

# Kuveyt Turk Katilim Bankasi A.S.

## Full Rating Report

### Ratings

#### Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F3

#### Local Currency

Long-Term IDR	BBB+
Short-Term IDR	F2

#### National

Long-Term Rating	AAA(tur)
Viability Rating	bb-
Support Rating	2
Support Rating Floor	BBB

#### Sovereign Risk

Foreign Currency	
Long-Term IDR	BBB-
Local Currency	
Long-Term IDR	BBB

### Outlooks

Foreign-Currency Long-Term Rating	Stable
Local-Currency Long-Term Rating	Stable
National Long-Term Rating	Stable
Sovereign Foreign-Currency	Stable
Sovereign Local-Currency	Stable

### Financial Data

#### Kuveyt Turk Katilim Bankasi A.S.

	30 Jun 13	31 Dec 12
Total assets (USDm)	11,373.6	10,520.1
Total assets (TRYm)	21,938.5	18,747.3
Total equity (TRYm)	2,169.5	1,686.8
Operating profit (TRYm)	173.7	290.4
Published net income (TRYm)	148.8	251.9
Comprehensive income (TRYm)	137.6	265.1
Operating ROAA (%)	1.75	1.76
Operating ROAE (%)	18.84	18.55
Equity/assets (%)	9.89	9.00
Fitch core capital/	12.89	12.05
Tier 1 regulatory capital ratio (%)	12.63	11.41

### Related Research

Turkey (November 2013)

Kuwait Finance House (September 2013)

Fitch Affirms Turkey at 'BBB-' (October 2013)

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### Key Rating Drivers

**Support-Driven IDRs:** Kuveyt Turk Katilim Bankasi A.S.'s (Kuveyt Turk) IDRs, Support and National Long-Term Ratings reflect the likelihood of support from its majority shareholder, Kuwait Finance House (KFH; 'A+/Stable'). Fitch Ratings believes Kuveyt Turk is strategically important to KFH given the parent's committed focus on Turkey, Kuveyt Turk's size relative to the group (around 20% of group assets) and its close integration with the parent.

**IDRs Constrained:** Fitch would normally rate a strategically important subsidiary a maximum of two notches below its parent's Long-Term IDR. Wider notching between the IDRs of Kuveyt Turk and KFH reflects Country Ceiling constraints (applying to the foreign currency (FC) IDR) and Turkey's still volatile environment which could impact on a foreign owner's commitment to its subsidiary in a highly stressed scenario (local currency IDR).

**Rapid Growth Continues:** Assets more than doubled (in USD terms) since end-2009. This is not unusual for Turkish banks, but by end-2018, Kuveyt Turk's objective is to rank among the country's top 10 banks, implying 30% annual asset growth. This may prove challenging and stretch current operational and management capabilities.

**Sound Core Profitability:** Kuveyt Turk's margins are healthy, reflecting high SME exposures (55% of total end-June 2013 loans). Margins are compressing due to strong competition, but the development of additional fee-based business is planned. Operating return on equity has consistently been maintained at around 18-19%, in line with sector averages.

**Asset Quality Needs Stressing:** Impaired loan ratios at Kuveyt Turk are very good, with just 2.4% of loans impaired at end-June 2013. Nevertheless, internal credit systems for non-retail lending (85% of loans) require further validation and rapid growth may indicate that the true asset quality picture has yet to emerge. Exposure to the construction sector (13% of total risks) is high but many loans are extended to state-related projects, which provides some comfort.

**Prominent Related-Party Lending:** Kuveyt Turk's largest risk exposure, equivalent to around 16% of equity, is, in Fitch's view, to a related party. The exposures are performing.

**Good Funding and Liquidity:** Liquid assets comfortably covered nearly 50% of customer deposits at end-June 2013. Deposits are particularly well diversified at Kuveyt Turk and many depositors are attracted by religious sensitivities; these prove to be very stable.

**Capital Somewhat Strained:** Given projected growth and the bank's risk profile, capital ratios are considered to be somewhat weak. KFH's commitment to provide regular capital injections to support growth is positive. TRY360m of new capital was received in 2Q13 and a further TRY360m capital injection is planned for 2014.

### Rating Sensitivities

**Constrained by Country Ceiling:** A change in KFH's ability and/or willingness to support Kuveyt Turk could affect the latter's IDRs and Support Rating. In addition, the bank's Long-Term Foreign-Currency IDR is constrained by Turkey's Country Ceiling of 'BBB'. A change in the Country Ceiling would be reflected in Kuveyt Turk's IDRs.

**Potential VR Pressure:** The VR could come under pressure if signs of weakness emerge in asset quality, capital or operating risk. Any marked further increase in related party business could become a negative driver for the bank's VR.

Figure 1  
Shareholder Structure

	(%)
Kuwait Finance House (KFH)	62
Directorate of Vakif Foundations — Turkey	19
Public institution for social security — Kuwait	9
Islamic Development Bank	9
Others	1
<b>Total</b>	<b>100.0</b>

Source: Company data

## Profile

### Majority-Owned by KFH

Kuveyt Turk was incorporated in 1989 and is 62% owned by KFH. The establishment process was initiated by the respective governments of Turkey and Kuwait to develop trade between the two countries. The Kuwaiti state owns a direct 9% stake through the Public Institution for Social Security state fund. The general manager of Directorate of Vakif Foundations is directly appointed by the Turkish prime minister and its shares in Kuveyt Turk ultimately reflect the interests of the Turkish sovereign.

