	309,999	276,831	459,285	680,940	1,749,110
Conditional and unconditional exposures secured by real estate property	290,258	375,670	656,172	1,334,167	8,010,825
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	11,879	841	1,721	2,076	216,994
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	63,483	-	7,455	-	-
<b>Total</b>	<b>4,926,777</b>	<b>1,463,684</b>	<b>2,308,547</b>	<b>3,931,646</b>	<b>15,486,687</b>

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



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#### d. Exposure Categories

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

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

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

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

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

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



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#### e. Credit risk using the standard approach:

##### Credit risk exposed and credit risk mitigation effects:

Risk Classes	Receivable before CCF and CRM		Receivable post- CCF and CRM		RWA and RWA density	
	On-balance	Off-balance	On-balance	Off-balance	RWA	RWA density
	sheet amount	sheet amount	sheet amount	sheet amount		
1 Receivables from central governments and Central Banks	8,990,735	-	8,990,735	-	3,364,644	37
2 Receivables from regional and local government	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	6,941,729	1,338,212	6,941,729	451,861	3,279,946	44
7 Receivables from corporate	6,499,152	5,326,477	6,499,152	2,626,262	9,012,018	99
8 Retail receivables	4,259,275	4,335,868	4,259,275	1,538,925	4,271,246	74
9 Receivables secured by residential property	5,176,958	642,906	5,176,958	238,600	1,885,452	35
10 Receivables secured by commercial property	6,178,648	1,001,579	6,178,648	452,901	4,176,281	63
11 Non-performing receivables	105,115	-	105,115	-	89,405	85
12 Receivables in high-risk categories	56,985	-	56,985	-	85,478	150
13 Mortgage-backed securities	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	83,760	-	83,760	-	39,005	47
16 Other receivables	3,931,025	-	3,931,025	-	1,589,075	40
17 Equity share investments	-	-	-	-	-	-
<b>18 Total</b>	<b>42,223,382</b>	<b>12,645,042</b>	<b>42,223,382</b>	<b>5,308,549</b>	<b>27,792,550</b>	<b>674</b>

##### Credit risk exposed and credit risk mitigation effects:

Risk Classes / Risk Weights *	0%	10%	20%	5%0	75%	100%	150%	200%	Others *	Total risk amount (post-CCF and CRM)
1 Receivables from central governments and Central Banks	2,245,952	-	25,824	6,718,959	-	-	-	-	-	8,990,735
2 Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	9,456	-	1,831,157	5,278,761	-	273,979	237	-	-	7,393,590
7 Receivables from corporate	50,136	-	79,075	-	-	8,996,203	-	-	-	9,125,414
8 Retail receivables	74,628	-	38,968	-	5,684,604	-	-	-	-	5,798,200
9 Receivables secured by residential property	21,702	-	15,983	-	-	-	-	-	5,377,873	5,415,558
10 Receivables secured by commercial property	33,251	-	68,235	4,734,858	-	1,795,205	-	-	-	6,631,549
11 Non-performing receivables	5	-	2	31,406	-	73,702	-	-	-	105,115
12 Receivables in high-risk categories	-	-	-	-	-	-	56,980	-	-	56,980
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	17,205	-	3,662	49,241	-	13,652	-	-	-	83,760
16 Equity share investments	-	-	-	-	-	-	-	-	-	-
17 Other receivables	2,326,223	-	19,657	-	-	1,585,145	-	-	-	3,931,025
<b>18 Total</b>	<b>4,778,558</b>	<b>-</b>	<b>2,082,563</b>	<b>16,813,225</b>	<b>5,684,604</b>	<b>12,737,886</b>	<b>57,217</b>	<b>-</b>	<b>5,377,873</b>	<b>47,531,931</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### f. Risk amounts according to risk weights:

##### Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Exposures before Credit Risk Mitigation	4,598,836	-	1,880,300	5,415,558	16,892,523	5,798,200	12,889,292	57,217	-	100,647
Exposures after Credit Risk Mitigation	4,778,558	-	2,082,563	5,377,873	16,813,225	5,684,604	12,737,886	57,217	-	100,647

##### Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Exposures before Credit Risk Mitigation	7,860,611	-	4,619,478	-	9,640,423	3,745,657	14,930,313	129,019	104,695	-
Exposures after Credit Risk Mitigation	8,227,307	-	4,619,478	-	9,640,423	3,655,406	14,653,972	128,915	104,695	-

#### g. Information by major sectors and type of counterparties

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

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

Current Period	Credits			Provisions	
	Impaired Credits	Past due Credits	Value Adjustments (*)	Provisions	
Agriculture	12,911	7,418	149	6,356	
Farming and Stockbreeding	2,096	2,880	59	1,371	
Forestry	5,496	3,700	74	2,538	
Fishery	5,319	838	16	2,447	
<b>Manufacturing</b>	<b>151,649</b>	<b>356,287</b>	<b>7,237</b>	<b>118,278</b>	
Mining and Quarrying	40,872	101,654	1,958	36,822	
Production	107,475	245,392	5,067	79,288	
Electricity, Gas and Water	3,302	9,241	212	2,168	
<b>Construction</b>	<b>207,297</b>	<b>329,181</b>	<b>6,821</b>	<b>171,501</b>	
<b>Services</b>	<b>304,037</b>	<b>556,834</b>	<b>11,171</b>	<b>241,443</b>	
Wholesale and Retail Trade	225,312	361,914	7,209	181,142	
Accommodation and Dining	11,949	49,255	1,015	6,748	
Transportation and Telecommunication	43,191	73,849	1,505	37,382	
Financial Institutions	-	43	1	-	
Real Estate and Rental Services.	7,244	33,227	643	5,248	
Professional Services	-	-	-	-	
Educational Services	1,106	6,629	133	1,042	
Health and Social Services	15,235	31,917	665	9,881	
<b>Others</b>	<b>72,720</b>	<b>294,429</b>	<b>5,685</b>	<b>48,941</b>	
<b>Total</b>	<b>748,614</b>	<b>1,544,149</b>	<b>31,063</b>	<b>586,519</b>	

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period	Credits		Provisions	
	Impaired Credits	Past due Credits	Value Adjustments <sup>(*)</sup>	Provisions
<b>Agriculture</b>	<b>6,600</b>	<b>5,595</b>	<b>239</b>	<b>5,166</b>
Farming and Stockbreeding	2,942	2,269	90	2,067
Forestry	3,096	2,238	101	2,567
Fishery	562	1,088	48	532
<b>Manufacturing</b>	<b>98,473</b>	<b>255,518</b>	<b>10,558</b>	<b>75,743</b>
Mining and Quarrying	12,073	47,454	2,159	9,212
Production	86,085	198,159	8,004	66,437
Electricity, Gas and Water	315	9,905	395	94
<b>Construction</b>	<b>66,057</b>	<b>346,333</b>	<b>13,421</b>	<b>49,253</b>
<b>Services</b>	<b>150,694</b>	<b>421,770</b>	<b>16,898</b>	<b>100,763</b>
Wholesale and Retail Trade	114,725	297,211	12,799	79,192
Accommodation and Dining	3,208	16,451	581	2,240
Transportation and Telecommunication	18,316	64,514	2,005	10,197
Financial Institutions	-	2,007	53	-
Real Estate and Rental Services.	2,360	14,114	585	902
Professional Services	-	-	-	-
Educational Services	101	243	9	49
Health and Social Services	11,984	27,230	866	8,183
<b>Others</b>	<b>134,491</b>	<b>189,335</b>	<b>4,526</b>	<b>99,482</b>
<b>Total</b>	<b>456,315</b>	<b>1,218,551</b>	<b>45,642</b>	<b>330,407</b>

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

#### h. Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments <sup>(*)</sup>	Closing Balance
Specific Provisions	330,407	464,013	(57,039)	(150,862)	586,519
General Provisions	334,118	-	(15,293)	-	318,825

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments <sup>(*)</sup>	Closing Balance
Specific Provisions	409,218	337,621	(83,247)	(333,185)	330,407
General Provisions	240,776	93,342	-	-	334,118

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

#### i. Risk involved in counter-cyclical capital buffer calculation

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	19,123,206	-	19,123,206
Bahrain	227,215	-	227,215
Saudi Arabia	46,600	-	46,600
Marshall Islands	45,215	-	45,215
Albania	23,913	-	23,913
Kuwait	21,803	-	21,803
Uzbekistan	12,055	-	12,055
Burundi	8,469	-	8,469
United Arab Emirates	5,739	-	5,739
Germany	5,375	-	5,375
Other	18,941	-	18,941

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

The bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings 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%

### III. Explanations on consolidated currency risk

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to Standard Method.

The Bank monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross exchange rate risk within the position. As a tool of foreign currency risk management, foreign currency forward transactions are used when necessary to mitigate the risk.

As of 31 December 2016, the Group carries a net foreign currency long position of TL 4,261,855 (31 December 2015 - TL 1,002,481 long position) comprising of TL 4,152,382 off-balance sheet short position (31 December 2015 - TL 899,306 short position) and TL 109,473 off balance sheet long position (31 December 2015 - TL 103,175 long position).

The announced current foreign exchange buying rates of the Group as of 31 December 2016 and the previous five working days are as follows (full TL):

	26/12/2016	27/12/2016	28/12/2016	29/12/2016	30/12/2016	Balance sheet evaluation rate
<b>USD</b>	3.5077	3.5041	3.5135	3.5329	3.5318	<b>3.5192</b>
<b>EURO</b>	3.6647	3.6639	3.6711	3.6901	3.6939	<b>3.7099</b>
<b>GBP</b>	4.2962	4.2963	4.3040	4.3231	4.3222	<b>4.3189</b>
<b>CHF</b>	3.4116	3.4075	3.4090	3.4277	3.4393	<b>3.4454</b>
<b>100 JPY</b>	0.0298	0.0299	0.0299	0.0300	0.0303	<b>0.0300</b>

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days preceding the balance sheet date are as follows (full TL):

	Monthly average FC purchase rate
<b>USD</b>	<b>3.4822</b>
<b>EUR</b>	<b>3.6767</b>
<b>GBP</b>	<b>4.3424</b>
<b>CHF</b>	<b>3.4096</b>
<b>100 JPY</b>	<b>0.0300</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### Currency risk of the Group:

	EURO	USD	Other FC	Total
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	723,762	4,636,678	2,269,747	7,630,187
Banks	4,114,211	433,994	205,288	4,753,493
Financial assets at fair value through profit and loss	-	37,830	-	37,830
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	17,327	1,900,932	-	1,918,259
Loans and finance lease receivables (*)	4,469,844	8,502,920	107,626	13,080,390
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	5,469	89	-	5,558
Intangible assets	45,138	-	-	45,138
Other assets	379,906	18,408	240	398,554
<b>Total assets</b>	<b>9,755,657</b>	<b>15,530,851</b>	<b>2,582,901</b>	<b>27,869,409</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	34,458	61,153	440,108	535,719
Current and profit sharing accounts FC (****)	3,040,234	8,493,291	2,023,589	13,557,114
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	95,550	4,462,987	638,997	5,197,534
Marketable securities issued	-	4,174,842	-	4,174,842
Miscellaneous payables	6,612	28,469	414	35,495
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	28,728	53,777	24,345	106,850
<b>Total liabilities</b>	<b>3,205,582</b>	<b>17,274,519</b>	<b>3,127,453</b>	<b>23,607,554</b>
Net balance sheet position	6,550,075	(1,743,668)	(544,552)	4,261,855
Net off-balance sheet position	(6,447,687)	1,761,924	533,381	(4,152,382)
Financial derivative assets	311,483	3,966,378	1,158,845	5,436,706
Financial derivative liabilities	6,759,170	2,204,454	625,464	9,589,088
Non-cash loans (***)	1,653,815	2,698,112	360,108	4,712,035
<b>Prior period</b>				
Total assets	5,578,821	15,015,174	1,963,997	22,557,992
Total liabilities	2,907,551	16,570,385	2,077,575	21,555,511
Net balance sheet position	2,671,270	(1,555,211)	(113,578)	1,002,481
Net off-balance sheet position	(2,627,455)	1,632,270	95,879	(899,306)
Financial derivative assets	431,591	4,183,696	1,038,566	5,653,853
Financial derivative liabilities	3,059,046	2,551,426	942,687	6,553,159
Non-cash loans (***)	1,391,637	2,607,875	319,972	4,319,484

(\*) Includes foreign currency indexed loans amounting to TL 7,272,665 (31 December 2015 - TL 6,353,696 ) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (31 December 2015 - TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 3,752,727 on the balance sheet.

(\*\*\*) Does not have any effect to the net off-balance sheet position.

(\*\*\*\*) Precious metals are included in "Other FC" column.

(\*\*\*\*\*) General provision for FC indexed loans amount of TL 30,177 included in Other Liabilities. General loan provisions for the Bank's share and provisions for financial assets at fair value through profit and loss amount of TL 73,702 and TL 548 respectively are not included in currency risk of the Bank.

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below;

- Derivative financial assets held for trading TL 87,833 (31 December 2015 - TL 32,613)
- Prepaid expenses : TL 646 (31 December 2015 - TL 1,343)
- Derivative financial liabilities held for trading : TL 79,147 (31 December 2015 - TL 61,561)
- Marketable securities of FC revaluation reverse: TL 30,347 (31 December 2015 - TL 3,831)
- Derivative financial liabilities held for hedging : TL 137,829 (31 December 2015- TL 98,650)

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Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions that are amounting to:

- Forward foreign currency purchase transactions TL 306,728 (31 December 2015 - TL 257,398)
- Forward foreign currency sale transactions: TL 403,440 (31 December 2015 - TL 223,967)

#### Currency risk sensitivity:

The Group is mainly exposed to foreign currency risk in EURO, USD and GOLD.

The following table shows the bank's sensitivity to 10% change both USD, EURO and GOLD exchange rate.

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current period	Prior period	Current period	Prior period
USD	%10	1,826	7,706	(1,209)	7,323
EURO	%10	10,239	4,382	10,239	4,382
GOLD	%10	(11,023)	33,967	(11,023)	33,967

#### IV. Explanations on position risk of equity securities in banking book

**a. Relation of risks with gains accounted under equity and analyzing according to their aims including strategic reasons and the accounting policies applied and general information about valuation techniques with assumptions in this application, the elements that manipulate valuation and important changes:**

The Group's non-quoted securities are accounted for fair value. When the fair value cannot be reliably measured, the cost method is used.

**b. Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:**

Current Period Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
<b>1 Securities Available-for-Sale (*)</b>	<b>53,485</b>	-	-
Quoted Securities	-	-	-
<b>2 Investments in Associates</b>	-	-	-
Quoted Securities	-	-	-
<b>3 Investment in Subsidiaries</b>	<b>23,680</b>	-	-
Quoted Securities	-	-	-
<b>4 Other</b>	<b>15,301</b>	-	-
Quoted Securities	-	-	-

Prior Period Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
<b>1 Securities Available-for-Sale (*)</b>	<b>64,815</b>	-	-
Quoted Securities	-	-	-
<b>2 Investment in Subsidiaries</b>	-	-	-
Quoted Securities	-	-	-
<b>3 Investments in Associates</b>	<b>22,930</b>	-	-
Quoted Securities	-	-	-
<b>4 Other</b>	<b>8,378</b>	-	-
Quoted Securities	-	-	-

**c. Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:** None.

#### V. Explanations on consolidated liquidity risk

The liquidity risk of the Group is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. It has been evaluated in two main categories:

Funding Liquidity Risk : It is a kind of risk which does not meet the any unexpected loss and non defaulting debts and liabilities.

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Market Liquidity Risk : It is a kind of risk which consists of the position that cannot be sold without affecting market price due to insufficient market depth or market conditions' deterioration or that cannot be completed with the position of market price for any reasons.

#### **a. Information on risk capacity of the Group, Responsibilities and structure of liquidity risk management, the Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:**

The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Market Management Policies and Practices approved by Board of Directors. The Bank's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet its liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Group, with its strong capital structure and its main shareholder is Kuwait Finance House's support, spread the base of current and participation accounts and be stable, diversified sources of foreign borrowing has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Group which meets its cash outflows with the high-quality liquid assets is evaluated as high.

Senior management in the ALCO meetings are analyzed indicators of the liquidity situation and liquidity risk are weekly discussed. In addition, the Board of Directors are informed through the Audit Committee.

For the management of liquidity risk, the Risk Management Department follows the funding and liquidity risks, market conditions, in the participating accounts, the distribution of different currencies, maturity, cost and expected future cash flow requirements (particularly with regard to large deposits). Reports on the liquidity gap analysis prepared weekly by Budget and Management Reporting and monitored by the Asset and Liability Committee. These units also estimate the possible liquidity needs of the Bank in case of urgent situations and generate action plans based on these estimates. Risk Management Department follows the limits on liquidity risk determined by the Board of Directors. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenarios on liquidity position of the Bank. The Treasury Group Management manages the liquidity risk and funding risk in order to prevent insufficiencies of funding relating to any time or any source and makes reports related with the liquidity position to Asset and Liability Committee regularly. External Reporting Directorate tracks the liquidity coverage ratio and the results are reported to the BRSA.

#### **b. Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries:**

The Group's liquidity management is performed by the Asset and Liability Management. Depending on the Group's consolidated subsidiaries are subject to liquidity risk is managed in-house, but the necessary communication and coordination within the Assistant General Manager in charge of Treasury and International Banking are provided.

#### **c. Information on the Group's funding strategy including the policies on funding types and variety of maturities:**

Group spread to the base of current and participation accounts and that a stable, long-term diversification and aims to be the source of the funds used. Ratio of liquid assets to total assets ratio and risk indicators related to liquidity, credit and the ratio of funds, issues such as the concentration in collected funds are being closely monitored.