Kuveyt Turk's Board of Directors comprises nine members. The Chairman and two members are KFH appointees; two members are Kuwaiti nationals; one member is appointed by Islamic Development Bank; and three members are Turkish nationals.

### Accounts for Around 20% of KFH Group

Kuveyt Turk accounted for around 20% of the KFH group's consolidated assets at end-June 2013; it is KFH's largest subsidiary. KFH is the second-largest bank in Kuwait, 43% owned by Kuwaiti government agencies. Its international operations include banking subsidiaries in Malaysia, Turkey and Bahrain. KFH had consolidated assets of USD55.9bn and equity of USD6.7bn at end-June 2013.

### Relatively Small Player in Turkey

Kuveyt Turk engages in Islamic banking locally referred to as participation banking. The bank's main customers are corporate, SME and individual clients. Kuveyt Turk is one of Turkey's largest participation banks, but these represent less than 5% of Turkey's total banking sector and its total market share is modest, representing around 1.5% of total banking sector assets. It operates out of 266 branches in Turkey, one branch in Bahrain, a subsidiary in Dubai and a representative office in Germany. Application for opening a branch in Qatar has been made.

### Ambitious Growth Plans

Kuveyt Turk is one of Turkey's fastest growing banks. The bank's long-term strategic plan is to become one of the 10 largest banks in Turkey by 2018 (it currently ranks 14<sup>th</sup>). According to management estimates, this plan requires a balance sheet 5x larger than at present and a compounded annual growth rate of around 30% until 2018. Clear profitability targets are included in the bank's plan. In Fitch's opinion, performance targets are fairly tough.

Kuveyt Turk's growth plan is a challenging one. It requires substantial organisational improvements (including IT capabilities, segmentation, service models, product offerings, advanced underwriting, risk control systems, etc.), as well as alternative funding resources. Turkey's large banks are highly competitive and Kuveyt Turk's main long-term challenge will be to combine the attraction of its religious principles with sufficiently competitive pricing. To date, asset quality remains satisfactory. Fitch will continue to monitor the effects of rapid growth on Kuveyt Turk's credit profile.

### Corporate Governance

Since 2011, efforts have been made to strengthen corporate governance. Two specialised committees reporting to the Board were established, comprising two independent members, appointed by KFH and the Turkish Foundations Directorate. The internal audit committee is responsible for auditing all branches and subsidiaries and the audit and risk committee oversees the audit function and independently reviews all risk areas. Closer reporting ties were also established with KFH in 2013, with the appointment of a Group manager who is in regular contact with the bank's group risk and credit officers and the treasurer.

Related-party lending, all of which requires Board approval, has traditionally been modest. However, this has changed and the bank's largest risk (see **Credit Risk** below) is to companies which Fitch believes are related parties.

Figure 2  
Market Share and Ranking

	9M13	
	Share (%)	Rank
Total assets	1.4	14
Deposits	1.6	14
Loans	1.6	15

Source: Participations Banks' association of Turkey and commercial banks association of Turkey data, adapted by Fitch

## Related Criteria

[Global Financial Institutions Rating Criteria \(August 2012\)](#)

[Global Financial Institutions Rating Criteria Exposure Draft \(November 2013\)](#)

[Rating FI Subsidiaries and Holding Companies \(August 2012\)](#)

[Evaluating Corporate Governance \(December 2012\)](#)

[Rating Financial Institutions Above the Sovereign \(December 2012\)](#)

[National Scale Ratings Criteria \(October 2013\)](#)

## Presentation of Accounts

Fitch's analysis is based on Kuveyt Turk's audited financial statements, prepared in accordance with the Banking Regulation and Supervision Agency (BRSA) guidelines, which are broadly in line with IFRS. Interim figures are based on the auditor's limited review, in accordance with BRSA guidelines.

## Performance and Prospects

Fitch upgraded Turkey's sovereign ratings to investment-grade in November 2012 and affirmed these ratings in October 2013. Following two years of rapid growth with signs of overheating, economic growth slowed into a soft landing in 2012 (GDP up 2.2%). Fitch is forecasting GDP growth of 3.7% in 2013, which is low by Turkish standards, with a further slowdown likely in 2014. Growth is being affected by a number of factors, including reduced investor appetite for emerging market (EM) risk, dampening consumer confidence, and weaker investment appetite given the potential for further rises in domestic interest rates and concerns over a depreciated Turkish lira, which affects the capacity of borrowers in foreign currency (FC) to repay debt. Political and social tensions have not yet affected economic performance.

Participation banks tend to grow when interest rates fall. This is because short-term deposits fund longer-term assets and all lending is undertaken on an instalment basis, with predefined repayment schedules. Deposits, remunerated through a share of the bank's net profits, are not, in theory, impacted by interest rate movements. However, in practice, participation banks are sensitive to deposit rates, as they must remain competitive. In an environment of falling interest rates, participation banks generally reduce the profit share paid out to depositors and margins widen. At such times, public perception is that the profit share available for distribution to depositors will rise which, in turn, triggers new deposit inflows. Interest rates in Turkey experienced a sharp decline since early 2012, but this trend reversed in mid-2013. Should interest rates continue to rise in 2014, growth at participation banks may be constrained.