#### **ç. Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:**

Almost all total liabilities of the Group consists of the Turkish Lira, American Dollar, Euro, Malaysian Ringgit, or Gold. TL liquidity of the Bank is managed through the open market transactions implemented by the Central Bank of the Turkish Republic and interbank operations. Liabilities in the form of TL are used in order to fund assets in the form of TL, assets in the form of TL are generated through foreign exchange based funds with swap operations if necessary. Foreign currency funds are provided with the foreign sourced credits in the form of foreign currency and sukuk-financial certificates issued. Liquidity in the form of foreign currency is kept at the interbank operations and accounts of the corresponding bonds within the limits. Liabilities in the form of Gold are kept at the required reserve accounts of the Central Bank of the Turkish substantially.

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## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

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### d. Information on liquidity risk mitigation techniques:

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposits. In addition, core deposit analysis is performed and concentration on collected funds are closely monitored.

### e. Information on the use of stress tests:

In order to analyze the source of the possible liquidity insufficiencies and whether conformably move exists on existing off-balance sheet and balance sheet positions relevant with liquidity risk expectation, 3 types liquidity stress tests are applied by Risk Management Directorate. These includes stress test scenarios are special to the Bank, related with the overall market or scenarios take in consideration both of the situations. Stress tests related with liquidity risk are repeated at monthly periods. Results are tracked with key risk indicators and monitored by Senior Management.

### f. General information on urgent and unexpected liquidity situation plans:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the Executive Risk Committee. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. Indicators of Liquidity Contingency Plan were determined, in case of unexpected progress at the liquidity situation occur or at situations trigger of other indicators, plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

### Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Bank's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that is mentioned is included the maturity analysis however it is not included the balance sheet value of financial liabilities at the balance sheet.

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
<b>31 December 2016</b>								
Collective Fundings	27,826,381	3,134,948	1,036,181	15,468	-	32,012,978	-	32,012,978
Other Fundings	441,003	589,379	2,115,235	3,744,760	-	6,890,377	(1,633,989)	5,256,388
Funds provided under repurchase agreements	1,258,349	-	-	-	-	1,258,349	(38,476)	1,219,873
Issued Securities	191,733	475,657	274,014	2,434,770	1,669,596	5,045,770	(290,357)	4,755,413
Borrowings from Leasings	-	-	229	-	-	229	(3)	226
<b>Total</b>	<b>29,717,466</b>	<b>4,199,984</b>	<b>3,425,659</b>	<b>6,194,998</b>	<b>1,669,596</b>	<b>45,207,703</b>	<b>(1,962,825)</b>	<b>43,244,878</b>
<b>31 December 2015</b>								
Collective Fundings	23,940,407	3,164,868	1,009,467	10,558	-	28,125,300	-	28,125,300
Other Fundings	174,672	273,397	1,399,511	2,428,656	-	4,276,236	(640,117)	3,636,119
Funds provided under repurchase agreements	712,538	-	-	-	-	712,538	(996)	711,542
Issued Securities	435,315	549,475	3,190,541	141,723	613,859	4,930,913	(79,536)	4,851,377
Borrowings from Leasings	-	-	165	-	-	165	(34)	131
<b>Total</b>	<b>25,262,932</b>	<b>3,987,740</b>	<b>5,599,684</b>	<b>2,580,937</b>	<b>613,859</b>	<b>38,045,152</b>	<b>(720,683)</b>	<b>37,324,469</b>



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### Maturity analysis for guarantees and contingencies:

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
<b>31 December 2016</b>								
Letters of Guarantee	3,914,848	166,539	572,861	1,876,238	1,471,708	113,831	-	8,116,025
Bills of Exchange and Bank Acceptances	148	5,407	15,320	28,850	2,319	-	-	52,044
Letters of Credit	369,976	76,908	247,672	268,172	57,058	-	-	1,019,786
Other guarantees	150,651	263	2,284	302,238	220,284	-	-	675,720
Pre-financings given as guarantee	25,642	-	-	-	-	-	-	25,642
<b>Total</b>	<b>4,461,265</b>	<b>249,117</b>	<b>838,137</b>	<b>2,475,498</b>	<b>1,751,369</b>	<b>113,831</b>	<b>-</b>	<b>9,889,217</b>
<b>31 December 2015</b>								
Letters of Guarantee	3,299,553	121,122	515,800	1,665,444	1,612,979	125,318	-	7,340,216
Bills of Exchange and Bank Acceptances	84,108	-	-	-	-	-	-	84,108
Letters of Credit	1,018,404	-	233	3,763	6,864	-	-	1,029,264
Other guarantees	332,410	1,208	21,352	3,024	124,006	-	-	482,000
Pre-financings given as guarantee	21,290	-	-	-	-	-	-	21,290
<b>Total</b>	<b>4,755,765</b>	<b>122,330</b>	<b>537,385</b>	<b>1,672,231</b>	<b>1,743,849</b>	<b>125,318</b>	<b>-</b>	<b>8,956,878</b>

### Contractual maturity analysis of derivative instruments:

	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
<b>31 December 2016</b>						
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	7,742,474	1,354,727	232,490	-	-	9,329,691
Exit	7,751,615	1,351,680	223,921	-	-	9,327,216
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Entry	-	-	-	628,152	-	628,152
Exit	-	-	-	762,972	-	762,972
<b>Total Cash Inflow</b>	<b>7,742,474</b>	<b>1,354,727</b>	<b>232,490</b>	<b>628,152</b>	<b>-</b>	<b>9,957,843</b>
<b>Total Cash Outflow</b>	<b>7,751,615</b>	<b>1,351,680</b>	<b>223,921</b>	<b>762,972</b>	<b>-</b>	<b>10,090,188</b>
<b>31 December 2015</b>						
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	4,263,483	998,257	994,142	291	-	6,256,173
Exit	4,272,317	998,665	1,016,231	323	-	6,287,536
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Entry	-	-	-	542,440	-	542,440
Exit	-	-	-	630,376	-	630,376
<b>Total Cash Inflow</b>	<b>4,263,483</b>	<b>998,257</b>	<b>994,142</b>	<b>542,731</b>	<b>-</b>	<b>6,798,613</b>
<b>Total Cash Outflow</b>	<b>4,272,317</b>	<b>998,665</b>	<b>1,016,231</b>	<b>630,699</b>	<b>-</b>	<b>6,917,912</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### Liquidity Coverage Ratio

Current Period	Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)		
	TL+FC	FC	TL+FC	FC	
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	7,248,378	6,328,808	6,144,352	5,224,782
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small usiness customers, of which:	23,479,779	9,318,830	1,517,332	597,257
3	Stable deposits	16,612,915	6,692,505	830,646	334,625
4	Less stable deposits	6,866,864	2,626,325	686,686	262,632
5	Unsecured wholesale funding, of which:	6,214,737	2,217,841	3,845,879	934,698
6	Operational deposits	2,319,448	1,241,513	579,862	310,379
7	Non-operational deposits	2,213,026	912,697	1,583,754	560,688
8	Unsecured funding	1,682,263	63,631	1,682,263	63,631
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which	5,309,816	2,511,422	424,294	274,342
11	Outflows related to derivative exposures and other collateral requirements	10,561	-	10,561	-
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,299,255	2,511,422	413,733	274,342
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
<b>16</b>	<b>Total Cash Outflows</b>			<b>5,787,505</b>	<b>1,806,297</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	4,589,956	4,468,844	662,942	595,905
19	Other cash inflows	44,971	3,350,234	44,971	3,350,234
<b>20</b>	<b>Total Cash Inflows</b>	<b>4,634,927</b>	<b>7,819,078</b>	<b>707,913</b>	<b>3,946,139</b>
<b>21</b>	<b>Total HQLA</b>			<b>6,144,352</b>	<b>5,224,782</b>
<b>22</b>	<b>Total Net Cash Outflows</b>			<b>5,079,592</b>	<b>451,574</b>
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>			<b>120.96</b>	<b>1,157.02</b>

(\*) The average of last three months' liquidity coverage ratio calculated by quarterly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios as of 31 December 2016:

	Highest	Date	Lowest	Date	Average
TL+FC	294.78	08.01.2016	110.53	30.12.2016	166.66
FC	1,498.10	05.08.2016	393.39	25.03.2016	1,132.26

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period	Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)		
	TL+FC	FC	TL+FC	FC	
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	7,152,259	6,495,841	5,892,554	5,236,137
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	20,207,987	9,032,118	1,283,873	571,159
3	Stable deposits	14,738,520	6,641,070	736,926	332,054
4	Less stable deposits	5,469,467	2,391,048	546,947	239,105
5	Unsecured wholesale funding, of which:	5,117,630	2,361,450	2,829,696	984,199
6	Operational deposits	1,695,445	896,461	423,861	224,115
7	Non-operational deposits	2,025,354	1,413,310	1,027,916	708,405
8	Unsecured funding	1,396,831	51,679	1,377,919	51,679
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which	5,513,306	3,014,714	649,792	500,221
	Outflows related to derivative exposures and other collateral requirements	25,821	-	25,821	-
12	Outflows related to restructured financial instruments	-	-	-	-
	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,487,485	3,014,714	623,971	500,221
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
<b>16</b>	<b>Total Cash Outflows</b>			<b>4,763,361</b>	<b>2,055,579</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	5,100,784	4,292,418	1,230,262	829,902
19	Other cash inflows	69,691	617,479	69,691	617,479
<b>20</b>	<b>Total Cash Inflows</b>	<b>5,170,475</b>	<b>4,909,897</b>	<b>1,299,953</b>	<b>1,447,381</b>
				<b>Üst Sınır Uygulanmış Değer</b>	
<b>21</b>	<b>Total HQLA</b>			<b>5,892,554</b>	<b>5,236,137</b>
<b>22</b>	<b>Total Net Cash Outflows</b>			<b>3,463,409</b>	<b>645,360</b>
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>			<b>170.14</b>	<b>811.35</b>

(\*) The average of last three months' liquidity coverage ratio calculated by quarterly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the year 2015:

	Highest	Date	Lowest	Date	Average
TL+FC	318.35	27.03.2015	166.26	02.01.2015	227.12
FC	991.79	11.12.2015	181.55	02.01.2015	565.20

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated <sup>(**)</sup>	Total
<b>Current period</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	2,653,914	5,671,900	-	-	-	-	-	8,325,814
Banks	4,770,285	-	10,095	-	-	-	-	4,780,380
Financial assets at fair value through profit and loss	-	69,433	72,561	7,549	12,176	-	-	161,719
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	1,393,256	443,349	43,704	1,331,415	440,199	100,804	3,752,727
Loans <sup>(*)</sup>	-	5,024,985	3,884,576	9,724,576	9,708,931	1,673,819	162,339	30,179,226
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	411,728	271,885	97,712	-	118,112	-	626,732	1,526,169
<b>Total assets</b>	<b>7,835,927</b>	<b>12,431,459</b>	<b>4,508,293</b>	<b>9,775,829</b>	<b>11,170,634</b>	<b>2,114,018</b>	<b>889,875</b>	<b>48,726,035</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	532,559	7,630	-	513	-	-	-	540,702
Current and profit sharing accounts	11,500,073	15,786,119	3,134,948	1,035,668	15,468	-	-	31,472,276
Funds provided from other financial institutions	-	440,178	589,602	2,088,598	870,471	1,267,765	-	5,256,614
Money market borrowings	-	1,219,873	-	-	-	-	-	1,219,873
Marketable securities issued	-	-	-	588,987	4,166,426	-	-	4,755,413
Miscellaneous payables	116,312	52,044	793	-	-	-	-	169,149
Other liabilities <sup>(**)</sup>	-	445,759	97,132	4,138	137,829	-	4,627,150	5,312,008
<b>Total liabilities</b>	<b>12,148,944</b>	<b>17,951,603</b>	<b>3,822,475</b>	<b>3,717,904</b>	<b>5,190,194</b>	<b>1,267,765</b>	<b>4,627,150</b>	<b>48,726,035</b>
Net liquidity gap	(4,313,017)	(5,520,144)	685,818	6,057,925	5,980,440	846,253	(3,737,275)	-
<b>Prior period</b>								
<b>Total assets</b>	<b>6,152,724</b>	<b>10,805,387</b>	<b>4,595,348</b>	<b>8,812,202</b>	<b>9,610,926</b>	<b>1,322,706</b>	<b>795,703</b>	<b>42,094,996</b>
<b>Total liabilities</b>	<b>9,372,990</b>	<b>16,432,062</b>	<b>4,000,087</b>	<b>4,403,000</b>	<b>3,263,140</b>	<b>589,726</b>	<b>4,033,991</b>	<b>42,094,996</b>
Net liquidity gap	(1,651,989)	(3,461,039)	(1,847,558)	4,575,309	4,745,861	490,789	(2,851,373)	-

<sup>(\*)</sup> This line also includes receivables from leasing transactions.

<sup>(\*\*)</sup> Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, joint ventures, stationary supplies and prepaid expenses are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions balances.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### VI. Explanations on consolidated leverage ratio

##### Leverage ratio:

The leverage ratio table prepared in accordance with the communiqué "Regulation on Measurement and Assessment of Leverage Ratios of Banks" published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

	Current Period (*)	Prior Period (*)
<b>On-balance sheet assets</b>		
1 On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	47,713,307	42,431,360
2 (Assets deducted in determining Tier I capital)	(218,855)	(237,229)
3 Total on-balance sheet risks (sum of lines 1 and 2)	47,494,452	42,194,131
<b>Derivative financial instruments and credit derivatives</b>		
4 Replacement cost associated with all derivative instruments and credit derivatives	90,391	-
5 Add-on amounts for PFE associated with all derivative instruments and credit derivatives	115,612	99,214
6 Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	206,003	99,214
<b>Securities or commodity financing transactions (SCFT)</b>		
7 Risks from SCFT assets (excluding on-balance sheet)	247,175	673,233
8 Risks from brokerage activities related exposures	-	-
9 Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	247,175	673,233
<b>Other off-balance sheet transactions</b>		
10 Gross notional amounts of off-balance sheet transactions	41,997,030	37,198,861
11 (Adjustments for conversion to credit equivalent amounts)	(24,926,904)	(22,663,134)
12 Total risks of off-balance sheet items (sum of lines 10 and 11)	17,070,126	14,535,727
<b>Capital and total risks</b>		
13 Tier I capital	3,810,218	3,214,404
14 Total risks (sum of lines 3, 6, 9 and 12)	65,017,756	57,502,305
<b>Leverage ratio</b>		
15 Leverage ratio	5.86	5.59

(\*) Amounts in the table are three-month average amounts.

In standalone basis, the Bank's balance sheet date in the last days of the past three months, calculated on the basis of the arithmetic average of the nominal value in the leverage ratio was 5.86% (31 December 2015 - 5.59%) were realized. The main reason for the changes compared to the previous period compared to other off-balance sheet items is higher than the increase in risk item. According to this, while balance sheet items not increased, the core capital was increased by 18.53% due to increase in profit, off balance sheet items showed a 12.89% increase. Accordingly, the leverage ratio of the current period compared to the previous year shows an increase of 27 basis points.

#### VII. Explanations on consolidated fair values of financial assets and liabilities

The table summarizes the book value and fair value of the financial assets and liabilities that were not accounted by the values in Bank's financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

Current Period	Book Value		Fair Value	
	Current period	Prior period	Current period	Prior period
<b>Financial Assets</b>				
Banks	4,780,380	3,629,516	4,780,380	3,629,516
Financial assets available for sale	3,752,727	2,355,099	3,752,727	2,355,099
Loans and lease receivables	30,017,131	27,045,993	29,741,737	27,704,683
<b>Financial Liabilities</b>				
Current account and funds collected from banks via participation accounts.	540,702	180,444	540,702	180,444
Other current and profit sharing accounts	31,472,276	27,944,856	31,472,276	27,944,856
Money market balances	1,219,873	711,542	1,219,873	711,542
Funds provided from other financial institutions	5,256,614	4,851,508	5,565,826	4,959,310
Miscellaneous payables	4,755,413	3,636,119	4,794,549	3,666,725
Payables from leasing transactions	169,149	126,289	169,149	126,289

The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, available for sales financial assets and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### VIII. Explanations on the activities carried out on behalf and account of other persons

The Bank does not perform purchases, sales and custody services in the name of others. The Bank has no fiduciary based transactions.

#### IX. Explanations on consolidated risk management

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee ("ALCO") and the Risk Management Department ("RMD") which has been composed in order to manage systemic risks that the Bank is exposed. The Board of Directors is the owner of the Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Bank's Risk Management System is to identify, measure, monitor and control the risks that the Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level & the quality of related activities.

##### a. Explanations on risk management and risk weighted amounts:

##### 1. Risk weighted amounts:

	Risk Weighted Amounts		Minimum Capital
	Current Period 31.12.2016	Prior Period 31.12.2015	Current Period 31.12.2016
1 Credit risk (excluding counterparty credit risk) (CCR) (*)	27,753,547	23,609,084	2,220,284
2 Of which standardised approach (SA)	27,792,552	23,609,084	2,223,404
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	94,652	15,602	7,572
5 Of which standardised approach for counterparty credit risk (SA-CCR)	94,652	15,602	7,572
6 Of which internal model method (IMM)	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8 Equity investments in funds - look-through approach	39,005	-	3,120
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - 1250% risk weighting Approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB supervisory formula approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	734,695	755,386	58,776
17 Of which standardised approach (SA)	734,695	755,386	58,776
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	2,877,204	2,307,997	230,176
20 Of which basic indicator approach	2,877,204	2,307,997	230,176
21 Of which standardised approach	-	-	-
22 Of which advanced measurement approach	-	-	-
23 Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>31,499,103</b>	<b>26,688,069</b>	<b>2,519,928</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### 2. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

	Carrying values of items in accordance with Turkish Accounting Standards						
	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per legal consolidation	Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital risk or subject to deduction from capital
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	8,325,814	8,325,814	8,325,814	-	-	-	-
Financial Assets Held for Trading	161,719	161,719	-	110,050	-	51,669	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	4,780,380	4,780,380	4,780,380	-	-	-	-
Receivables from money markets	-	-	-	-	-	-	-
Available for sale financial assets (net)	3,752,727	3,752,727	3,752,727	-	-	-	-
Loans and receivables	28,634,683	28,634,683	28,634,683	-	-	-	-
Factoring receivables	-	-	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-	-	-
Investments in subsidiaries (net)	23,680	23,680	23,680	-	-	-	-
Investments in joint ventures (net)	15,301	15,301	15,301	-	-	-	-
Leasing receivables	1,544,543	1,544,543	1,544,543	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-	-
Tangible assets (net)	445,172	445,172	445,172	-	-	-	-
Intangible assets (net)	140,466	140,466	140,466	-	-	-	-
Investment properties (net)	-	-	-	-	-	-	-
Tax assets	118,111	118,111	118,111	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	47,975	47,975	42,767	-	-	-	5,208
Other Assets	735,464	735,464	735,464	-	-	-	-
<b>Total Assets</b>	<b>48,726,035</b>	<b>48,726,035</b>	<b>48,559,108</b>	<b>110,050</b>	<b>-</b>	<b>51,669</b>	<b>5,208</b>

	Carrying values of items in accordance with Turkish Accounting Standards						
	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per legal consolidation	Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital risk or subject to deduction from capital
<b>Liabilities</b>							
Deposits	32,012,978	32,012,978	-	-	-	-	32,012,978
Derivative Financial Liabilities Held for Trading	119,727	119,727	-	-	-	-	119,727
Loans borrowed	3,274,742	3,274,742	-	-	-	-	3,274,742
Debt to money markets	1,219,873	1,219,873	-	1,219,873	-	-	-
Debt securities issued	4,755,413	4,755,413	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Various debts	169,149	169,149	-	-	-	-	169,149
Other liabilities	439,785	439,785	-	-	-	-	439,785
Factoring debts	-	-	-	-	-	-	-
Debts from leasing transactions	226	226	-	-	-	-	226
Derivative financial liabilities held for hedges	137,829	137,829	-	-	-	-	137,829
Provisions	583,004	583,004	-	-	-	-	583,004
Tax Liability	27,842	27,842	-	-	-	-	27,842
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-	-
Subordinated Debts	1,981,646	1,981,646	-	-	-	-	1,981,646
Equity	4,003,821	4,003,821	-	-	-	-	4,003,821
<b>Total Liabilities</b>	<b>48,726,035</b>	<b>48,726,035</b>	<b>-</b>	<b>1,219,873</b>	<b>-</b>	<b>-</b>	<b>47,506,162</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### 3. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1- Carrying Value of Assets in Accordance with TAS (as per template 1B)	48,726,035	48,559,108	-	110,050	51,669
2- Carrying Value of Liabilities in Accordance with TAS (as per template 1B)	-	-	-	1,219,873	-
3- Total net amount	48,726,035	48,559,108	-	1,109,823	51,669
4- Off-balance sheet amounts	65,243,854	5,308,549	-	234,821	20,048,031
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	-	-	-	-
<b>9-Risk Amounts</b>	<b>113,969,889</b>	<b>53,867,657</b>	<b>-</b>	<b>1,344,644</b>	<b>20,099,700</b>

### b. General qualitative information on credit risk:

#### 1. How the business model translates into the components of the bank's credit risk profile:

The business model of the Group basically consists of two main business fields: collecting funds by means of current accounts and profit/loss participation accounts subject to the interest-free banking rules, and using those funds and equity funds to make funds available to customers. Because of these main business fields, the bank's assets have a credit-weighted structure. Reflecting this business model, its total assets are cash credit-weighted and financial leasing receivable-weighted. The Group lends funds to finance the real sector in general and increases its volume of credits by taking into account its risk-return balance to achieve sustainable growth.

The risk profile of the Group indicates the types of risks to which it is exposed or expects to be exposed, and its risk level by type of risk. The largest type of risk to which the Bank is exposed or expects to be exposed within its current and target business model is the credit risk. Since the risk of concentration is one of the most important components of the credit risk, concentration limits were set by sector for the concentration risk. Internal limits are set for cash, non-cash and total credits for each of 20 different sectors. Limits were set for monitoring Defaulted Credit Exposures in mentioned sectors and for taking corrective measures. With regard to concentration of the credit risk, internal limits were set for the top 10, 20, 30, 40, 50 and 100 debtor/credit risk groups. Furthermore, country limits were set to avoid concentration in countries selected as part of the sovereign risk process.

#### 2. Criteria and approach used for defining credit risk policy and for setting credit risk limits:

The main purpose of the credit risk policy are to measure the counterparty risk undertaken as part of a credit transaction, to monitor the risk against the legal limits and the Bank's internal limits, to research new techniques and applications for measuring and controlling the risk, to monitor overdue receivables, to analyze the reason of overdue, and to take measures to prevent such reasons from repeating. The term 'credit risk' refers to the potential loss the Group might be exposed to because of credit borrowers' partial or full default of the credit agreements they signed with the bank. This term also includes the loss of market value because of the breakdown of the counterparty's financial position. This term includes on-balance sheet and off-balance sheet transactions too.

Risk limits are set by openly relating it with the Bank's volume on consolidated and non-consolidated basis within the financial system as part of its risk appetite structure. In this context the appetite for risk approved by the Board of Directors are divided between and allocated to other levels considered necessary by type of risk. The uses of the limits are closely monitored, and overdrafts are reported to the executive management for ensuring the necessary measures to be taken.

#### 3. Structure and organization of the credit risk management and control function:

Risk Control and Compliance Group works under the Audit Committee and the Internal System Committee reporting to the Board of Directors. Risk Control and Compliance Group Manager and Risk Management Department Manager working under the former are in charge of and responsible for the strategies and policies approved by the Board of Directors and for performing the other tasks assigned by the Internal System Committee. Credit Risk Management and Modeling Unit is one of the units comprising the Risk Management Department performs the risk measurement and management tasks concerning the credit risk.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### 4. Relations between the credit risk management, risk control, compliance and internal audit functions:

The units comprising the internal systems report to the Board of Directors as required by the organizational chart of the bank. Board of Directors has transferred its tasks and responsibilities for the internal systems to the Internal Systems Committee formed by four members of the Board of Directors and appointed to be Internal System Executives. The units in question are supervised and coordinated by the Internal Systems Committee.

The internal control function of the Group is performed by the Internal Control Department. Internal Control System has been founded in such a manner to be capable and efficient to mitigate, manage, monitor and control the exposure risks of the Bank in accordance with the Bank's organizational structure and business fields as well as changing circumstances, and covers all domestic and international branches, head office, consolidated subsidiaries and all business activities of the Bank. The internal control system and internal control activities of the Bank are designed by the Internal Control Department in cooperation with the relevant management executives and are performed at a sufficient and efficient extent.

Compliance Department is in charge of managing the Group's compliance risk and taking it under control in an efficient way, forecasting and preventing the risk in question, and ensuring the bank's activities to comply with the applicable laws and regulations.

Risk Management Department performs the tasks of determining, measuring and managing the exposure risks of the Group. An efficient risk management system infrastructure has been established for credit risk management tasks, credit policy, and risk management activities falling within the credit risk policy. The internal credit risk limits set by the Board of Directors are measured and reported at regular intervals to the Audit Committee.

Audit Department is in charge of assuring the Board of Directors and the executive management that the Group's business activities are performed in accordance with the Banking Law, other applicable laws and regulations and the internal strategies, policies, principles and targets of the group, and that the internal control and risk management systems are efficient and sufficient.

#### 5. Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the Board of Directors:

Risk Management Report for the Executive Management, which is the basic report presented to the Board of Directors and the executive management, is prepared before each meeting of the Audit Committee. The report in question contains the basic subjects described below.

Quality of the assets are analyzed in accordance with the classification specified in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside and the assets are compared with those of the previous fiscal period to monitor the sustainability of the asset quality. The report describes the credit risk limits and the figures realized in the relevant fiscal period. Credits lent in 20 different economic sectors are monitored by cash, non-cash and total credits. Credit shares and development trends of the economic sectors are monitored. The risk limits set in accordance with the Bank's appetite for risk and the figures realized are explained. Observed key risk indicators include the ratio of credit risk-weighted items over the total assets, the ratio of the total gross amount of defaulted credits over the total financing (cash credits) portfolio and their distribution by sector, distribution of guarantees by guarantee group, the ratio of the top 10/20/30/40/50/100 risks over the total financing (cash and non-cash credits) portfolio, and the ratio of write-off.

Distribution of cash credits by maturity term is monitored. Detailed information is given about the top 10 customers against whom internal or legal proceedings were filed, their limits, risks, guarantees and provisions, description of their sectors and their state are described. The trend of restructured credits is monitored. Also, loans to risk group of the Bank are reported.

Sovereign ratings, limits and used limits are monitored and compared with the previous fiscal year.

The Bank creates credit portfolios in accordance with its internal segment structure. These segments are divided into sub-segments. Risks realized for cash, non-cash and total credits are monitored by each of these portfolios.

Real estate price indexes are analyzed to monitor whether the values of the real estates received as guarantees for the funds lent have increased or decreased. These real estates are also monitored by subcategory in accordance with the classification of regions published by the Turkish Central Bank. They are also compared with the House Price Index of Turkey published by the Turkish Central Bank.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Credit quality of assets:

		Gross carrying value as per TAS		Allowances/amortisation and impairments	Net values
		Defaulted	Non-defaulted		
1	Loans	748,614	30,017,131	586,519	30,179,226
2	Debt securities	-	3,801,083	48,356	3,752,727
3	Off-balance sheet exposures <sup>(*)</sup>	-	22,790,309	334,904	22,455,405
<b>4</b>	<b>Total</b>	<b>748,614</b>	<b>56,608,523</b>	<b>969,779</b>	<b>56,387,358</b>

(\*) Accruals of derivative transactions are presented as net amounts under impairments.

Changes in stock of defaulted loans and debt securities:

		Current Period
1	Defaulted loans and debt securities at end of the previous reporting period	456,315
2	Loans and debt securities that have defaulted since the last reporting period	480,060
3	Receivables back to non-defaulted status	89
4	Amounts written off	150,862
5	Other changes	(36,810)
<b>6</b>	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>748,614</b>

### 6. Qualitative disclosures related to the credit quality of assets

a) Scope and definitions of "overdue" and "provision allocated" receivables for accounting purposes and the differences of definitions between "overdue" and "provision allocated", if any

Overdue receivables and provision allocated receivables are determined according to the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves.

b) The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application

None.

c) Definitions of the methods used when determining the provision amount

It includes the loans or other receivables classified in the third, fourth and fifth groups and minimum required statutory reserve ratios indicated in paragraph 8 of the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves and minimum statutory collateral consideration ratios required indicated in paragraph 9 of the same legislation.

d) Definitions of restructured receivables

According to the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves, restructuring for the performing and non-performing loans means new contractual conditions only for the loan obligators encountered or likely to be encountered in repayment as a result of financial difficulties, excluding loan obligators with no repayment difficulties.

e) Breakdown of exposures by geographical areas, industry and ageing:

Current Period	Loans Under Follow-Up	Specific Provisions	Write-Offs
Domestic	747,396	585,146	150,856
European Union (EU) Countries	595	839	6
OECD Countries	15	15	-
Off-Shore Banking Countries	-	-	-
USA, Canada	-	-	-
Other Countries	608	519	-
<b>Total</b>	<b>748,614</b>	<b>586,519</b>	<b>150,862</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Loans Under Follow-Up	Specific Provisions	Write-Offs
<b>Agriculture</b>	<b>12,911</b>	<b>6,356</b>	<b>2,326</b>
Farming and Stockbreeding	2,096	1,371	255
Forestry	5,496	2,538	1,793
Fishery	5,319	2,447	278
<b>Manufacturing</b>	<b>151,649</b>	<b>118,278</b>	<b>31,588</b>
Mining and Quarrying	40,872	36,822	3,265
Production	107,475	79,288	28,173
Electricity, Gas and Water	3,302	2,168	150
<b>Construction</b>	<b>207,297</b>	<b>171,501</b>	<b>19,836</b>
<b>Services</b>	<b>304,037</b>	<b>241,443</b>	<b>67,520</b>
Wholesale and Retail Trade	225,312	181,142	58,073
Accommodation and Dining	11,949	6,748	734
Transportation and Telecommunication	43,191	37,382	5,510
Financial Institutions	-	-	1
Real Estate and Rental Services	7,244	5,248	406
Professional Services	-	-	-
Educational Services	1,106	1,042	193
Health and Social Services	15,235	9,881	2,603
<b>Other</b>	<b>72,720</b>	<b>48,941</b>	<b>29,592</b>
<b>TOTAL</b>	<b>748,614</b>	<b>586,519</b>	<b>150,862</b>

Current period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	207,493	251,890	207,079	24,945	17,798
Retail Loans	4,472	12,574	7,968	1,344	372
Credit cards	3,220	8,213	955	182	109
Other	-	-	-	-	-
<b>Total</b>	<b>215,185</b>	<b>272,677</b>	<b>216,002</b>	<b>26,471</b>	<b>18,279</b>

#### f) Credit risk mitigation techniques

The Bank applies the Comprehensive Financial Collateral Techniques explained in "Credit Risk Mitigation Techniques Communiqué" published in Official Gazette No. 28337 as of 28 June 2012.

There is no balance sheet and off-balance sheet offsetting.

Credit risk mitigation techniques used by the Bank in terms of credit facility are listed as follows:

- Financial Collaterals (Cash, Deposit Pledges, Gold)
- Guarantees
- Real Estate Mortgage

Financial collaterals are evaluated on a daily basis.

For loans that are amounting over TL 3,000 or loans amounting to over 5% of the equity, real estate valuation should be repeated minimum every 3 year by the rating companies authorized from the Banking Regulation and Supervision Agency or Capital Markets Boards of Turkey.

Volatility in real estate market is closely monitored by the Bank; valuations for real estate for commercial real estates are revised at least every year whereas housing real estates are revised at least in every 3 years.

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	26,003,164	4,176,062	381,985	-	-	-	-
2 Debt securities	3,752,727	-	-	-	-	-	-
<b>3 Total</b>	<b>29,755,891</b>	<b>4,176,062</b>	<b>381,985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4 Overdue	161,769	326	41	-	-	-	-

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### c. Explanations on Counterparty Credit Risk (CCR):

#### a) Risk management objectives and policies for CCR:

Determination of the creditworthiness of financial counterparties has been made in addition to the Credit Policy of the Group in accordance with the regulations published by BRSB and the international practices in order to limit the exposure to be suffered by the Group in case of financial counterparty default. This annex describes allocation of limit to financial counterparties and continuous monitoring activities. In this respect, the creditworthiness assessments of the financial and non-financial entities for CCRs especially including sovereign assessments and limits are finally decided by the committees specified under the Policy.

#### b) The method used to allocate the operational limits defined in terms of internal capital for CCR and central counterparty risks:

Internal model method is not used for calculating the capital requirements for counterparty credit risk and central counterparty risks.

#### c) Policies relating to guarantees and other risk mitigation and assessments concerning counterparty credit risk, including central counterparty risk:

All of the Group's counterparty credit risk and central counterparty limits are non-committed limits and they include cash and non-cash limits. In case of any transactions involving non-cash risk exposure, the reassurance of the organizations such as International Development Banks is used. If required, cash collateral is sought in order to minimize the exposure. In case of transactions involving cash risk exposure, the risk exposure is mitigated by obtaining shares and bills (sukuk) as security.

#### d) Rules with respect to wrong-way risk:

Internal model is not used for CCR; and as such, no calculation is made with respect to the wrong-way risk.

#### e) The impact in terms of the amount of collateral that the bank is required to provide in case of a credit rating downgrade:

Currently, the Group does not borrow by providing security for the cash exposure transactions where it is debtor. Therefore, the Group is not subject to such impacts in case of a possible rating downgrade and the Group's contracts do not contain such terms and conditions.

#### f) Counterparty credit risk (CCR) approach analysis

	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1 Standardised Approach CCR (for derivatives)	110,039	124,782	-	1.4	256,075	94,652
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
<b>6 Total</b>						<b>94,652</b>

#### g) Capital requirement for credit valuation adjustment (CVA)

	EAD post-CRM	RWA Total portfolios subject to the Advanced CVA capital obligation
1 (i) VaR component (including the 3x multiplier)	-	-
2 (ii) Stressed VaR component (including the 3x multiplier)	-	-
3 All portfolios subject to the Standardised CVA capital obligation	234,821	21,254
<b>4 Total subject to the CVA capital obligation</b>	<b>234,821</b>	<b>21,254</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### h) CCR exposures by risk class and risk weights

Risk Classes / Risk Weights *	0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1 Receivables from central governments and Central Banks	1,181,398	-	-	-	-	-	-	-	-	1,181,398
2 Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	-	169,004	42,042	-	-	-	-	-	-	211,046
7 Receivables from corporate	-	-	-	-	12,272	-	-	-	-	12,272
8 Retail receivables	-	-	-	-	2,048	-	-	-	-	2,048
9 Receivables secured by residential property	-	-	-	-	-	-	-	-	4,057	4,057
10 Receivables secured by commercial property	-	-	-	4,097	-	1,300	-	-	-	5,397
11 Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12 Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16 Equity share investments	-	-	-	-	-	-	-	-	-	-
17 Other receivables	-	-	-	-	-	-	-	-	-	-
17 Other assets**	-	-	-	-	-	-	-	-	-	-
<b>18 Total</b>	<b>1,181,398</b>	<b>-</b>	<b>169,004</b>	<b>46,139</b>	<b>2,048</b>	<b>13,572</b>	<b>-</b>	<b>-</b>	<b>4,057</b>	<b>1,416,218</b>

\* Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

\*\* Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCRB.