Figure 3 below compares key financial data for Kuveyt Turk and Türkiye Finans Katılım Bankası A.Ş. (Türkiye Finans), another similar sized participation bank rated by Fitch and controlled by Middle Eastern shareholders. Comparative ratios highlight similar loan growth and broadly similar margins, but slightly weaker operating returns on equity at Kuveyt Turk. The Fitch core capital/weighted risk ratio at Kuveyt Turk is also weaker, but shareholder capital commitments at the bank are strong.

Figure 3

### Title: Comparative Financial Highlights

(%)	Türkiye Finans		Kuveyt Turk	
	June 2013	2012	June 2013	2012
Total assets (TRYm)	21,103.1	17,616.5	21,938.5	18,747.3
Equity (TRYm)	2,375.5	2,125.2	2,169.5	1,686.8
Net interest income/av. earning assets	5.67	6.35	5.22	5.43
Operating profit/av equity	16.67	19.76	18.84	18.55
Operating profit/av total assets	1.94	2.36	1.75	1.76
Non-interest expenses/gross revenues	49.77	49.02	55.69	54.07
Loan and securities impairment charges/pre-impairment op. profit	36.20	28.94	27.31	30.87
Fitch core capital/weighted risks	14.25	14.75	12.89	12.05
Equity/assets	11.26	12.06	9.89	9.00
Fitch core capital/weighted risks	14.25	14.75	12.89	12.05
Impaired loans/total loans	2.82	2.75	2.36	2.35
Reserves for impaired loans/impaired loans	71.91	73.01	75.91	88.37
Loan impairment charge/av gross loans	1.49	1.22	1.00	1.16
Growth of total loans	18.74	23.19	18.15	14.73
Loans/deposits	116.23	114.54	99.96	97.57

Source: Bank data, adapted by Fitch

Net financing income, almost entirely sourced from loans since securities make up a very small portion of the balance sheet, is the dominant contributor to Kuveyt Turk's revenues. Margins tend to be less volatile at participation banks because funding costs are mostly a function of loan yields.

Fees and commissions represent a modest share of overall revenues, a limitation common to most participation banks. Efficiency measures are impacted by ongoing branch openings and systems investment, but overall operating profitability is sound and this is a key strength. Operating ROAE has generally hovered around the 19% mark, which is not out of line with either Türkiye Finans or the average for Turkey's smaller banks. Loan quality ratios are sound, especially compared to sector averages (impaired loans averaging 2.8% of total sector loans at end-June 2013). Impairment charges, at around 40% of pre-impairment operating revenues, are considered high.

Going forward, Kuveyt Turk may develop new fee-earning business. Areas for potential growth include the private pension industry, which is expected to expand in Turkey; distribution capabilities, on a modest scale, of Turkish sukuks and other Islamic-compliant investments to Kuwaiti retail investors; real estate procurement and purchases in Turkey, also on behalf of Kuwaiti investors; and some expansion in the bank's existing gold-clearing functions.

Fitch believes Islamic banking in Turkey is likely to grow. Discussions with senior management at several rated Turkish banks reveal that corporate sector demand for Islamic banking products is not being met by the domestic banks and large international players are able to fill this gap. Some leading private and state-owned Turkish banks are planning to open Islamic banking subsidiaries and there have been press suggestions that plans to open a state-owned participation bank are under consideration. Should Turkey's leading banks take steps to penetrate this market, and indications are that they will, it is likely that smaller players, such as Kuveyt Turk, may find it increasingly difficult to compete on price. Nevertheless, Kuveyt Turk's expertise in participation banking is solid and management is able to draw on additional products and resources from KFH if required. Supportive shareholders should also help to fund growth.

Fitch believes 2014 will be a difficult year for Turkey's banks, with growth moderating and asset quality worsening slightly as loan books season. Indications are that Turkey's interest rates could rise in 2014; this is normally a disadvantage for participation banks, as depositors fear that their profit share, which relates to profits generated during prior, lower rate, periods, will compare unfavourably with higher deposit remuneration at other banks. According to management, Kuveyt Turk can normally re-price its loans within a period of seven months. In addition, Fitch expects margins in the banking sector to narrow as competition for good business increases and funding costs rise. Loan impairment charges are expected to rise. During a recent period of economic contraction in 2009, Kuveyt Turk's impaired loan ratios peaked at 5.7%, in line with the sector average. However, historic loan book performance may not be indicative of future trends given that the customer base has expanded rapidly in recent years.

Figure 4

#### Loan Portfolio Breakdown

(%)	1H13	2012
Corporate and commercial	25	26
SMEs	55	55
Retail, of which	15	15
Mortgage	10	11
Credit card	4	3
Other	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bank data, adapted by Fitch

#### Risk Management

The audit and risk committee oversees all risks and reports directly to the Board of Directors. The bank implements a regional hub model, with six offices spread across the country, each responsible for its own region and equipped with its own risk management departments. Kuveyt Turk has a generic model for assigning internal ratings to corporate clients, while retail and SME clients are assigned internal scores. The bank is in the process of calibrating, back testing and refining models and this should be completed in 2014. In the absence of sufficient historic statistical data, assumptions have not yet been validated for corporate and SME loans. Data history for retail lending is sufficiently robust, but retail loans do not make up a sizeable proportion of lending at Kuveyt Turk.