\*\*\* 35% Risk Weight is classified in Other

#### d. Explanations on securitization positions

None.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### e. Qualitative explanations on market risk

#### 1. Bank's processes and strategies:

Procedures for the identification, measurement, monitoring and control of the market risk of the Group, as well as processes for risk protection and strategies/processes for monitoring of the continuity of the hedging effectiveness, as well as the strategic objectives for the bank's trading activities:

Risk management activities are consisting of the measurement, monitoring, control and reporting of the risks, arising from risks incurred on the consolidated and solo basis and transactions carried out with the risk group that the Group is involved in. These activities are carried out by the Bank's Risk Management Department.

The definition of the market risk is made by legislation within the scope of the Pillar 1 risks. The components of the market risk that do not fall within the scope of Pillar 1 risks are assessed internally. This process is carried out by the Risk Management Department with the consultation to other relevant departments.

Measurement of the market risk is carried out by the Risk Management Department. Market risk is measured by the standard method as specified in the third part of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy. The Risk Management Department adopts international standardized methods and advanced statistical methods, which are included in the legislation, in the measurement of risks falling within the scope of the Pillar 2. Developed models as well as the stress tests and scenario analysis are used in the measurement and monitoring of the market risk.

The primary purpose of market risk is for the Group's risk exposure to be within the limits specified by the legislation and to be in accordance with the Group's risk appetite. In this context, market risk is periodically measured, monitored and reported.

Risk limits related to market risk are established in accordance with the Group's Risk Appetite Policy. Aforementioned risk limits are determined by the Board of Directors and reviewed at least once a year. Limit usages are closely monitored.

Risk mitigation techniques have been applied in line with the size and complexity of the undertaking market risk and the controls are implemented in order to ensure their effectiveness.

Treasury Group Department monitors foreign currency positions and cash flows on behalf of the Bank.

Moreover, new products and projects are examined in terms of market risk management and appropriate internal controls are implemented in case of necessity.

The Bank's strategic objectives for trading activities are given below.

- Ensure that the bank's lease certificate portfolio is managed at the optimum level within the risk-return balance limits
- Implement transaction by taking into account the future prospects of market developments/movements and the framework of trading opportunities in the current market prices,
- Invest in Sukuk (lease certificates) as an alternative investment tool to manage the liquidity profitably

#### 2. The organization and structure of the market risk management function:

Definition of the market risk management structure established for the implementation of the Group's strategies and processes and the communication mechanism and relationship between the different parties involved in market risk management, as described in part 1.

The market risk service, operates under the Deputy Head responsible from the Market Risk, Operational Risk and Capital Planning within Risk Management Department. This service directly reports to the Board of Directors through the Internal Systems Committee. The results of risk measurement and risk monitoring are shared with other related units. The activities coordinated within the Internal Capital Adequacy Assessment Process are carried out together with other relevant departments of the Bank.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

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#### 3. Structure and scope of risk reporting and/or measurement systems

Within the scope of risk management system, the Group established a reporting system which ensures effective analysis and evaluation for market risks. The risk measurement and risk monitoring results is reported to the Internal Systems Committee on a timely manner.

There is a risk measurement system which covers the scope and complexity of significant market risk components including transactions and operations exposed to market risk.

The details of the market risk calculated as of 31 December 2016 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

#### 4. Market risk under standardised approach:

		Risk Weighted Amounts	
		Current Period	Prior Period
<b>Outright products</b>		<b>734,695</b>	<b>761,924</b>
1	Profit share risk (general and specific)	398,423	653,973
2	Equity risk (general and specific)	-	425
3	Foreign exchange risk	277,222	55,636
4	Commodity risk	59,050	51,890
<b>Options</b>		-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
<b>8</b>	<b>Securitisation</b>	-	-
<b>9</b>	<b>Total</b>	<b>734,695</b>	<b>761,924</b>

#### f. Explanation on Operational Risk

"Basic Indicator Method" is used in operational risk calculation of the Bank. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Bank for the last 3 years, 2015, 2014 and 2013 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 232,067 corresponding to the 8% of TL 2,900,835 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 232,067 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2013	31/12/2014	31/12/2015	Total/ No. of Years of Positive Gross	Rate (%)	Total
	Amount	Amount	Amount			
Gross Income	1,192,861	1,493,752	1,916,914	1,534,509	15	230,176
Value at Operational Risk (Total*12.5)						2,877,204
Prior Period	31/12/2012	31/12/2013	31/12/2014	Total/ No. of Years of Positive Gross	Rate (%)	Total
	Amount	Amount	Amount			
Gross Income	951,730	1,192,861	1,493,752	1,212,781	15	181,917
Value at Operational Risk (Total*12.5)						2,273,963

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#### g. Profit-share rate risk related to banking book:

##### 1. Economic value differences arising from fluctuations in profit share rates in accordance with the regulation on measurement and evaluation of profit share rates derived from banking accounts with standard shock method

Current Period:

	Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains/Shareholder's equity- Losses/shareholder's equity
1	TRY	(+) 500bp	(390,520)	(6.87)%
2	TRY	(-) 400bp	371,356	6.53%
3	USD	(+) 200bp	304,557	5.36%
4	USD	(-) 200bp	(352,670)	(6.21)%
5	EURO	(+) 200bp	43,591	0.77%
6	EURO	(-) 200bp	(45,914)	(0.81)%
<b>Total (For negative shocks )</b>			<b>(27,228)</b>	<b>(0.49)%</b>
<b>Total (For positive shocks)</b>			<b>(42,372)</b>	<b>(0.74)%</b>

Prior Period:

	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's equity- Losses/shareholder's equity
1	TRY	(+) 500bp	(443,773)	(11.69)%
2	TRY	(-) 400bp	420,405	11.07%
3	USD	(+) 200bp	82,824	2.15%
4	USD	(-) 200bp	(87,057)	(2.26)%
5	EURO	(+) 200bp	33,678	0.89%
6	EURO	(-) 200bp	(36,508)	(0.96)%
<b>Total (For negative shocks )</b>			<b>296,840</b>	<b>7.85%</b>
<b>Total (For positive shocks)</b>			<b>(327,271)</b>	<b>(8.65)%</b>

#### h. Risk management objectives and policies:

In accordance with Group's strategies, risk policies and vision, the analysis that Risk Management Service presents to Internal Systems Committee and Audit Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance to market trends, economic conduct and Bank's strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey are presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analysis contribute to Group Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

In addition, Risk Management Service verifies its own coordination to be ready proactively in business availability of Group and situations connected with it.

Risk Management Service continues risk monitoring and analyzing operations in accordance to Board of Director's Group's mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modeling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being monitored.

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

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable market information for the assets or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that is not based on observable market information.





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Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of 31 December 2016 and 31 December 2015 are given in the table below:

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading	51,669	110,050	-	161,719
Forward transactions	-	22,304	-	22,304
Swap transactions	-	87,746	-	87,746
Government debt securities	46,908	-	-	46,908
Other marketable securities	4,761	-	-	4,761
Available-for-sale financial assets	3,752,727	-	-	3,752,727
Equity securities	53,485	-	-	53,485
Government debt securities	3,322,032	-	-	3,322,032
Other marketable securities	377,210	-	-	377,210
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	119,727	-	119,727
Forward transactions	-	16,753	-	16,753
Swap transactions	-	102,974	-	102,974
<b>Prior Period</b>				
<b>Financial assets</b>				
Financial assets held for trading	44,006	44,608	-	88,614
Forward transactions	-	15,836	-	15,836
Swap transactions	-	28,772	-	28,772
Government debt securities	100	-	-	100
Other marketable securities	43,906	-	-	43,906
Available-for-sale financial assets	2,355,099	-	-	2,355,099
Equity securities	64,815	-	-	64,815
Government debt securities	1,908,176	-	-	1,908,176
Other marketable securities	382,108	-	-	382,108
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	71,523	-	71,523
Forward transactions	-	13,739	-	13,739
Swap transactions	-	57,784	-	57,784

There are no transfers between Level 1 and Level 2 in the current year.

#### X. Explanations on consolidated business segments

The Bank operates in Retail and Enterprise Banking, Commercial Banking, Corporate and International Banking sectors.

Commercial Banking; to meet the financial needs of the customers, unique cash flow and financial solutions are provided to customers through loans, non-cash loans, foreign trade financing services and similar customized products. Domestic and foreign business opportunities are supported by using different corporate banking instruments to serve the sustainability of the production of entities.

Retail and Enterprise Banking; there are main activities: fund collection, commercial installment loan, enterprise loan, non-cash loans, consumer financing and credit cards. The Bank serves in the range of products of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

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In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which exceed certain limits, are classified as "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign banks. Besides supplying syndicated loans and issue the Sukuk for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (Forward, Swap) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in BIST and international markets and conducts Murabaha transactions with foreign banks.

#### Specific balance sheet and income statement items according to segments:

Current Period 1 January - 31 December 2016	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Total operations of the Group
Operating income	1,635,946	2,152,956	177,099	-	3,966,550
Operating expenses	1,272,947	304,290	542,552	1,137,627	3,257,416
Transfers between segments	897,849	(909,841)	11,992	-	-
<b>Net operating income(loss)</b>	<b>1,260,848</b>	<b>938,825</b>	<b>(353,461)</b>	<b>(1,137,627)</b>	<b>709,134</b>
Income from associates	-	-	-	2,423	2,423
<b>Income (loss) before tax</b>	<b>1,260,848</b>	<b>938,825</b>	<b>(353,461)</b>	<b>(1,135,204)</b>	<b>711,557</b>
Provision for taxation	-	-	-	131,932	132,481
<b>Net income for the period</b>	<b>1,260,848</b>	<b>938,825</b>	<b>(353,461)</b>	<b>(1,267,136)</b>	<b>579,076</b>

Current Period 31 December 2016	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Total operations of the Group
Segment assets	10,479,838	19,277,131	17,442,897	-	47,199,866
Associates, subsidiaries and joint Ventures	-	-	-	38,981	38,981
Undistributed assets	-	-	-	1,487,188	1,487,188
<b>Total assets</b>	<b>10,479,838</b>	<b>19,277,131</b>	<b>17,442,897</b>	<b>1,526,169</b>	<b>48,726,035</b>
Segment liabilities	24,678,208	7,332,820	11,491,406	-	43,502,434
Undistributed liabilities	-	-	-	1,219,780	1,219,780
Shareholders' equity	-	-	-	4,003,821	4,003,821
<b>Total liabilities</b>	<b>24,678,208</b>	<b>7,332,820</b>	<b>11,491,406</b>	<b>5,223,601</b>	<b>48,726,035</b>

Current Period 1 January - 31 December 2016	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Total operations of the Group
Operating income	1,313,514	1,741,511	144,222	-	3,199,247
Operating expenses	919,979	317,548	413,083	1,006,778	2,657,388
Transfers between segments	497,042	(623,328)	126,286	-	-
<b>Net operating income(loss)</b>	<b>890,577</b>	<b>800,635</b>	<b>(142,575)</b>	<b>(1,006,778)</b>	<b>541,859</b>
Income from associates	-	-	-	(2,227)	(2,227)
<b>Income (loss) before tax</b>	<b>890,577</b>	<b>800,635</b>	<b>(142,575)</b>	<b>(1,009,005)</b>	<b>539,632</b>
Provision for taxation	-	-	-	113,724	113,724
<b>Net income for the period</b>	<b>890,577</b>	<b>800,635</b>	<b>(142,575)</b>	<b>(1,122,729)</b>	<b>425,908</b>

Current Period 31 December 2016	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Total operations of the Group
Segment assets	9,347,138	17,310,032	14,200,574	-	40,857,744
Associates, subsidiaries and joint Ventures	-	-	-	31,308	31,308
Undistributed assets	-	-	-	1,205,944	1,205,944
<b>Total assets</b>	<b>9,347,138</b>	<b>17,310,032</b>	<b>14,200,574</b>	<b>1,237,252</b>	<b>42,094,996</b>
Segment liabilities	20,903,234	7,227,938	9,363,470	-	37,494,642
Undistributed liabilities	-	-	-	1,152,223	1,152,223
Shareholders' equity	-	-	-	3,448,131	3,448,131
<b>Total liabilities</b>	<b>20,903,234</b>	<b>7,227,938</b>	<b>9,363,470</b>	<b>4,600,354</b>	<b>42,094,996</b>

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## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE

#### I. Explanations and notes related to assets

##### a. Cash and balances with the Central Bank of Republic of Turkey:

###### 1. Cash and balances with the Central Bank of Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	429,341	1,136,330	433,762	1,323,504
The Central Bank of Republic of Turkey	266,286	5,671,920	220,583	5,136,523
Other (*)	-	821,937	8,031	490,211
<b>Total</b>	<b>695,627</b>	<b>7,630,187</b>	<b>662,376</b>	<b>6,950,238</b>

(\*) As of 31 December 2016, precious metal account amounting to TL 802,280 (31 December 2015- TL 471,703) and money in transit are presented in this line amounting to TL 19,657 (31 December 2015 - TL 26,539).

###### 2. Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	259,936	20	215,802	9
Unrestricted time deposit	-	-	-	-
Restricted time deposit	6,350	5,671,900	4,781	5,136,514
<b>Total</b>	<b>266,286</b>	<b>5,671,920</b>	<b>220,583</b>	<b>5,136,523</b>

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).

##### b. Information on financial assets at fair value through profit and loss:

1. As of 31 December 2016, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2015 - None).

###### 2. Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	20,373	1,931	10,574	5,262
Swap transactions	1,844	85,902	1,421	27,351
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>22,217</b>	<b>87,833</b>	<b>11,995</b>	<b>32,613</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

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#### c. Information on Banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	26,887	4,753,493	10,341	3,619,174
Domestic	26,859	3,555,895	10,291	1,765,434
Foreign	28	1,197,598	50	1,853,740
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>26,887</b>	<b>4,753,493</b>	<b>10,341</b>	<b>3,619,174</b>

#### 3. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	689,699	-	1,005,193	-
USA and Canada	393,755	-	647,305	-
OECD Countries (*)	7,893	-	21,339	-
Off-shore Banking Regions	562	-	419	-
Other	105,717	-	179,534	-
<b>Total</b>	<b>1,197,626</b>	<b>-</b>	<b>1,853,790</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada.

#### d. Information on financial assets available-for-sale:

	Current Period	Prior Period
	Debt Securities	3,699,871
Quoted on stock exchange	3,699,871	2,293,359
Not quoted on stock exchange	-	-
Share certificates	101,212	70,463
Quoted on stock exchange	47,013	4,933
Not quoted on stock exchange	54,199	65,530
Impairment provision (-)	(48,356)	(8,723)
<b>Total</b>	<b>3,752,727</b>	<b>2,355,099</b>

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) 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 KATILIM BANKASI A.Ş.	02/05/2013	02/05/2018	74,275	3.96
XS1057852912	USD	6	TÜRKİYE FİNANS KATILIM BANKASI A.Ş.	24/04/2014	24/04/2019	23,748	3.96
XS1120403313	USD	6	DUBAI INTERNATIONAL 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 KATILIM BANKASI A.Ş.	15/07/2016	10/01/2017	437	10.16

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b) In addition; the Bank included rent certificates which are presented below and these amounts are classified under "Government debt securities" at the accompanying financial statements.