Kuveyt Turk employs the BRSA's definition for SME borrowers (companies employing less than 250 staff and achieving maximum annual turnover of TRY40m). SME loans make up just over half the total loan book (see Figure 4), making this the bank's fastest growing segment. Kuveyt Turk has around 48,000 active SME customers; however, due to rapid expansion, many are new and known to the bank for only around one year. Apart from mortgages, the bank has negligible exposure to other types of consumer loans. The maximum loan/value ratio allowed on mortgages is 75%, and real estate collateral is reviewed annually.

The maturity profile of the loan book has remained broadly stable over the past three years, with loans maturing within three months constituting around 13% of total loans and total loans maturing within one year representing around 45% of total lending. This is longer term than the average for Turkey's banking sector, reflecting the low share of retail loans extended by Kuveyt Turk.

Exposure (both on- and off-balance sheet) to the top 20 borrowers at end-June 2013 was low, at around 11% of total exposures, and this has been the case for several years. Exposure to a party which Fitch considers to be related to the bank was considerably increased in 2H13. By law, the exposure is not classified as related but Fitch considers that, in essence, this is the case. These loans comprise the bank's largest risk exposure, equivalent to around 16% of equity. These loans are performing and Fitch takes some comfort from (i) the fact that other banks also lend to the same entities; and (ii) the regulator having publicly stated that it has no significant concerns with respect to these exposures. Any marked further increase in related party business could become a significant negative driver for the bank's VR.

Sector concentrations are not excessive. The only significant concentration is to the construction sector, which accounted for 13% of total on- and off-balance sheet exposures at end-June 2013. Management advise that roughly half of the construction exposures are to state-funded projects and impairment ratios reach 4.3%; collaterals provide comfort.

Foreign-currency (FC) loans (including those that are linked to FX rates) equalled 57% of the portfolio at end-June 2013. Given the depreciation of the Turkish lira against major currencies in 2013, Fitch considers there is a heightened risk in FC lending, especially as not all borrowers have a natural hedge in the form of direct FC revenues. This may be particularly relevant to SME borrowers. Kuveyt Turk requires higher collateral coverage (usually 130%) from unhedged borrowers, which provides some comfort.

### Loan Loss Experience and Reserves

Due to the "monthly payment" rule for all loans, asset quality problems are usually identified at an early stage at participation banks. Asset quality indicators at Kuveyt Turk appear reasonable and loan loss cover ratios appear comfortable. The inability to validate some aspects of the bank's internal credit systems due to insufficient data may signify that not all expected losses are fully captured. As more data is added, the robustness of systems will be tested more fully.

Figure 6  
**Asset Quality Trends Compared**

(%)	End-June 2013	
	Kuveyt Turk	Türkiye Finans
NPL ratio	2.36	2.82
Cost of risk <sup>a</sup>	1.00	1.49
Reserve coverage of NPLs	75.91	71.91
Loan growth (annualised)	18.15	18.74

<sup>a</sup> Loan impairment charges/average gross loans  
Source: Bank data adapted by Fitch

### Limited Market Risk

As an interest-free institution, Kuveyt Turk's exposure to interest rate risk is minimal – unless the bank intentionally adjusts its margins in response to interest rate movements in the market.

Figure 5  
**NPL Ratios by Segment**

(%)	1H13	2012	2011
Corporate	4	4	3
SMEs	2	2	1
Mortgage	0	1	1
Credit card	5	6	5
Total NPL ratio	2.36	2.35	1.98
Reserve coverage <sup>a</sup>	75.9	88.4	85.3

<sup>a</sup> Includes only specific provisions, excludes general loan provisions recorded under liabilities

Source: Bank data adapted by Fitch

Open FX positions are internally not allowed and are usually hedged with forward transactions or swaps. Exchange rate risk is more prominent at Kuveyt Turk given the high proportion of FC lending. Stress testing undertaken by the bank, based on a 25% movement in the TRY/USD/EUR exchange rates, would have a very modest impact equity.

### Funding and Capital

Kuveyt Turk's participation accounts (customer deposits) are well-diversified and account for around 70% of non-equity funding. The top 20 deposits represented a low 10% of total deposits at end-June 2013 and a high 43% of deposits were covered by the state deposit protection scheme, further highlighting the fragmented nature of the bank's deposit base. The stability of the deposit base has been tested several times during previous economic cycles; a high proportion of depositors, particularly within the non-retail segment, are drawn to the bank due to religious principles.

Funding from the parent in the form of subordinated loans (USD200m, granted in 2011) and borrowings (USD700m) represent less than 10% of total non-equity funding. In addition, the bank receives around USD600m–700m of deposits from parties related to KFH. Around 45% of Kuveyt Turk's deposits are denominated in FC; around USD1.3bn, equivalent to 17% of customer deposits, are collected in the bank's Bahrain branch. The bank has issued sukuks (senior unsecured debt). The final maturity of the outstanding USD350m sukuk is in 2016; additional issues may be contemplated, depending on market conditions. More recently, the bank has also accessed repo funding, backed by its public sector sukuks. The Turkish state issued sukuks for the first time in 2013; this has provided participation banks with greater flexibility, as sukuks can be readily pledged at Turkey's Central Bank to obtain liquidity.