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE (%)
XS0831353361	USD	6	Republic of Turkey Treasury	26/9/2012	26/3/2018	305,154	2.8
XS1141043296	USD	6	Republic of Turkey Treasury	25/11/2014	25/11/2024	295,705	4.48
XS0975124180	USD	6	Republic of Turkey Treasury	26/4/2016	10/10/2018	5,504	4.56
XS1303467077	USD	6	Republic of Turkey Treasury	8/6/2016	8/6/2021	466,673	4.26
TRD140721T18	TRY	6	Republic of Turkey Treasury	20/7/2016	14/7/2021	45,183	9.4
TRD150217T18	TRY	6	Republic of Turkey Treasury	18/2/2015	15/2/2017	453,989	7.80
TRD160817T11	TRY	6	Republic of Turkey Treasury	19/8/2015	16/8/2017	317,004	9.96
TRD140218T18	TRY	6	Republic of Turkey Treasury	17/2/2016	14/2/2018	443,857	10.64
TRD220921T16	TRY	6	Republic of Turkey Treasury	28/9/2016	22/9/2021	172,454	2.24
TRD260918T17	TRY	6	Republic of Turkey Treasury	28/9/2016	26/9/2018	99,696	8.8
TRD211118T18	TRY	6	Republic of Turkey Treasury	23/11/2016	21/11/2018	195,000	10.16

#### e. Information on loans:

##### 1. All types of loans and advances given to shareholders and employees of the Bank:

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	998	16,818	1,014	13,543
Corporate shareholders	-	16,656	-	13,543
Real person shareholders	998	162	1,014	-
Indirect loans granted to shareholders	135,364	20,290	126,600	600
Loans granted to employees	14,333	319	11,943	3
<b>Total</b>	<b>150,695</b>	<b>37,427</b>	<b>139,557</b>	<b>14,146</b>

##### 2. Information on first and second category loans and other receivables including restructured or rescheduled loans:

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	Other	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	Other
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>26,363,086</b>	<b>547,437</b>	<b>-</b>	<b>534,761</b>	<b>1,006,339</b>	<b>-</b>
Financing commodity against document	-	-	-	-	-	-
Exports Loan	19,007	-	-	337	-	-
Imports Loans	1,250,992	-	-	10,420	-	-
Enterprise Loans	16,362,809	540,986	-	337,610	909,349	-
Consumer Loans	5,356,966	6,451	-	145,587	31,340	-
Credit Cards	319,971	-	-	8,637	-	-
Precious Metal Loans	104,024	-	-	-	1,736	-
Loans Given to Financial Sector	609,604	-	-	-	-	-
Loans Extended Abroad	249,977	-	-	3,852	63,914	-
Other	2,089,736	-	-	28,318	-	-
<b>Other Receivables</b>	<b>17,916</b>	<b>-</b>	<b>-</b>	<b>3,049</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>26,381,002</b>	<b>547,437</b>	<b>-</b>	<b>537,810</b>	<b>1,006,339</b>	<b>-</b>

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Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract	Other	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract	Other
Cash Loans		Terms			Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>24,278,196</b>	<b>347,322</b>	-	<b>499,331</b>	<b>715,135</b>	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	22,796	-	-	247	-	-
Imports Loans	1,034,926	-	-	1,981	-	-
Enterprise Loans	15,585,317	287,782	-	329,471	705,718	-
Consumer Loans	4,742,925	5,853	-	126,684	7,896	-
Credit Cards	246,452	-	-	5,967	-	-
Precious Metal Loans	149,169	-	-	2,598	-	-
Loans Given to Financial Sector	195,951	-	-	-	-	-
Loans Extended Abroad	291,164	53,687	-	14,339	1,521	-
Other	2,009,496	-	-	18,044	-	-
<b>Other Receivables</b>	<b>19,064</b>	-	-	<b>4,085</b>	-	-
<b>Total</b>	<b>24,297,260</b>	<b>347,322</b>	-	<b>503,416</b>	<b>715,135</b>	-

In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated 1 November 2006 and numbered 26333, information related to the restructuring (after publish date of the aforementioned Communiqué) of the standard loans and loans and other receivables under close monitoring with respect to the payment schedules and terms is as follows (average maturities are taken into the account):

Current Period	Number of Extensions for Repayment Plan	
	Performing Loans and Other Receivables	Performing Loans and Other Receivables
1 or 2 times	547,437	1,006,339
3, 4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>547,437</b>	<b>1,006,339</b>

Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
	0 - 6 months	4,633
6 - 12 months	15,611	107,110
1 - 2 years	153,136	313,943
2 - 5 years	238,648	497,695
5 years and over	135,409	56,112
<b>Total</b>	<b>547,437</b>	<b>1,006,339</b>

Prior Period	Number of Extensions for Repayment Plan	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
1 or 2 times	347,322	715,135
3, 4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>347,322</b>	<b>715,135</b>

Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
	0 - 6 months	3,386
6 - 12 months	17,113	50,730
1 - 2 years	67,989	231,651
2 - 5 years	133,004	415,379
5 years and over	125,830	928
<b>Total</b>	<b>347,322</b>	<b>715,135</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### 3. Breakdown of loans and other receivables according to their maturities:

Current Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>6,725,075</b>	<b>7,459</b>	<b>66,125</b>	<b>40,937</b>
Loans	6,707,159	7,459	63,076	40,937
Other receivables	17,916	-	3,049	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>19,655,927</b>	<b>539,978</b>	<b>471,685</b>	<b>965,402</b>
Loans	19,655,927	539,978	471,685	965,402
Other receivables	-	-	-	-
<b>Total</b>	<b>26,381,002</b>	<b>547,437</b>	<b>537,810</b>	<b>1,006,339</b>

(\*) Loans with have original maturities longer than a year are classified as "Medium and Long Term Loans".

Prior Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>6,533,399</b>	<b>13,522</b>	<b>81,700</b>	<b>25,134</b>
Loans	6,514,335	13,522	77,615	25,134
Other receivables	19,064	-	4,085	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>17,763,861</b>	<b>333,800</b>	<b>421,716</b>	<b>690,001</b>
Loans	17,763,861	333,800	421,716	690,001
Other receivables	-	-	-	-
<b>Total</b>	<b>24,297,260</b>	<b>347,322</b>	<b>503,416</b>	<b>715,135</b>

(\*) Loans with have original maturities longer than a year are classified as "Medium and Long Term Loans".

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### 4. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

Current Period	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>36,077</b>	<b>5,327,039</b>	<b>5,363,116</b>
Housing Loans	8,603	4,832,622	4,841,225
Vehicle Loans	8,669	286,162	294,831
Consumer Loans	16,578	156,424	173,002
Other	2,227	51,831	54,058
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>4,754</b>	<b>4,754</b>
Housing Loans	-	4,754	4,754
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>16</b>	<b>162,231</b>	<b>162,247</b>
Housing Loans	-	96,990	96,990
Vehicle Loans	16	5,298	5,314
Consumer Loans	-	13,065	13,065
Other	-	46,878	46,878
<b>Retail Credit Cards-TL</b>	<b>179,305</b>	<b>79</b>	<b>179,384</b>
With Installment	31,809	79	31,888
Without Installment	147,496	-	147,496
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,064</b>	<b>9,163</b>	<b>10,227</b>
Housing Loans	-	1,396	1,396
Vehicle Loans	302	4,632	4,934
Consumer Loans	760	3,135	3,895
Other	2	-	2
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>7,614</b>	<b>22</b>	<b>7,636</b>
With Installment	2,256	22	2,278
Without Installment	5,358	-	5,358
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>224,076</b>	<b>5,503,288</b>	<b>5,727,364</b>



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>97,352</b>	<b>4,656,748</b>	<b>4,754,100</b>
Housing Loans	2,681	4,371,412	4,374,093
Vehicle Loans	3,997	226,999	230,996
Consumer Loans	89,695	36,603	126,298
Other	979	21,734	22,713
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>8,775</b>	<b>8,775</b>
Housing Loans	-	8,775	8,775
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>193</b>	<b>113,354</b>	<b>113,547</b>
Housing Loans	193	51,882	52,075
Vehicle Loans	-	18	18
Consumer Loans	-	-	-
Other	-	61,454	61,454
<b>Retail Credit Cards-TL</b>	<b>140,945</b>	<b>821</b>	<b>141,766</b>
With Installment	28,719	821	29,540
Without Installment	112,226	-	112,226
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>2,317</b>	<b>4,619</b>	<b>6,936</b>
Housing Loans	3	1,579	1,582
Vehicle Loans	166	2,406	2,572
Consumer Loans	2,126	634	2,760
Other	22	-	22
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>6,693</b>	<b>40</b>	<b>6,733</b>
With Installment	2,045	40	2,085
Without Installment	4,648	-	4,648
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>247,500</b>	<b>4,784,357</b>	<b>5,031,857</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### 5. Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
<b>Commercial Installment Loans-TL</b>	<b>131,542</b>	<b>3,350,939</b>	<b>3,482,481</b>
Business Loans	8,363	805,525	813,888
Vehicle Loans	53,877	899,076	952,953
Consumer Loans	69,302	1,646,104	1,715,406
Other	-	234	234
<b>Commercial Installment Loans-FC Indexed</b>	<b>19,738</b>	<b>1,600,468</b>	<b>1,620,206</b>
Business Loans	518	361,055	361,573
Vehicle Loans	13,966	401,823	415,789
Consumer Loans	5,254	836,926	842,180
Other	-	664	664
<b>Commercial Installment Loans-FC</b>	<b>44,004</b>	<b>279,574</b>	<b>323,578</b>
Business Loans	-	144,340	144,340
Vehicle Loans	-	13,693	13,693
Consumer Loans	44,004	41,386	85,390
Other	-	80,155	80,155
<b>Corporate Credit Cards-TL</b>	<b>141,588</b>	-	<b>141,588</b>
With Installment	20,605	-	20,605
Without Installment	120,983	-	120,983
<b>Corporate Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	-	-	-
<b>Overdraft Account-FC (Legal Entity)</b>	-	-	-
<b>Total</b>	<b>336,872</b>	<b>5,230,981</b>	<b>5,567,853</b>
Prior Period	Short term	Medium and long term	Total
<b>Commercial Installment Loans-TL</b>	<b>101,510</b>	<b>3,178,876</b>	<b>3,280,386</b>
Business Loans	3,143	760,710	763,853
Vehicle Loans	55,812	772,597	828,409
Consumer Loans	42,303	1,633,848	1,676,151
Other	252	11,721	11,973
<b>Commercial Installment Loans-FC Indexed</b>	<b>22,962</b>	<b>1,616,759</b>	<b>1,639,721</b>
Business Loans	1,222	423,948	425,170
Vehicle Loans	4,632	347,961	352,593
Consumer Loans	7,829	765,312	773,141
Other	9,279	79,538	88,817
<b>Commercial Installment Loans-FC</b>	-	<b>148,328</b>	<b>148,328</b>
Business Loans	-	129,225	129,225
Vehicle Loans	-	16,169	16,169
Consumer Loans	-	-	-
Other	-	2,934	2,934
<b>Corporate Credit Cards-TL</b>	<b>103,920</b>	-	<b>103,920</b>
With Installment	14,186	-	14,186
Without Installment	89,734	-	89,734
<b>Corporate Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	-	-	-
<b>Overdraft Account-FC (Legal Entity)</b>	-	-	-
<b>Total</b>	<b>228,392</b>	<b>4,943,963</b>	<b>5,172,355</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### 6. Allocation of loans by customers:

	Current period	Prior period
Public	12,780	22,957
Private	28,459,808	25,840,176
<b>Total</b>	<b>28,472,588</b>	<b>25,863,133</b>

### 7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	28,154,845	25,502,422
Foreign loans	317,743	360,711
<b>Total</b>	<b>28,472,588</b>	<b>25,863,133</b>

### 8. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates (*)	14	10
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>14</b>	<b>10</b>

(\*) The loan amounts stated above, that are granted to the subsidiaries and associates of the Bank are presented in line of "Banks" in the accompanying financial statements

### 9. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	71,172	67,565
Loans and receivables with doubtful collectability	211,227	104,178
Uncollectible loans and receivables	304,120	158,664
<b>Total</b>	<b>586,519</b>	<b>330,407</b>

### 10. Information on non-performing loans (net):

(i). Information on non-performing loans and other receivables restructured or rescheduled:

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period</b>			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	1,961	-	-
Rescheduled loans and other receivables	-	-	-

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

(ii). Information on the movement of total non-performing loans:

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current Period</b>			
<b>Ending balance of prior period 31.12.2015</b>	112,924	160,172	183,219
Additions in the current period (+)	97,221	198,428	184,411
Transfers from other categories of non-performing loans(+)	-	13,383	147,258
Transfers to other categories of non-performing loans (-)	76,844	83,793	4
Collections in the current period (-)	4,865	8,654	23,380
<b>Write offs (-)</b>	-	<b>662</b>	<b>150,200</b>
Corporate and commercial loans	-	570	94,281
Retail loans	-	65	51,537
Credit Cards	-	27	4,382
Other	-	-	-
<b>Ending balance of the current period</b>	<b>128,436</b>	<b>278,874</b>	<b>341,304</b>
Specific provisions (-)	71,172	211,227	304,120
<b>Net balance at the balance sheet</b>	<b>57,264</b>	<b>67,647</b>	<b>37,184</b>

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2015 - None).

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current Period</b>			
Period End Balance	-	-	552
(Specific Provision)	-	-	(796)
<b>Prior Period</b>			
Period End Balance	-	-	13,796
(Specific Provision)	-	-	(12,347)

(iv). Gross and net amounts of non-performing loans with respect to user group

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current period (Net)</b>	<b>57,264</b>	<b>67,647</b>	<b>37,184</b>
Loans granted to real persons and legal entities (Gross)	128,436	278,874	341,304
Specific provision (-)	71,172	211,227	304,120
<b>Loans to real persons and legal entities (Net)</b>	<b>57,264</b>	<b>67,647</b>	<b>37,184</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	<b>45,359</b>	<b>55,994</b>	<b>24,555</b>
Loans to real persons and legal entities (Gross)	112,924	160,172	183,219
Specific provision (-)	67,565	104,178	158,664
<b>Loans to real persons and legal entities (Net)</b>	<b>45,359</b>	<b>55,994</b>	<b>24,555</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

The Bank holds collaterals like mortgage pledge, customer cheques and other collaterals against these financial assets.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

(v). Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:

Current period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	904,414	276,634	177,537	-	1,358,585
Retail loans	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>232,357</b>	<b>-</b>	<b>1,544,149</b>
Prior Period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	695,566	204,218	178,290	-	1,078,074
Retail loans	26,109	69,528	38,873	-	134,510
Credit cards	4,337	1,154	476	-	5,967
<b>Total</b>	<b>726,012</b>	<b>274,900</b>	<b>217,639</b>	<b>-</b>	<b>1,218,551</b>

### 11. Main guidelines for liquidation process of uncollectible loans and other receivables:

Loans and other receivables, which were deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. Within 2016, non-performing loans amounting to TL 150,682 have been written-off (31 December 2015 - TL 333,185).

### 12. Information on the write-off policy:

The Group's write-off policy is to write-off the loan receivables that have been already transferred to legal follow-up and fully provided for and for which there is no possibility of collection through legal process and for which there is no collateral. Such loans are written off as per the decision of top management.

### f. Information on held-to-maturity investments (Net):

None (31 December 2015 - None).

### g. Information on investment in associates (Net):

1. The 1.69% ownership of Kredi Garanti Fonu A.Ş. of TL 4,719 (31 December 2015 - TL 4,210), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2015 - TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 5,201 (31 December 2015 - TL 4,956), TL 390 amount of swift shares (31 December 2015 - TL 390) and 0.0035% ownership of share of TL 15 (31 December 2015 - TL 15) that is traded in Borsa İstanbul A.Ş. and VISA Inc.share of TL 6,660 (31 December 2015 - TL 0) are classified as financial assets available for sale since the Bank's ownership in these institutions is less than 10% and the Parent Bank does not have a significant influence on these institutions.

2. Information about investments in unconsolidated associates: None (31 December 2015 - None).

3. Information related to consolidated associates: None (31 December 2015 - None).

### h. Information on investment in associates (Net):

1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, these subsidiaries do not conform to the definition of financial subsidiary in accordance with "Regulation related to the Preparation of Consolidated Financial Statements by Banks" published in the Official Gazette No. 26340 dated 8 November 2006; hence these subsidiaries which are "Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. ve Tic. A.Ş. ve Architech Bilşim Sistemleri ve Pazarlama Tic A.Ş." have not been consolidated. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until 31 December 2004.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### 2. Information on subsidiaries:

Title	Address (City/Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Kuwait Turkish Participation Bank Dubai Ltd. (*)	Dubai/United Arab Emirates	100%	100%
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	Istanbul/Turkey	99.99%	99.99%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	75.00%	97.61%
KT Sukuk Varlık Kiralama A.Ş. (**)	Istanbul/Turkey	100%	100%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	100%	100%
KT Bank AG (*)	Frankfurt/Germany	100%	100%
KT Portföy Yönetimi A.Ş. (***)	Istanbul/Turkey	100%	100%
Architech Bilgi Sistemleri ve Pazarlama Tic A.Ş. (***)	Istanbul/Turkey	100%	100%
KT Sukuk Company Limited (***)	George Town/ Cayman Islands	-	-

Information on subsidiaries in the order presented in the above table:

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
210,614	175,960	-	32,165	-	6,448	(296)	-
29,345	29,282	-	-	-	6,946	633	-
120,883	79,585	-	-	-	30,935	(439)	-
160	154	-	-	-	11	35	-
4,763,885	94	-	-	-	5	44	-
400,190	222,594	-	-	-	(41,161)	(36,770)	-
2,710	5,000	-	-	-	(1,587)	(1)	-
3,202	2,671	-	-	-	1,674	-	-
1,268	-	-	-	-	-	-	-

(\*) As of 31 December 2016, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(\*\*) These figures are shown per Turkish Trade Law financial statements as at 31 December 2016.

(\*\*\*) KT Sukuk Company Limited is established in Cayman on July 31, 2015, for the need of a second subordinated loan for the Bank. According to relevant article of IFRS 10, it is described as a subsidiary.

#### Movement for subsidiaries

	Current period	Prior period
<b>Balance at the beginning of the year</b>	<b>22,930</b>	<b>22,680</b>
Movements during the year	-	-
Purchases (*)	750	250
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
(Impairment)/reversal of impairment	-	-
Capital commitment payments	-	-
<b>Balance at the end of the year</b>	<b>23,680</b>	<b>22,930</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(\*) Purchase is the capital payments to Architech Bilgi Sistemleri amounting to TL 750.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### 3. Information on capital adequacies of major subsidiaries:

Title	Address (City/Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Kuveyt Türk Katılım Bankası Dubai LTD (*)	Dubai/United Arab Emirates	%100.00	%100.00
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	%100.00	%100.00
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	%100.00	%100.00
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	%75.00	%97.61
KT Bank AG (*)	Frankfurt/Germany	%100.00	%100.00
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	%100.00	%100.00
KT Sukuk Company Limited (**)	GeorgeTown/ Cayman Islands	-	-

(\*) Financial figures as of 31 December 2016 for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(\*\*) The special purpose entity, Kuveyt Turk Sukuk is not a subsidiary of the Parent Bank. Since the Bank has 100% control power on the subsidiary it is included in the scope of consolidation.

### Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	270,560	221,109
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	50,273	50,273

Subsidiaries that are quoted on the stock exchange: None.(31 December 2015- None).

### 4. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

### 5. Accounting methods and reasons of unconsolidated subsidiaries:

Subsidiaries which are not subject to consolidation are accounted at cost.

### i. Information on joint ventures (business partnerships) (Net):

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş.(*)(**)	%50	687,002	28,219	1,582	4,846	(4,454)

(\*) As of 31 December 2016, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations.

(\*\*) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish a Pension Company. Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş. and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### j. Information on finance lease receivables (Net):

1. Presentation of remaining maturities of net finance leases:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	1,119,851	958,746	1,008,185	850,194
1 to 4 years	493,529	461,817	305,026	285,153
More than 4 years	131,810	123,980	49,789	47,513
<b>Total</b>	<b>1,745,190</b>	<b>1,544,543</b>	<b>1,363,000</b>	<b>1,182,860</b>

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	1,745,189	1,363,000
Unearned finance lease income (-)	(200,647)	(180,140)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>1,544,543</b>	<b>1,182,860</b>

3. Information on finance lease contracts:

The Bank determines the installments of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be modified with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 13,086 are included in the non-performing loans in the balance sheet (31 December 2015- TL 3,506).

Impairment provision amounting to TL 12,126 (31 December 2015- TL 2,941) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

**k. Information on derivative financial assets for hedging purposes:** None (31 December 2015 - None).



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### I. Explanations on Tangible Assets (Net)

	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets <sup>(*)</sup>	Total
<b>At End of Prior Period: 31 December 2015</b>					
Cost	168,989	79,667	1,123	421,114	670,893
Accumulated Depreciation (-)	12,060	17,615	907	178,669	209,251
Net Book Value	156,929	62,052	216	242,445	461,642
<b>At End of Current Period: 31 December 2016</b>					
Net book value at beginning of period	156,929	62,052	216	242,445	461,642
Additions	2,110	365	50	44,353	46,878
Disposals (-)	7,471	-	-	3,036	10,507
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment/Reversal of Impairment Losses (**)	-	-	-	-	-
Depreciation Expense (-)	7,499	739	37	44,566	52,841
Cost at period end	163,628	80,032	1,173	462,431	707,264
Accumulated depreciation end of period (-)	19,559	18,354	944	223,235	262,092
<b>Closing net book value</b>	<b>144,069</b>	<b>61,678</b>	<b>229</b>	<b>239,196</b>	<b>445,172</b>
<b>At End of Prior Period: 31 December 2014</b>					
Cost	165,057	78,447	1,075	322,693	567,272
Accumulated Depreciation (-)	7,031	14,133	870	143,518	165,552
Net Book Value	158,026	64,314	205	179,175	401,720
<b>At End of Current Period: 31 December 2015</b>					
Net book value at beginning of period	158,026	64,314	205	179,175	401,720
Additions	11,745	1,220	48	90,323	103,336
Disposals (-)	7,813	-	-	4,288	12,101
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	12,386	12,386
Impairment/Reversal of Impairment Losses (**)	-	-	-	-	-
Depreciation Expense (-)	5,029	3,482	37	35,151	43,699
Cost at period end	168,989	79,667	1,123	421,114	670,893
Accumulated depreciation end of period (-)	12,060	17,615	907	178,669	209,251
<b>Closing net book value</b>	<b>156,929</b>	<b>62,052</b>	<b>216</b>	<b>242,445</b>	<b>461,642</b>

(\*) TL 30,128 (31 December 2015-TL 36,872) includes the amount of real estates to be disposed off.

#### m. Explanations on Intangible Assets:

1. Cost and accumulated amortization balances at beginning and end of period:

	Current Period	Prior Period
Cost	237,034	193,432
Accumulated Amortization	(96,568)	(74,092)
<b>Total (net)</b>	<b>140,466</b>	<b>119,340</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### 2. Movements of intangible assets

	Current Period	Prior Period
Opening balance	119,340	70,280
Additions	56,425	86,933
Disposals (-), net	8,414	8,153
Depreciation amount (-)	26,885	29,720
<b>Closing net book value</b>	<b>140,466</b>	<b>119,340</b>

Intangible assets include computer software and program licenses which are taken for banking systems.

#### n. Investment property:

None. (31 December 2015 - None)

#### o. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 31 December 2016 is TL 130,520 (31 December 2015 - TL 117,108) and deferred tax liability is TL 12,409 (31 December 2015 - TL 9,958).

	Current period	Prior period
Reserve for employee benefits	14,755	11,646
Retirement pay liability	11,092	9,642
Deferred income	29,683	27,131
Rediscounts for derivative instruments held for trading	27,731	21,827
Impairment provision for subsidiaries, fixed assets and assets held for sale	36,425	26,223
Precious metals valuation difference	-	14,440
Other	10,834	6,199
<b>Deferred tax asset</b>	<b>130,520</b>	<b>117,108</b>
Difference between carrying value and tax base of tangible assets	(7,754)	(6,852)
Valuation difference on available for sale financial asset	(220)	(482)
Valuation difference on precious metal	(3,131)	-
Other	(1,304)	(2,624)
<b>Deferred tax liability</b>	<b>(12,409)</b>	<b>(9,958)</b>
<b>Deferred tax asset, (net)</b>	<b>118,111</b>	<b>107,150</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Table for deferred tax asset movement:

	Current period	Prior period
As of January 1	107,150	50,016
Deferred tax (expense) /income	(7,517)	45,687
Deferred tax accounted under shareholders' equity	18,478	11,447
<b>Deferred tax asset</b>	<b>118,111</b>	<b>107,150</b>

#### p. Assets held for sale and assets of discontinued operations

Tangible assets which are obtained through receivables of the Bank and which the Bank plans to sell within one year and that have been announced in the web site are valued with the lower of the cost less accumulated net book value and fair value as is required by the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Asset Held For Sale" published on 1 November 2006 in the Official Gazette No. 26333 in the unconsolidated financial statements.

	Current Period	Prior Period
Opening balance	32,640	31,316
Additions	15,335	13,956
Transfer from tangible assets	-	-
Disposals (-), net	-	246
Transfer to tangible assets	-	12,386
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	-
<b>Closing net book value</b>	<b>47,975</b>	<b>32,640</b>

#### r. Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 735,464 (31 Aralık 2015 - TL 485,172). Other assets balance does not exceed 2% of the total assets on the balance sheet excluding off balance sheet commitments.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### II. Explanations and notes related to liabilities

##### a. Information on funds collected:

##### 1. Information on maturity structure of funds collected:

##### i. Current period:

	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>3,573,258</b>	-	-	-	-	-	-	-	<b>3,573,258</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>3,455,975</b>	<b>6,185,646</b>	<b>481,322</b>	-	<b>227,354</b>	<b>160,993</b>	-	<b>10,511,290</b>
<b>III. Other current accounts-TL</b>	<b>2,350,257</b>	-	-	-	-	-	-	-	<b>2,350,257</b>
Public sector	57,536	-	-	-	-	-	-	-	57,536
Commercial sector	2,260,763	-	-	-	-	-	-	-	2,260,763
Other institutions	27,325	-	-	-	-	-	-	-	27,325
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	4,633	-	-	-	-	-	-	-	4,633
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	741	-	-	-	-	-	-	-	741
Foreign banks	3,090	-	-	-	-	-	-	-	3,090
Participation banks	802	-	-	-	-	-	-	-	802
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>349,795</b>	<b>821,092</b>	<b>44,001</b>	-	<b>132,379</b>	<b>135,889</b>	-	<b>1,483,156</b>
Public sector	-	301	33,481	-	-	40	-	-	33,822
Commercial sector	-	321,734	738,429	32,343	-	126,604	135,150	-	1,354,260
Other institutions	-	27,021	48,987	11,658	-	5,725	401	-	93,792
Commercial and other institutions	-	739	182	-	-	10	-	-	931
Banks and participation banks	-	-	13	-	-	-	338	-	351
<b>V. Real persons current accounts-FC</b>	<b>3,090,964</b>	-	-	-	-	-	-	-	<b>3,090,964</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>1,625,988</b>	<b>2,820,800</b>	<b>651,610</b>	-	<b>454,239</b>	<b>164,990</b>	-	<b>5,717,627</b>
<b>VII. Other current accounts-FC</b>	<b>1,718,839</b>	-	-	-	-	-	-	-	<b>1,718,839</b>
Commercial residents in Turkey	1,341,943	-	-	-	-	-	-	-	1,341,943
Commercial residents in Abroad	277,192	-	-	-	-	-	-	-	277,192
Banks and participation banks	99,704	-	-	-	-	-	-	-	99,704
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	7,665	-	-	-	-	-	-	-	7,665
Foreign banks	89,721	-	-	-	-	-	-	-	89,721
Participation banks	2,318	-	-	-	-	-	-	-	2,318
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>378,656</b>	<b>649,008</b>	<b>93,215</b>	-	<b>63,706</b>	<b>40,797</b>	-	<b>1,225,382</b>
Public sector	-	-	80	-	-	-	-	-	80
Commercial sector	-	286,537	559,916	80,034	-	57,366	29,608	-	1,013,461
Other institutions	-	59,622	37,781	28	-	741	-	-	98,172
Commercial and other institutions	-	28,971	47,051	13,153	-	5,599	11,103	-	105,877
Banks and participation banks	-	3,526	4,180	-	-	-	86	-	7,792
<b>IX. Precious metal funds</b>	<b>1,299,314</b>	-	<b>930,175</b>	<b>73,925</b>	-	<b>36,607</b>	-	-	<b>2,340,021</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	<b>2,184</b>	-	<b>2,184</b>
Residents in Turkey	-	-	-	-	-	-	2,184	-	2,184
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12,032,632</b>	<b>5,810,414</b>	<b>11,406,721</b>	<b>1,344,073</b>	-	<b>914,285</b>	<b>504,853</b>	-	<b>32,012,978</b>

There are no 7 day notification and accumulative deposit accounts of the Bank.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

ii. Prior period:

	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>2,647,535</b>	-	-	-	-	-	-	-	<b>2,647,535</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>2,725,707</b>	<b>4,697,143</b>	<b>545,322</b>	-	<b>212,632</b>	<b>218,604</b>	-	<b>8,399,408</b>
<b>III. Other current accounts-TL</b>	<b>1,914,837</b>	-	-	-	-	-	-	-	<b>1,914,837</b>
Public sector	66,484	-	-	-	-	-	-	-	66,484
Commercial sector	1,814,603	-	-	-	-	-	-	-	1,814,603
Other institutions	24,319	-	-	-	-	-	-	-	24,319
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	9,431	-	-	-	-	-	-	-	9,431
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,202	-	-	-	-	-	-	-	1,202
Foreign banks	4,831	-	-	-	-	-	-	-	4,831
Participation banks	398	-	-	-	-	-	-	-	398
Others	3,000	-	-	-	-	-	-	-	3,000
<b>IV. Profit sharing accounts-TL</b>	-	<b>285,158</b>	<b>1,016,935</b>	<b>50,342</b>	-	<b>107,013</b>	<b>78,509</b>	-	<b>1,537,957</b>
Public sector	-	43	22,580	5,000	-	19	-	-	27,642
Commercial sector	-	261,501	941,747	38,593	-	103,772	78,126	-	1,423,739
Other institutions	-	23,614	50,911	6,749	-	3,222	383	-	84,879
Commercial and other institutions	-	-	1,685	-	-	-	-	-	1,685
Banks and participation banks	-	-	12	-	-	-	-	-	12
<b>V. Real persons current accounts-FC</b>	<b>2,802,853</b>	-	-	-	-	-	-	-	<b>2,802,853</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>1,647,358</b>	<b>3,055,045</b>	<b>607,343</b>	-	<b>393,923</b>	<b>169,584</b>	-	<b>5,873,253</b>
<b>VII. Other current accounts-FC</b>	<b>1,337,905</b>	-	-	-	-	-	-	-	<b>1,337,905</b>
Commercial residents in Turkey	1,169,549	-	-	-	-	-	-	-	1,169,549
Commercial residents in Abroad	141,076	-	-	-	-	-	-	-	141,076
Banks and participation banks	27,280	-	-	-	-	-	-	-	27,280
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4,215	-	-	-	-	-	-	-	4,215
Foreign banks	21,767	-	-	-	-	-	-	-	21,767
Participation banks	1,298	-	-	-	-	-	-	-	1,298
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>312,332</b>	<b>1,514,105</b>	<b>67,155</b>	-	<b>69,741</b>	<b>294,886</b>	-	<b>2,258,219</b>
Public sector	-	-	15	-	-	-	-	-	15
Commercial sector	-	213,720	1,414,812	47,301	-	52,321	254,832	-	1,982,986
Other institutions	-	72,423	56,230	348	-	353	-	-	129,354
Commercial and other institutions	-	26,189	39,467	19,506	-	17,006	-	-	102,168
Banks and participation banks	-	-	3,581	-	-	61	40,054	-	43,696
<b>IX. Precious metal funds</b>	<b>585,999</b>	-	<b>679,839</b>	<b>47,987</b>	-	<b>32,316</b>	-	-	<b>1,346,141</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	<b>7,192</b>	-	<b>7,192</b>
Residents in Turkey	-	-	-	-	-	-	7,192	-	7,192
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,289,129</b>	<b>4,970,555</b>	<b>10,963,067</b>	<b>1,318,149</b>	-	<b>815,625</b>	<b>768,775</b>	-	<b>28,125,300</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### 2. Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund:

i. Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	8,985,542	7,234,693	5,052,687	3,775,703
FC accounts	4,058,175	4,001,565	6,504,045	5,831,455
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411.

i. If the headquarters of the Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Bank is in Turkey.

iii. Current and Profit Share Accounts of the real persons who are not in the scope of Saving Deposits Insurance Fund:

The Bank has no current or profit sharing accounts which are not under the guarantee of the Saving Deposit Insurance Fund except for the current and profit sharing accounts of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first degree relatives.

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	3,046	2,887
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities	355	291

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### b. Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	15,459	1,294	9,669	4,070
Swap transactions	25,121	77,853	293	57,491
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>40,580</b>	<b>79,147</b>	<b>9,962</b>	<b>61,561</b>

### c. Information on funds borrowed:

#### 1. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	73	281,737	10,490	155,108
From Foreign Banks, Institutions and Funds	59,007	2,933,925	55,208	4,040,837
<b>Total</b>	<b>59,080</b>	<b>3,215,662</b>	<b>65,698</b>	<b>4,195,945</b>

#### 2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	48,852	3,059,071	65,698	4,059,263
Medium and Long-Term	10,228	156,591	-	136,682
<b>Total</b>	<b>59,080</b>	<b>3,215,662</b>	<b>65,698</b>	<b>4,195,945</b>

Details of significant transactions that are accounted under Funds Borrowed are stated in table below.

#### Current Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	27/10/2016	27/01/2017	USD	2.20%	100,000,000	562,222
Wakala	KFH - KUWAIT	04/11/2016	06/02/2017	USD	2.20%	100,000,000	574,444
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	27/05/2016	02/06/2017	USD	1.90%	120,000,000	2,349,667
Wakala	KFH - KUWAIT	21/06/2016	27/06/2017	USD	2.05%	100,000,000	2,112,639
Wakala	KFH - KUWAIT	31/10/2016	07/11/2017	USD	2.15%	101,666,667	2,258,694

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### Prior Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
Sydication	EMIRATES NBD BANK PJSC (HEAD OFFICE) - DUBAI	29/12/2014	29/12/2016	EUR	1.08%	30,000,000	657,291
Sydication	EMIRATES NBD BANK PJSC (HEAD OFFICE) - DUBAI	29/12/2014	29/12/2016	USD	1.25%	300,000,000	7,642,605

#### 3. Explanations related to the concentrations of the Bank's major liabilities:

All of the borrowings consist of foreign currency loans and majorly they are formed by the transactions with the off-shore financial institutions.

There is no risk concentration of the Bank's current and profit sharing accounts

#### d. Information on issued securities

The Group issued sukuks as below. The yield rates for issued securities are 9% for Turkish Lira and 5% for USD on average and for 6% Malasian Ringgit . The maturity range of issued securities in TRY is January 2017 - April 2018 and securities (sukuk) in USD is June 2019-November 2021 and securities (sukuk) in Malasian Ringgit is March 2020-July 2020.

Current Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
<b>Nominal</b>	561,657	10,000	-	4,147,352
<b>Distributed Yields</b>	15,203	-	-	818,891
<b>Book Value</b>	570,343	10,228	-	4,174,842
Prior Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
<b>Nominal</b>	589,224	-	-	3,013,900
<b>Distributed Yields</b>	26,296	-	-	468,721
<b>Book Value</b>	602,602	-	-	3,033,517

#### e. Information on other liabilities and miscellaneous payables:

As of 31 December 2016, other liabilities amounting TL 439,785 (31 Aralık 2015 - TL 456,852), sundry creditors amounting to TL 169,149 (31 Aralık 2015 - TL 126,289), both of them do not exceed 10% of the balance sheet total.

#### f. Information on finance lease payables (net):

The Bank bought some of the information technology equipment through financial lease and the liabilities originated from the agreements are paid in monthly installments to the leasing firms. These agreements do not raise any further liabilities other than already committed payments by the Bank.

As of 31 December 2016, finance lease payables details of the transaction of issuing certificate of rent (sukuk) is explained under section three and disclosure XVIII, with the permission of BRSA's decision numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and as of 13 March 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2015 - None).

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	265	226	145	131
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>265</b>	<b>226</b>	<b>145</b>	<b>131</b>

iii. Information on Operational Leases:

The leasing transactions, in which all risks and benefits of the leased asset are held by the lessor, are classified as operational leases. Such transactions consist of rent contracts of branches which may be cancelled by declaration.

There are no significant commitments regarding the changes at the operational lease agreements.

The payments related with operational leases are recognized as expense in the income statement during the period of the agreement in equal installments.

iv. Information on sale and leaseback transactions:

The transaction of issuing certificate of rent (sukuk) is explained under section three and disclosure XVIII, with the permission of the decision of BRSA numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated as 13 March 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.