Internally-imposed guidelines require 10% of deposits to be held in immediately liquid assets. Highly liquid assets (defined as cash, receivables from banks and Turkish government bonds) equalled a satisfactory 31% of assets at end-June 2013 and comfortably covered 47% of customer deposits. Fitch views the bank's liquidity as positive. The bank experienced a sharp outflow of deposits during the 2001 global banking crisis. At that time, the bank's funding structure was quite different, with large depositors representing a higher proportion of total funding. This is no longer the case and Fitch considers deposit diversification to be one of Kuveyt Turk's strengths, management is still highly attentive to the potential of liquidity stress. A wide range of internal stress tests are conducted and scenarios are varied as appropriate. The bank has access to a USD1.5bn funding line from KFH which has never been utilised.

### Moderate Capitalisation

Kuveyt Turk's Fitch core capital/weighted risks ratio reached around 13%, which is considered slightly modest given the rapid growth and risk profile. However, KFH's commitment to regularly capitalise the bank to support growth is positive. The regulatory total capital ratio, which includes the USD200m Tier 2 capital, was higher, at 15.3%.

## Kuveyt Turk Katilim Bankasi A.S Income Statement

	30 Jun 2013			31 Dec 2012		31 Dec 2011		31 Dec 2010		31 Dec 2009	
	6 Months - Interim USDm Unaudited	Months - Interim TRYth Unaudited	As % of Earning Assets	Year End TRYth Unqualified	As % of Earning Assets	Year End TRYth Unqualified	As % of Earning Assets	Year End TRYth Unqualified	As % of Earning Assets	Year End TRYth Unqualified	As % of Earning Assets
1. Interest Income on Loans	336.2	648,419.0	7.86	1,261,808.0	8.92	937,723.0	8.22	664,754.0	8.22	643,945.0	11.36
2. Other Interest Income	20.3	39,196.0	0.48	39,074.0	0.28	29,898.0	0.26	34,793.0	0.43	24,189.0	0.43
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>4. Gross Interest and Dividend Income</b>	<b>356.5</b>	<b>687,615.0</b>	<b>8.34</b>	<b>1,300,882.0</b>	<b>9.20</b>	<b>967,621.0</b>	<b>8.48</b>	<b>699,547.0</b>	<b>8.66</b>	<b>668,134.0</b>	<b>11.78</b>
5. Interest Expense on Customer Deposits	111.4	214,810.0	2.61	466,274.0	3.30	369,511.0	3.24	288,270.0	3.57	299,973.0	5.29
6. Other Interest Expense	37.6	72,566.0	0.89	132,903.0	0.94	55,259.0	0.48	14,544.0	0.18	20,502.0	0.36
<b>7. Total Interest Expense</b>	<b>149.0</b>	<b>287,376.0</b>	<b>3.49</b>	<b>599,177.0</b>	<b>4.24</b>	<b>424,770.0</b>	<b>3.72</b>	<b>302,814.0</b>	<b>3.75</b>	<b>320,475.0</b>	<b>5.65</b>
<b>8. Net Interest Income</b>	<b>207.5</b>	<b>400,239.0</b>	<b>4.85</b>	<b>701,705.0</b>	<b>4.96</b>	<b>542,851.0</b>	<b>4.76</b>	<b>396,733.0</b>	<b>4.91</b>	<b>347,659.0</b>	<b>6.13</b>
9. Net Gains (Losses) on Trading and Derivatives	39.0	75,181.0	0.91	103,617.0	0.73	99,793.0	0.87	63,968.0	0.79	80,471.0	1.42
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	22.5	43,359.0	0.53	75,234.0	0.53	64,705.0	0.57	60,383.0	0.75	58,116.0	1.02
14. Other Operating Income	10.7	20,656.0	0.25	34,096.0	0.24	42,100.0	0.37	35,461.0	0.44	30,369.0	0.54
<b>15. Total Non-Interest Operating Income</b>	<b>72.2</b>	<b>139,196.0</b>	<b>1.69</b>	<b>212,947.0</b>	<b>1.51</b>	<b>206,598.0</b>	<b>1.81</b>	<b>159,812.0</b>	<b>1.98</b>	<b>168,956.0</b>	<b>2.98</b>
16. Personnel Expenses	82.9	159,936.0	1.94	264,154.0	1.87	210,094.0	1.84	162,913.0	2.02	134,827.0	2.38
17. Other Operating Expenses	72.8	140,500.0	1.70	230,413.0	1.63	187,700.0	1.65	136,227.0	1.69	99,843.0	1.76
<b>18. Total Non-Interest Expenses</b>	<b>155.8</b>	<b>300,436.0</b>	<b>3.64</b>	<b>494,567.0</b>	<b>3.50</b>	<b>397,794.0</b>	<b>3.49</b>	<b>299,140.0</b>	<b>3.70</b>	<b>234,670.0</b>	<b>4.14</b>
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>20. Pre-Impairment Operating Profit</b>	<b>123.9</b>	<b>238,999.0</b>	<b>2.90</b>	<b>420,085.0</b>	<b>2.97</b>	<b>351,655.0</b>	<b>3.08</b>	<b>257,405.0</b>	<b>3.18</b>	<b>281,945.0</b>	<b>4.97</b>
21. Loan Impairment Charge	33.8	65,272.0	0.79	129,699.0	0.92	106,147.0	0.93	56,072.0	0.69	112,561.0	1.99
22. Securities and Other Credit Impairment Charges	0.0	0.0	0.00	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>23. Operating Profit</b>	<b>90.1</b>	<b>173,727.0</b>	<b>2.11</b>	<b>290,386.0</b>	<b>2.05</b>	<b>245,508.0</b>	<b>2.15</b>	<b>201,333.0</b>	<b>2.49</b>	<b>169,384.0</b>	<b>2.99</b>
24. Equity-accounted Profit/ Loss - Non-operating	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	5.3	10,205.0	0.12	20,647.0	0.15	(2,181.0)	(0.02)	(313.0)	(0.00)	(5,707.0)	(0.10)
<b>29. Pre-tax Profit</b>	<b>95.4</b>	<b>183,932.0</b>	<b>2.23</b>	<b>311,033.0</b>	<b>2.20</b>	<b>243,327.0</b>	<b>2.13</b>	<b>201,020.0</b>	<b>2.49</b>	<b>163,677.0</b>	<b>2.89</b>
30. Tax expense	18.2	35,127.0	0.43	59,100.0	0.42	50,414.0	0.44	41,475.0	0.51	36,544.0	0.64
31. Profit/Loss from Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
<b>32. Net Income</b>	<b>77.1</b>	<b>148,805.0</b>	<b>1.80</b>	<b>251,933.0</b>	<b>1.78</b>	<b>192,913.0</b>	<b>1.69</b>	<b>159,545.0</b>	<b>1.97</b>	<b>127,133.0</b>	<b>2.24</b>
33. Change in Value of AFS Investments	(6.0)	(11,539.0)	(0.14)	13,208.0	0.09	0.0	0.00	0.0	0.00	0.0	0.00
34. Revaluation of Fixed Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
35. Currency Translation Differences	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
36. Remaining OCI Gains/(losses)	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
<b>37. Fitch Comprehensive Income</b>	<b>71.2</b>	<b>137,266.0</b>	<b>1.66</b>	<b>265,141.0</b>	<b>1.88</b>	<b>192,913.0</b>	<b>1.69</b>	<b>159,545.0</b>	<b>1.97</b>	<b>127,133.0</b>	<b>2.24</b>
38. Memo: Profit Allocation to Non-controlling Interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
39. Memo: Net Income after Allocation to Non-controlling Interests	77.1	148,805.0	1.80	251,933.0	1.78	192,913.0	1.69	159,545.0	1.97	127,133.0	2.24
40. Memo: Common Dividends Relating to the Period	9.8	18,872.0	0.23	17,305.0	0.12	10,275.0	0.09	10,275.0	0.13	5,500.0	0.10
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = TRY1.92890