### g. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	137,829	-	98,650
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>137,829</b>	<b>-</b>	<b>98,650</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### h. Information on provisions:

##### 1. Information on general provisions:

	Current period	Prior Period
<b>General Provisions</b>	<b>318,825</b>	<b>334,118</b>
<b>I.For Loans and Receivables in Group I (Total)</b>	<b>238,477</b>	<b>242,204</b>
Profit Sharing Accounts' Share	85,063	70,988
The Bank's Share	153,414	158,152
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	-	13,064
Profit Sharing Accounts' Share	-	3,482
The Bank's Share	-	9,582
Other	-	-
<b>II.Loans and Receivables in Group II (Total)</b>	<b>31,063</b>	<b>45,256</b>
Profit Sharing Accounts' Share	13,639	584
The Bank's Share	17,424	10,692
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	-	33,980
Profit Sharing Accounts' Share	-	17,298
The Bank's Share	-	16,682
Other	-	-
<b>Provisions for Non Cash Loans</b>	<b>21,629</b>	<b>19,363</b>
<b>Other</b>	<b>27,656</b>	<b>27,295</b>

According to the provisional article 11 added on 14 December 2016 to "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" that is published in Official Gazette numbered 26333 on 1 November 2006; it has been stated that the banks can apply the rates disclosed in paragraph 1, article 7 of the related regulation for general provisions as minimum five over thousand percent (0.5%) for commercial cash loans in Group I; minimum one over thousand percent (0.1%) for commercial non-cash loans in Group I; zero percent (0 %) for the small and medium-sized enterprise cash and non-cash loans in Group I, cash and non-cash loans used for the purpose of transit trade, exports, sales and deliveries considered as exports and foreign exchange earning services and activities, and the syndication loans used for the financing of large-scale public tenders; minimum one percent (1 %) for the small and medium-sized enterprise cash loans in Group II, cash loans used for the purpose of transit trade, exports, sales and deliveries considered as exports and foreign exchange earning services and activities; two over thousand percent (0.2%) for the non-cash loans with the same nature in Group II. These exceptional clauses were partially applied in the current period financial statements.

**2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans:** As of 31 December 2016, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 651 (31 Aralık 2015 - TL 28,352) and TL 5,953 (31 Aralık 2015 - TL 37,431) is offset against loans and receivables.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### 3. Information on other provisions:

	Current Period	Prior Period
Provisions for non- liquidated non cash loans <sup>(*)</sup>	74,736	66,746
Provisions for cheque books <sup>(*)</sup>	4,633	8,768
Provisions from equity/profit sharing accounts	14,668	7,564
Provisions for Promotion Activities for Credit Cards	818	551
Other <sup>(**)</sup>	40,086	7,988
<b>Total</b>	<b>134,941</b>	<b>91,617</b>

<sup>(\*)</sup> Effective from 1 March 2011, according to temporary article 2 of "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", the Bank recognizes provisions for non- liquidated non-cash loans and check books of customers who have any other non-performing exposures within the Bank.

<sup>(\*\*)</sup> Other item includes TL 4,050 litigation provision in current period ( 31 December 2015 - TL 4,450). In addition to this, TL 14,550 includes provision amount which is related to a penalty from Ministry of Customs and Trade (31 December 2015 - TL 0) and TL 18,550 includes the repayment amount foreseen for delay in penalties (31 December 2015 - TL 0).

#### 4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to, TL 55,465 (31 Aralık 2015 - TL 48,639), vacation pay liability amounting to TL 792 (31 Aralık 2015 - TL 355), performance premium amounting TL 55,927 (31 Aralık 2015 - TL 49,677), retirement bonuses on payment of TL 10,340 (31 December 2015 - TL 3,360) and committee fee amounting to 6,714 TL (31 December 2015 - TL 4,840).

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire.

The amount payable consists of one month's salary limited to a maximum of TL 4,297 (31 Aralık 2015 - TL 4,093) for each year of service. The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current period	Prior period
Discount Rate (%)	11.46	10.83
Inflation rate (%)	7.78	7.40
Interest rate (%)	8.78	8.40

Movements in the reserve for employment termination benefits during period are as follows:

	Current period	Prior period
Balance at the beginning of the period	48,639	42,212
Provisions provided during the period	16,159	13,198
Paid during the period	(7,880)	(3,620)
Actuarial loss	(1,454)	(3,151)
<b>Balances at the end of the period</b>	<b>55,464</b>	<b>48,639</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### i. Explanations on tax liability:

##### 1. Explanations on current tax liability:

i. Information on tax provisions: As of 31 December 2016, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 27,842.

	Current period	Prior period
Provision for corporate income tax <sup>(*)</sup>	124,960	159,534
Prepaid taxes	(96,988)	(123,057)
<b>Total <sup>(*)</sup></b>	<b>27,842</b>	<b>36,477</b>

<sup>(\*)</sup> It is presented in the current tax liability line, under liabilities.

##### ii. Information on taxes payable <sup>(\*)</sup>:

	Current period	Prior period
Taxation of marketable securities	14,130	10,502
Taxation of immovable property	1,111	997
Banking Insurance Transaction Tax (BITT)	17,170	13,200
Value added tax payable	1,324	1,020
Income tax deducted from wages	7,331	6,488
Other	1,065	1,001
<b>Total</b>	<b>42,131</b>	<b>33,208</b>

<sup>(\*)</sup> Included in sundry creditors line item on the balance sheet.

##### iii. Information on premiums <sup>(\*)</sup>:

	Current period	Prior period
Social Security Premiums-Employee	4,287	3,636
Social Security Premiums-Employer	4,622	3,913
Unemployment insurance-Employee	307	260
Unemployment insurance-Employer	698	573
<b>Total</b>	<b>9,914</b>	<b>8,382</b>

<sup>(\*)</sup> Included in sundry creditors line item on the balance sheet.

iv. Information on deferred tax liability: None (31 December 2015 - None).

j. Information on payables related to assets held for sale: None (31 December 2015 - None).

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### k. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,981,646	-	589,734
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,981,646</b>	<b>-</b>	<b>589,734</b>

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.

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.

### l. Information on shareholders' equity:

#### 1. Presentation of paid-in capital:

	Current period	Prior period
Common shares	2,790,000	2,530,000
Preference shares	-	-
Repurchased shares amount <sup>(*)</sup>	(2,678)	(2,678)
<b>Total</b>	<b>2,787,322</b>	<b>2,527,322</b>

<sup>(\*)</sup> It represents the Bank's acquisition of its own shares as a result of the other shareholders not using their right of preference according to the commitment made in the capital increase in the Bank

**2. Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital:** Registered capital system is not applied in the bank.

**3. Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period:**

Date for Increase	Increased Amount	Internal Sources	Retained Earnings for Increased
5 April 2016	260,000	260,000	-

**4. Information on share capital increases from capital reserves during the current period:** None. (31 December 2015 - None)



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### 5. Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the Group's prior and current period indicators related to net profit share and commission income, it is observed that the Bank continues its operations profitably.

#### 6. Summary of privileges given to shares representing the capital: None.

#### 7. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	(4,933)	(30,347)	9,225	(3,831)
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(4,933)</b>	<b>(30,347)</b>	<b>9,225</b>	<b>(3,831)</b>

(\*) Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under available for sale in the balance sheet.

#### m. Information on minority shares: TL 19,993 (31 December 2015- TL 12,258).

### III. Explanations and notes related to off-balance sheet commitments

#### a. Explanations on off-balance sheet accounts:

**1. Type and amount of irrevocable commitments:** Commitment for credit card limits, as of 31 December 2016 is TL 904,427 (31 December 2015 - TL 739,721); payment commitments for cheque books are TL 1,178,750 (31 December 2015 - TL 1,018,655)

#### 2. Type and amount of probable losses and obligations arising from off-balance sheet items:

i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 31 December 2016, the Group has guarantees and suretyships constituting TL 8,116,025 (31 December 2015 - TL 7,340,216) letters of guarantee; TL 52,044 (31 December 2015 - TL 84,108) acceptances and TL 1,019,786 (31 December 2015 - TL 1,029,264) letters of credit. In addition, the Bank has also Other Guarantees and Securities amounting to TL 701,362 (31 December 2015 - TL 503,290)

ii. Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i).

#### 3. (i). Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	9,889,217	8,956,878
<b>Total</b>	<b>9,889,217</b>	<b>8,956,878</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### (ii). Sectorial risk concentration of non-cash loans

	Current period				Prior period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
<b>Agriculture</b>	<b>39,728</b>	<b>0.76</b>	<b>10,773</b>	<b>0.23</b>	<b>29,503</b>	<b>0.63</b>	<b>30,804</b>	<b>0.71</b>
Farming and Stockbreeding	17,721	0.34	7,487	0.16	12,707	0.27	11,025	0.26
Forestry	21,925	0.42	3,286	0.07	16,714	0.36	19,497	0.45
Fishery	82	0.00	-	-	82	0.00	282	0.01
<b>Manufacturing</b>	<b>753,859</b>	<b>14.56</b>	<b>927,124</b>	<b>19.68</b>	<b>750,567</b>	<b>16.19</b>	<b>893,190</b>	<b>20.68</b>
Mining and quarrying	213,839	4.13	294,194	6.24	179,242	3.87	279,187	6.46
Production	335,303	6.48	357,625	7.59	346,077	7.46	333,253	7.72
Electricity, Gas, Water	204,717	3.95	275,305	5.84	225,248	4.86	280,750	6.50
<b>Construction</b>	<b>2,277,316</b>	<b>43.99</b>	<b>1,171,081</b>	<b>24.85</b>	<b>2,031,713</b>	<b>43.81</b>	<b>1,174,744</b>	<b>27.20</b>
<b>Services</b>	<b>1,426,827</b>	<b>27.56</b>	<b>1,656,399</b>	<b>35.15</b>	<b>1,265,473</b>	<b>27.29</b>	<b>1,435,932</b>	<b>33.24</b>
Wholesale and Retail Trade	599,580	11.58	449,934	9.55	509,495	10.99	406,579	9.41
Hotel, Food and Beverage Services	70,677	1.37	31,106	0.66	54,590	1.18	32,191	0.75
Transportation and Telecom.	389,561	7.52	700,476	14.87	365,675	7.89	597,765	13.84
Financial Institutions	23,491	0.45	398,649	8.46	6,461	0.14	321,613	7.45
Real Estate and Renting Services	18,035	0.35	1,874	0.04	14,230	0.31	5,094	0.12
"Self-Employment" Type Services	70	0.00	-	-	130	0.00	-	-
Educational Services	41,418	0.80	1,994	0.04	27,509	0.59	3,882	0.09
Health and Social Services	283,995	5.49	72,366	1.54	287,383	6.20	68,808	1.59
<b>Other</b>	<b>679,452</b>	<b>13.12</b>	<b>946,658</b>	<b>20.09</b>	<b>560,138</b>	<b>12.08</b>	<b>784,814</b>	<b>18.17</b>
<b>Total</b>	<b>5,177,182</b>	<b>100.00</b>	<b>4,712,035</b>	<b>100.00</b>	<b>4,637,394</b>	<b>100.00</b>	<b>4,319,484</b>	<b>100.00</b>

#### (iii). Non-cash loans classified under Group I and II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>5,122,017</b>	<b>4,688,003</b>	<b>55,165</b>	<b>24,032</b>
Letters of Guarantee	4,971,330	3,070,172	55,165	19,358
Bills of Exchange and Bank Acceptances	2,071	49,973	-	-
Letters of Credit	188	1,014,924	-	4,674
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	148,428	553,684	-	-
Prior Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>4,551,524</b>	<b>4,284,304</b>	<b>85,870</b>	<b>35,180</b>
Letters of Guarantee	4,521,699	2,698,924	85,870	33,723
Bills of Exchange and Bank Acceptances	7,656	76,004	-	448
Letters of Credit	177	1,028,078	-	1,009
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	21,992	481,298	-	-

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### b. Financial derivative instruments

	<b>Derivative transactions according to aims</b>	
	<b>Current Period</b>	<b>Prior Period</b>
<b>Trading derivatives</b>		
<b>Foreign Currency Related Derivative</b>		
<b>Transactions (I):</b>	<b>18,635,729</b>	<b>12,438,945</b>
Currency Forwards-Purchases, sales	3,408,604	3,166,827
Currency Swaps-Purchases, sales	15,227,125	9,272,118
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Interest Rate Related Derivative</b>		
<b>Transactions (II):</b>	-	-
Interest rates forwards-Purchase, sales	-	-
Interest rates swaps-Purchases, sales	-	-
Interest rates options-Purchases, sales	-	-
Interest rates futures-Purchases, sales	-	-
<b>Other Trading Derivatives (III)</b>	<b>21,178</b>	<b>104,764</b>
<b>A.Total Trading Derivatives (I+II+III)</b>	<b>18,656,907</b>	<b>12,543,709</b>
<b>Hedging Derivatives</b>		
Fair value hedges	-	-
Cash flow hedges	1,391,124	1,172,816
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>1,391,124</b>	<b>1,172,816</b>
<b>Total Derivatives Transactions (A+B)</b>	<b>20,048,031</b>	<b>13,716,525</b>

The Bank enters into short term swap transactions based on its market expectations and cash flow. These transactions are generally short term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2016, the Bank has commitments to buy TL 4,827,866, USD 1,053,129,000, EUR 79,150,000, GBP 976,000 and MYR 800,000,000 in return of selling commitments of TL 904,538, USD 570,101,074, EUR 1,796,912,000 and GBP 700,000 (As of 31 December 2015, the Bank has commitments to buy TL 1,402,158, USD 1,387,161,000, EUR 121,900,000, GBP 3,005,000 and 800,000,000 MYR in return of selling commitments of TL 588,724, USD 824,214,000, EUR 945,395,000 and GBP 1,986,000)

**c. Credit derivatives and risk exposures on credit derivatives:** None.

### d. Contingent liabilities and assets:

In accordance with decision of the Bank's Board of Directors numbered 1117 and dated 21 June 2011, recoverable foreign currency loan granting commitments to real and legal persons and who do not have the unconditional right to utilize these commitment has been translated into Turkish Lira and no longer followed as foreign currency commitments.

### e. Explanations on custodian and intermediary services

The Bank does not operate in money placements on behalf of real or legal persons, charitable foundations, retirement insurance funds and other institution.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### f. Summary Information on the Bank's Rating by the International Rating Institutions

<b>Fitch Rating's November 2016</b>	<b>Notes</b>
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F2
Local Currency Long Term Issuer Default Rating	BBB
Local Currency Short Term Issuer Default Rating	F2
Support Rating	2

### IV. Explanations and disclosures related to the income statement

#### a. Information on profit share income:

##### 1. Information on profit share received from loans:

	<b>Current period</b>		<b>Prior period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Profit share on loans</b>	<b>2,560,187</b>	<b>191,166</b>	<b>2,141,419</b>	<b>151,774</b>
Short term loans	657,871	24,382	558,220	21,329
Medium and long term loans	1,896,616	166,784	1,576,241	130,445
Profit share on non-performing loans	5,700	-	6,958	-
Premiums received from resource utilization support fund	-	-	-	-

##### 2. Information on profit share received from banks:

	<b>Current period</b>		<b>Prior period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	3,760	20,465	302	21,459
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>3,760</b>	<b>20,465</b>	<b>302</b>	<b>21,459</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### 3. Information on profit share income from securities portfolio:

The Bank received TL 205,883 of profit share income from rent certificates (sukuk) that are disclosed in detail which is given the details in available for sale financial assets information. (31 December 2015: TL 165,423)

### 4. Information on profit share income received from associates and subsidiaries:

	Current period	Prior period
Profit share income received from associates and subsidiaries	4	4

### b. Information on profit share expenses:

#### i. Information on profit share expense given to funds borrowed:

	Current period		Prior period	
	TL	FC	TL	FC
<b>Banks</b>	<b>19,229</b>	<b>78,043</b>	<b>12,923</b>	<b>61,992</b>
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	9,362	6,971	10,434	2,220
Foreign banks	9,867	71,072	2,489	59,772
Branches and head office abroad	-	-	-	-
<b>Other Institutions</b>	<b>60,577</b>	<b>37,462</b>	<b>50,251</b>	<b>4,824</b>
<b>Total</b>	<b>79,806</b>	<b>115,505</b>	<b>63,174</b>	<b>66,816</b>

#### ii. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,130	557

#### iii. Profit share expense paid to securities issued: TL 255,545 (1 January-31 December 2015: 200,090).

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### iv. Distribution of profit share on funds based on maturity of funds:

Current period	Profit Sharing Accounts							Accumulated profit sharing accounts	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	2,967	-	-	-	-	-	-	2,967
Non-trading profit sharing account of individuals	228,615	416,199	38,548	-	16,636	13,890	-	-	713,888
Public sector profit sharing account	80	2,249	434	-	-	-	-	-	2,763
Commercial sector profit sharing account	19,168	51,686	3,997	-	965	1,391	-	-	77,207
Other institutions profit sharing account	2,096	3,676	690	-	154	34	-	-	6,650
<b>Total</b>	<b>249,959</b>	<b>476,777</b>	<b>43,669</b>	<b>-</b>	<b>17,755</b>	<b>15,315</b>	<b>-</b>	<b>-</b>	<b>803,475</b>
<b>FC</b>									
Banks	426	1,795	-	-	17	230	-	-	2,468
Non-trading profit sharing account of individuals	22,239	41,478	9,412	-	6,776	2,677	-	-	82,582
Public sector profit sharing account	-	1	-	-	-	-	-	-	1
Commercial sector profit sharing account	2,567	13,907	2,342	-	275	444	-	-	19,535
Other institutions profit sharing account	1,832	1,412	265	-	128	832	-	-	4,469
Precious metal accounts	-	5,657	395	-	306	-	-	-	6,358
<b>Total</b>	<b>27,064</b>	<b>64,250</b>	<b>12,414</b>	<b>-</b>	<b>7,502</b>	<b>4,183</b>	<b>-</b>	<b>-</b>	<b>115,413</b>
<b>Grand Total</b>	<b>277,023</b>	<b>541,027</b>	<b>56,083</b>	<b>-</b>	<b>25,257</b>	<b>19,498</b>	<b>-</b>	<b>-</b>	<b>918,888</b>
<b>Prior Period</b>									
Prior Period	Profit Sharing Accounts							Accumulated profit sharing accounts	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	1	-	-	-	-	-	-	1
Non-trading profit sharing account of individuals	162,510	284,933	39,724	-	13,305	17,389	-	-	517,861
Public sector profit sharing account	5	136	1	-	1,527	549	-	-	2,218
Commercial sector profit sharing account	16,602	43,863	7,503	-	1,370	1,685	-	-	71,023
Other institutions profit sharing account	2,303	2,403	425	-	106	29	-	-	5,266
<b>Total</b>	<b>181,420</b>	<b>331,336</b>	<b>47,653</b>	<b>-</b>	<b>16,308</b>	<b>19,652</b>	<b>-</b>	<b>-</b>	<b>596,369</b>
<b>FC</b>									
Banks	555	669	394	-	370	3,876	-	-	5,864
Non-trading profit sharing account of individuals	18,411	36,005	8,335	-	5,119	3,158	-	-	71,028
Public sector profit sharing account	-	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	2,600	29,507	1,138	-	1,209	790	-	-	35,244
Other institutions profit sharing account	1,755	957	171	-	191	56	-	-	3,130
Precious metal accounts	-	5,669	379	-	263	-	-	-	6,311
<b>Total</b>	<b>23,321</b>	<b>72,807</b>	<b>10,417</b>	<b>-</b>	<b>7,152</b>	<b>7,880</b>	<b>-</b>	<b>-</b>	<b>121,577</b>
<b>Grand Total</b>	<b>204,741</b>	<b>404,143</b>	<b>58,070</b>	<b>-</b>	<b>23,460</b>	<b>27,532</b>	<b>-</b>	<b>-</b>	<b>717,946</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### c. Information on dividend income:

	Current period	Prior period
Trading		
Held for Trading Financial Assets	-	-
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other (*)	509	-
<b>Total</b>	<b>509</b>	<b>-</b>

(\*) This amount related to non-cash capital increase of Kredi Garanti Fonu A.Ş. which is presented in available for sale financial assets.