USD1 = TRY1.78190

USD1 = TRY1.91110

USD1 = TRY1.54130

USD1 = TRY1.49090





## Kuveyt Turk Katilim Bankasi A.S

### Summary Analytics

	30 Jun 2013 6 Months - Interim	31 Dec 2012 Year End	31 Dec 2011 Year End	31 Dec 2010 Year End	31 Dec 2009 Year End
<b>A. Interest Ratios</b>					
1. Interest Income on Loans/ Average Gross Loans	9.88	11.27	10.53	10.70	13.34
2. Interest Expense on Customer Deposits/ Average Customer Deposits	3.24	4.28	4.39	4.67	6.56
3. Interest Income/ Average Earning Assets	8.97	10.06	10.10	10.17	12.45
4. Interest Expense/ Average Interest-bearing Liabilities	3.31	4.23	4.09	4.39	6.02
5. Net Interest Income/ Average Earning Assets	5.22	5.43	5.66	5.77	6.48
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	4.37	4.43	4.56	4.95	4.38
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	5.22	5.43	5.66	5.77	6.48
<b>B. Other Operating Profitability Ratios</b>					
1. Non-Interest Income/ Gross Revenues	25.80	23.28	27.57	28.72	32.70
2. Non-Interest Expense/ Gross Revenues	55.69	54.07	53.08	53.75	45.42
3. Non-Interest Expense/ Average Assets	3.02	2.99	3.26	3.60	3.70
4. Pre-impairment Op. Profit/ Average Equity	25.92	26.84	26.07	24.94	37.77
5. Pre-impairment Op. Profit/ Average Total Assets	2.40	2.54	2.88	3.10	4.45
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	27.31	30.87	30.18	21.78	39.92
7. Operating Profit/ Average Equity	18.84	18.55	18.20	19.51	22.69
8. Operating Profit/ Average Total Assets	1.75	1.76	2.01	2.42	2.67
9. Taxes/ Pre-tax Profit	19.10	19.00	20.72	20.63	22.33
10. Pre-Impairment Operating Profit / Risk Weighted Assets	2.93	3.08	3.26	3.48	5.16
11. Operating Profit / Risk Weighted Assets	2.13	2.13	2.27	2.72	3.10
<b>C. Other Profitability Ratios</b>					
1. Net Income/ Average Total Equity	16.14	16.10	14.30	15.46	17.03
2. Net Income/ Average Total Assets	1.50	1.52	1.58	1.92	2.01
3. Fitch Comprehensive Income/ Average Total Equity	14.89	16.94	14.30	15.46	17.03
4. Fitch Comprehensive Income/ Average Total Assets	1.38	1.60	1.58	1.92	2.01
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	1.50	1.52	1.58	1.92	2.01
6. Net Income/ Risk Weighted Assets	1.83	1.85	1.79	2.15	2.33
7. Fitch Comprehensive Income/ Risk Weighted Assets	1.68	1.94	1.79	2.15	2.33
<b>D. Capitalization</b>					
1. Fitch Core Capital/Weighted Risks	12.89	12.05	13.10	16.79	14.62
2. Fitch Eligible Capital/ Weighted Risks	n.a.	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	9.68	8.78	9.63	12.81	11.59
4. Tier 1 Regulatory Capital Ratio	12.63	11.41	12.76	16.47	13.97
5. Total Regulatory Capital Ratio	15.27	14.16	16.28	17.05	14.56
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	9.89	9.00	9.79	12.92	11.69
8. Cash Dividends Paid & Declared/ Net Income	12.68	6.87	5.33	6.44	4.33
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	13.75	6.53	5.33	6.44	4.33
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	12.08	13.91	12.68	11.88	15.07
<b>E. Loan Quality</b>					
1. Growth of Total Assets	17.02	27.41	51.27	40.88	19.70
2. Growth of Gross Loans	18.15	14.73	46.72	38.75	16.83
3. Impaired Loans(NPLs)/ Gross Loans	2.36	2.35	1.98	3.25	5.73
4. Reserves for Impaired Loans/ Gross loans	1.79	2.07	1.69	2.27	2.84
5. Reserves for Impaired Loans/ Impaired Loans	75.91	88.37	85.33	70.00	49.50
6. Impaired Loans less Reserves for Imp Loans/ Equity	3.76	1.97	2.13	5.59	18.65
7. Loan Impairment Charges/ Average Gross Loans	1.00	1.16	1.19	0.90	2.33
8. Net Charge-offs/ Average Gross Loans	0.46	0.26	0.51	0.41	1.66
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Asse	2.58	2.59	2.21	3.61	5.92
<b>F. Funding</b>					
1. Loans/ Customer Deposits	99.96	97.57	108.03	101.47	99.41
2. Interbank Assets/ Interbank Liabilities	228.79	534.33	743.79	350.71	427.11
3. Customer Deposits/ Total Funding excl Derivatives	75.54	76.54	77.23	88.71	91.15