#### d. Information on trading income/loss (Net):

	Current period	Prior period
<b>Trading income/loss (net)</b>	<b>330,734</b>	<b>203,777</b>
<b>Income</b>	<b>12,357,815</b>	<b>12,915,893</b>
Gain on capital market transactions	9,074	7,957
Gain on derivative financial instruments	456,035	278,124
Foreign exchange gains	11,892,706	12,629,812
<b>Losses (-)</b>	<b>(12,027,081)</b>	<b>(12,712,116)</b>
Losses on capital market transactions	(1,203)	(1,694)
Losses on derivative financial instruments	(300,606)	(235,676)
Foreign exchange losses	(11,725,272)	(12,474,746)

#### e. Information on other operating income:

The details of other operating income are presented below. There are no unusual items in the other operating income which materially affect the income of the Bank.

	Current period	Prior period
Reversal of prior period provisions	79,001	104,529
Income from sale of assets	53,907	27,221
Lease income	2,478	1,825
Other Income	42,188	10,447
<b>Total</b>	<b>177,574</b>	<b>144,022</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### f. Provisions for loan losses and other receivables of the Bank:

	Current period	Prior period
Specific provisions for loans and other receivables	464,013	337,621
III. group loans and receivables	79,691	74,037
IV. group loans and receivables	217,987	146,981
V. group loans and receivables	166,335	116,603
Doubtful commissions, fees and other receivables	1,254	191
General provision expenses	-	93,342
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	3,081	559
Financial Assets at fair value through profit and loss	3,081	559
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	714
Associates	-	714
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other (*)	45,765	8,656
<b>Total</b>	<b>514,113</b>	<b>441,083</b>

(\*) Other item includes TL 4,450 is lawsuit provision (31 December 2015: TL 4,450), TL 14,450 is provision which is related to possible penalty regarding inspection by the Ministry of Customs and Trade(31 December 2015: None.) and TL 18,850 is provision amount foreseen for delay in penalties. According to the provision regulation, it consists both the provision is allocated 5% of profit which will be distributed to participation accounts and %5 impairment amount booked for non-depreciable assets which are classified for held for sale assets.

#### g. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	619,204	522,363
Provision for retirement pay liability	8,279	9,578
Depreciation expenses of tangible assets	51,827	42,637
Depreciation expenses of intangible assets	26,885	29,720
Depreciation expenses of assets held for sale	1,014	1,062
Other operating expenses	268,310	244,249
Rent expenses	101,308	87,885
Maintenance expenses	30,022	21,621
Advertisement expenses	23,890	11,749
Communication expenses	30,746	27,145
Heating, electricity and water expenses	12,390	11,558
Cleaning expenses	5,185	4,813
Vehicle expenses	4,541	4,477
Stationery expenses	4,236	4,215
Other expenses	55,992	70,786
Losses on sales of assets	366	782
Deposit insurance fund expenses	66,068	59,593
Other	95,491	78,934
<b>Total</b>	<b>1,137,444</b>	<b>988,918</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### h. Information on profit/loss from continued and discontinued operations before taxes:

Income before tax amounts to TL 711,557 increased by 31.86% as compared to the prior period (2015 - TL 539,632). Income before tax includes TL 1,697,214 (2015 - TL 1,490,173) net profit share income and TL 154,660 (2015 - TL 133,888) net fees and commission income. Other operating expense amount is TL 1,138,542 (2015 - TL 988,918).

### i. Information on tax provision for continued and discontinued operations:

In current period, deferred tax income of the Group is TL 7,517 (31 December 2015 - TL 45,687 -income) deferred tax income) and current tax provision expense is TL 124,964 (2015 - TL 159,411).

### j. Information on net income/loss from continued and discontinued operations:

There is no income or loss for discontinued operation in net operating income after tax.

### k. Information on net income/loss:

i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 31 December 2016, net profit share income is TL 1,697,214 (1 January-31 December 2015 - 1,490,173 TL), net fees and commission income is TL 154,660 (1 January-31 December 2015 - TL 133,888).

ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-31 December 2015- None).

### l. Details of sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:

As of 31 December 2016, other fees and commissions received is TL 225,069 (1 January-31 December 2015 - TL 179,301), TL 45,026 of this amount is related with credit card fees and commissions (1 January-31 December 2015 - TL 31,283) and TL 46,026 of this amount is related with credit card and commissions (1 January-31 December 2015 - TL 36,962).

As of 31 December 2016, other fees and commissions given is TL 158,181 (1 January-31 December 2015 - TL 127,266), TL 54,634 (1 January-31 December 2015 - TL 42,855) of this amount is related with POS clearing commissions and installation expenses, TL 7,831 (1 January-31 December 2015 - TL 5,858) of this amount is related with fees and commissions paid for credit cards.

## V. Statement of Changes in Shareholders' Equity

a) There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements.

Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

b) In the current year, the Bank made dividend payments amounting to TL 3,399 to members of Board of Directors. In the General Assembly meeting held in 31 March 2016 it has been decided that TL 22,574 would be transferred to legal reserves, TL 110,396 would be transferred to extraordinary reserve, TL 48,788 would be transferred to other reserves and TL 260,000 would be transferred to paid up capital.

## VI. Explanations and notes related to cash flow statement

### a. Information regarding the balances of cash and cash equivalents at the beginning of the period:

#### 1. Components of cash and cash equivalents and accounting policy applied in their determination:

"Cash" is defined as cash in vault and foreign currency cash, cash in transit, checks purchased, unrestricted amount in the Central Bank and demand deposits in Banks. "Cash equivalents" is defined as money market placements, investments in securities and time deposits in banks with original maturity less than three months.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

(i). Cash and cash equivalents at the beginning of the period:

	Current period	Prior period
<b>Cash</b>	<b>4,777,114</b>	<b>2,004,817</b>
Cash in TL/foreign currency, others	1,757,266	756,738
Deposits at banks (up to 3 months)	3,019,848	1,248,079
<b>Cash equivalents</b>	<b>-</b>	<b>-</b>
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>4,777,114</b>	<b>2,004,817</b>

(ii). Cash and cash equivalents at the end of the period:

	Current period	Prior period
<b>Cash</b>	<b>4,898,436</b>	<b>4,777,114</b>
Cash in TL/foreign currency, others	763,391	1,757,266
Deposits at banks (up to 3 months)	4,135,045	3,019,848
<b>Cash equivalents</b>	<b>-</b>	<b>-</b>
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>4,898,436</b>	<b>4,777,114</b>

**b. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:** None.

**c. Effects of the changes in foreign currency rates on cash and cash equivalents:**

"Other items" amounting to TL (423,212) (1 January-31 December 2015: TL (173,764) in "Operating profit before changes in operating assets and liabilities" consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

"Net increase/decrease in other liabilities" amounting to TL 607,299 (1 January-31 December 2015: TL 208,600) in "Changes in operating assets and liabilities" consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

"Net increase/decrease in other assets" amounting to TL (302,200) (1 January-31 December 2015: TL (26,968)) in "Changes in operating assets and liabilities" consist of changes in tax assets and other asset.

**d. Effects of the change in foreign currency rates on cash and cash equivalents:**

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 140,046 as of 31 December 2016 (31 December 2015 - TL (121,283)). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### VII. Explanations and notes related to risk group of the Bank:

#### a. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

##### 1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	10	132	1,014	13,543	126,600	600
Balance at end of period	14	132	998	16,818	135,364	20,290
Profit share and commission income	-	4	102	3	7,632	1

(\*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

##### 2. Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	5	25,640	580	13,638	79,663	283
Balance at end of period	10	132	1,014	13,543	126,600	600
Profit share and commission income	-	4	75	-	6,050	1

(\*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

##### 3. (i). Information on current and profit sharing accounts of the Bank's risk group:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	12,674	8,382	57,602	42,633	137,160	207,428
Balance at the end of period	18,799	12,674	58,441	57,602	113,915	137,160
Profit share expense	1,130	557	3,213	2,571	3,186	6,706

(\*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

(ii) Forward and option agreements and other similar agreements with the risk group of the Bank: None. (31 December 2015: None)





# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### 4. Information on loans received from the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior period	Current period	Prior period	Current period	Prior period
<b>Loans Received</b>						
Balance at beginning of period	-	-	2,607,122	2,618,833	166,742	26,640
Balance at end of period	-	-	2,954,769	2,607,122	-	166,742
Profit share expense	-	-	74,722	80,076	2,965	872

#### VIII. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices

##### 1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees	Country		
Domestic branches (*)	385	3,933			
Foreign representative offices				Total Assets (TL)	Legal Capital (USD)
Foreign bank	1	10	Dubai	210,614	50,000,000
	1	70	Germany	400,190	63,251,307
Off-shore branches	1	3	Bahrain	2,933,420	
Foreign branches					

(\*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number.

##### 2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

In 2016, 27 new domestic branches (2015-52 branches) were opened.

##### b. Information on remunerations provided to top management:

As of 31 December 2016, the Group has paid TL 27,255 to top management (31 December 2015 - TL 18,085-parent bank).

#### IX. Significant Events and Matters Arising Subsequent to Balance Sheet Date

The Board of Directors of the Bank has 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.

The Board of Directors of the Bank has 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 has decided the early payment 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. has issued a rent certificate with three month maturity, TL 80,000 nominal and 10.3% borrowing rate on 11 January 2017.



# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### SECTION SIX OTHER EXPLANATIONS AND DISCLOSURES

**I. Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet:** None.

#### SECTION SEVEN INDEPENDENT AUDITORS' REPORT

**I- Explanations on the auditors' report:**

The consolidated financial statements of the Bank have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 13 February 2017 is presented before the accompanying financial statements.

**II- Notes and disclosures prepared by independent auditors:** None

#### SECTION EIGHT ANNUAL REPORT

**I- Explanations on annual report**

**a. About Kuveyt Türk**

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

As of 31 December 2016, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

**b. Financial Informations Summary**

<b>CONSOLIDATED BALANCE SHEET</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
CASH BALANCES AND CENTRAL BANK	8,325,814	7,612,614
BANKS	4,780,380	3,629,516
LOANS	28,634,683	25,989,041
FINANCE LEASE RECEIVABLES	1,544,543	1,182,860
TANGIBLE ASSETS (Net)	445,172	461,642
OTHER ASSETS	4,995,443	3,219,323
TOTAL ASSETS	48,726,035	42,094,996
FUND COLLECTED	32,012,978	28,125,300
FUNDS BORROWED	3,274,742	4,261,643
BOND ISSUED	4,755,413	3,636,119
FINANCE LEASE PAYABLES	226	131
SUBORDINATED LOANS	1,981,646	589,734
OTHER LIABILITIES	2,697,210	2,033,938
SHAREHOLDERS EQUITY	4,003,820	3,448,131
<b>TOTAL LIABILITIES</b>	<b>48,726,035</b>	<b>42,094,996</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Consolidated Financial Statements

### for the Period Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

<b>CONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
PROFIT SHARE INCOME	3,141,112	2,590,094
PROFIT SHARE EXPENSE	1,443,898	1,099,921
NET PROFIT SHARE INCOME/EXPENSE	1,697,214	1,490,173
NET FEES AND COMMISSION INCOME/EXPENSE	154,660	133,888
DIVIDEND INCOME	509	-
NET TRADING INCOME	330,734	203,777
OTHER OPERATING INCOME	177,574	144,022
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	514,113	441,083
OTHER OPERATING EXPENSES (-)	1,137,444	988,918
PROFIT/LOSS FROM SUBSIDIARIES ACCOUNTED UNDER EQUITY METHOD	2,423	(2,227)
PROFIT / (LOSS) BEFORE TAX	711,557	539,632
TAX CHARGE	(132,481)	(113,724)
<b>CURRENT PERIOD INCOME/(LOSSES)</b>	<b>579,076</b>	<b>425,908</b>

	<b>31 December 2016</b>	<b>31 December 2015</b>
Total Loans/Total Assets*	61.94%	64.55%
Total Loans/Fund Collected*	94.27%	96.61%
Average Equity Profit	15.54%	17.46%
Average Assets Profit	1.28%	1.49%
Capital Adequacy Ratio	18.19%	14.23%

\* Finance Lease Receivables is included in total loans.

#### c. Financial Position, Performance and Assessment of the Prospects for the Future

As of 31 December 2016, consolidated financial statements asset size is TL 48 million 726 thousand, amount of the utilization of funds is TL 30 million 179 thousand and funds collected amount is TL 32 million 13 thousand. Due to the effect of the first nine months' profit TL 579 thousand, the ratio of shareholder equity increased 16 % by reaching TL 4 million 3 thousand. As of December 31, 2016, consolidated capital adequacy ratio has been reached 18.19 %.

The expectations for growth and profitability will continue in the development line.

#### d. Announcement regarding important developments during the period

The Bank obtained a subordinated loan with 10-years maturity (the old legislation with the definition of "subordinated debt"), amounting to USD 200 million, from Kuwait Finance House on 29 September 2011. Published by the BRSA made to the Regulation on Equities of Banks and at March 31st, 2016 contract to adapt to the changes that came into force has been amended on March 29, 2016, 25 April 2016 the BRSA should be considered as a capital contribution of credit monitoring capital contribution in the bank records continue to be particularly suitable.

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.

The bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. through seven separate process with a total nominal value of 685,000 thousand, different term minimum and maximum 9.66% 10.36% cost has issued sukuk.

The parent bank, in 31 October 2011, to collect fund from investors issued rent certificate with a nominal value of 350 mio USD over its subsidiaries named KT Sukuk Varlık Kiralama A.Ş. with five year maturity and %5.875 annually profit share that rent certificate was amortised in 29 October 2016.

The number of branches of the Group in the new year was 362, and as of report date the number of branches of the Group is 391. The number of employee was 5,542 in the new year, as of report date it reached 5,691.

#### e. Assessments about regarding expectations on the subsequent interim period

After the period, opening new branch facilities is in process. It is planned that branch number will reach 400 until the year end.



# **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	Dadalöğlu 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/Etlük Branch	Emrah Mah. Yunus Emre Cad. 8/A Etlük-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 Çarşısı 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. Tevfikbey 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

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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/Basin Ekspres Branch	Yenibosna Merkez Mah. Değirmenbahçe Cad. No: 174/K Bahçelievler/İSTANBUL	+90 0212 803 23 84	803 23 97
137	İstanbul/Basin 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

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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/Esenyali	Esenyali 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

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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



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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. Mezbaha 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

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212	İstanbul/Kızıtaşı Branch	Sofular Mah. Macar Kardeşler Cad. No: 43 Kızıtaşı-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

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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. Aydınlı Yolu Cad. No: 10/52 Tuzla/İSTANBUL	+90 0216 494 14 54	494 14 06
264	İstanbul/Tuzla OSB Branch	Aydınli 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

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NO	NAME	ADDRESS	TELEPHONE	FAX
267	İstanbul/Üluyol Caddesi Branch	Muratpaşa Mah. Üluyol 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/Ünalán Branch	Ünalán 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/Azerbaycan Bulvarı Branch	Şazibey Mah. Azerbaycan 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

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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



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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	Kapucubası 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

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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







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