## Kuveyt Turk Katilim Bankasi A.S

### Reference Data

	30 Jun 2013		31 Dec 2012		31 Dec 2011		31 Dec 2010		31 Dec 2009	
	6 Months - Interim	Interim	As % of	Year End	As % of	Year End	As % of	Year End	As % of	Year End
	USDm	TRYth	Assets	TRYth	Assets	TRYth	Assets	TRYth	Assets	Assets
<b>A. Off-Balance Sheet Items</b>										
1. Managed Securitizated Assets Reported Off-Balance Sheet	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-	n.a.
2. Other off-balance sheet exposure to securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-	n.a.
3. Guarantees	3,613.5	6,970,143.0	31.77	5,208,668.0	27.78	4,355,975.0	29.60	3,150,355.0	32.39	2,867,436.0
4. Acceptances and documentary credits reported off-balance sheet	703.1	1,356,222.0	6.18	1,091,784.0	5.82	685,703.0	4.66	579,853.0	5.96	463,195.0
5. Committed Credit Lines	11,683.5	22,536,326.0	102.73	1,606,271.0	8.57	1,629,641.0	11.08	n.a.	-	n.a.
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	1,284,671.0	13.21	1,924,469.0
7. Total Business Volume	27,373.7	52,801,154.0	240.68	26,654,005.0	142.18	21,385,674.0	145.34	14,742,178.0	151.55	12,159,626.0
8. Memo: Total Weighted Risks	8,522.6	16,439,332.0	74.93	13,634,569.0	72.73	10,793,167.0	73.35	7,406,813.0	76.14	5,465,599.0
9. Fitch Adjustments to Weighted Risks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
10. Fitch Adjusted Weighted Risks	8,522.6	16,439,332.0	74.93	13,634,569.0	72.73	10,793,167.0	73.35	7,406,813.0	76.14	5,465,599.0
<b>B. Average Balance Sheet</b>										
Average Loans	6,804.8	13,125,740.0	59.83	11,199,929.0	59.74	8,905,807.0	60.52	6,211,236.0	63.85	4,828,414.0
Average Earning Assets	8,012.1	15,454,471.0	70.44	12,925,524.0	68.95	9,584,002.0	65.13	6,876,407.0	70.69	5,365,322.0
Average Assets	10,397.8	20,056,270.0	91.42	16,544,595.0	88.25	12,220,827.0	83.05	8,315,913.0	85.49	6,362,280.0
Average Managed Securitizated Assets (OBS)	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Average Interest-Bearing Liabilities	9,086.4	17,526,821.0	79.89	14,163,931.0	75.55	10,384,844.0	70.58	6,891,621.0	70.85	5,321,907.0
Average Common equity	958.9	1,849,668.0	8.43	1,562,904.0	8.34	1,348,701.0	9.17	1,032,142.0	10.61	746,496.0
Average Equity	963.9	1,859,176.0	8.47	1,565,245.0	8.35	1,348,701.0	9.17	1,032,142.0	10.61	746,496.0
Average Customer Deposits	6,926.1	13,359,791.0	60.90	10,903,903.0	58.16	8,418,326.0	57.21	6,174,439.0	63.48	4,575,147.0
<b>C. Maturities</b>										
<b>Asset Maturities:</b>										
Loans & Advances < 3 months	3,794.3	7,318,818.0	33.36	4,045,164.0	21.58	3,106,731.0	21.11	1,976,570.0	20.32	1,721,047.0
Loans & Advances 3 - 12 Months	1,758.7	3,392,442.0	15.46	4,256,661.0	22.71	3,799,680.0	25.82	2,457,484.0	25.26	1,694,687.0
Loans and Advances 1 - 5 Years	1,530.8	2,952,793.0	13.46	3,243,920.0	17.30	3,218,679.0	21.87	2,619,790.0	26.93	1,639,783.0
Loans & Advances > 5 years	184.4	355,689.0	1.62	321,606.0	1.72	257,765.0	1.75	1,444.0	0.01	13.0
Debt Securities < 3 Months	70.6	136,209.0	0.62	46,475.0	0.25	74,338.0	0.51	12,451.0	0.13	16,424.0
Debt Securities 3 - 12 Months	9.7	18,715.0	0.09	2,143.0	0.01	12,882.0	0.09	20,260.0	0.21	1,057.0
Debt Securities 1 - 5 Years	465.4	897,683.0	4.09	404,984.0	2.16	6,542.0	0.04	0.0	0.00	0.0
Debt Securities > 5 Years	4.4	8,542.0	0.04	136,075.0	0.73	0.0	0.00	0.0	0.00	0.0
Interbank < 3 Months	692.4	1,335,481.0	6.09	633,024.0	3.38	n.a.	-	n.a.	-	n.a.
Interbank 3 - 12 Months	30.6	59,094.0	0.27	2,143.0	0.01	n.a.	-	n.a.	-	n.a.
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
<b>Liability Maturities:</b>										
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Other Deposits < 3 Months	6,754.6	13,028,874.0	59.39	11,095,837.0	59.19	8,346,607.0	56.72	6,084,539.0	62.55	4,358,730.0
Other Deposits 3 - 12 Months	613.9	1,184,099.0	5.40	978,067.0	5.22	944,651.0	6.42	478,132.0	4.92	408,837.0
Other Deposits 1 - 5 Years	78.2	150,768.0	0.69	381,831.0	2.04	512,139.0	3.48	552,366.0	5.68	466,273.0
Other Deposits > 5 Years	0.0	0.0	0.00	n.a.	-	0.0	0.00	0.0	0.00	0.0
Interbank < 3 Months	304.1	586,604.0	2.67	205,235.0	1.09	113,422.0	0.77	91,591.0	0.94	96,044.0
Interbank 3 - 12 Months	75.9	146,391.0	0.67	91,187.0	0.49	0.0	0.00	151,188.0	1.55	28,373.0
Interbank 1 - 5 Years	11.9	22,929.0	0.10	0.0	0.00	0.0	0.00	23,552.0	0.24	0.0
Interbank > 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Total Subordinated Debt on Balance Sheet	202.7	390,997.0	1.78	361,661.0	1.93	386,681.0	2.63	0.0	0.00	0.0
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
<b>D. Equity Reconciliation</b>										
1. Equity	1,124.7	2,169,474.0	9.89	1,686,762.0	9.00	1,440,429.0	9.79	1,256,972.0	12.92	807,312.0
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
4. Published Equity	1,124.7	2,169,474.0	9.89	1,686,762.0	9.00	1,440,429.0	9.79	1,256,972.0	12.92	807,312.0
<b>E. Fitch Eligible Capital Reconciliation</b>										
1. Total Equity as reported (including non-controlling interests)	1,124.7	2,169,474.0	9.89	1,686,762.0	9.00	1,440,429.0	9.79	1,256,972.0	12.92	807,312.0
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
5. Other intangibles	26.1	50,436.0	0.23	43,652.0	0.23	26,454.0	0.18	13,053.0	0.13	8,187.0
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
<b>9. Fitch Core Capital</b>	<b>1,098.6</b>	<b>2,119,038.0</b>	<b>9.66</b>	<b>1,643,110.0</b>	<b>8.76</b>	<b>1,413,975.0</b>	<b>9.61</b>	<b>1,243,919.0</b>	<b>12.79</b>	<b>799,125.0</b>
10. Eligible weighted Hybrid capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
<b>12. Fitch Eligible Capital</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>

Exchange Rate

USD1 = TRY1.92890

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