

Kuveyt Türk Katılım Bankası Anonim Şirketi

**Independent auditor's audit report, unconsolidated financial
statements and notes for the period ended 1 January-30 September
2019 with independent auditor's limited review report**

*(Convenience translation of unconsolidated financial statements and
independent auditor's audit report originally issued in Turkish)*

(Convenience translation of the auditor's report originally issued in Turkish ~ See Note I of Section Three)

REVIEW REPORT ON UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the unconsolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (the “Bank”) at September 30, 2019 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated of interim financial information in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency(“BRSA”) and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Financial Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by BRSA Legislation; together referred as “BRSA Accounting and Financial Reporting Legislation”. Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the unconsolidated financial position of Kuveyt Türk Katılım Bankası A.Ş. at September 30, 2019, and the results of its operations and its unconsolidated cash flows for the nine-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VIII, are not consistent, in all material respects, with the reviewed unconsolidated financial statements and disclosures.

Other Matter

The unconsolidated financial statements of the Bank as at 31 December 2018 and 30 September 2018 were audited and reviewed by another audit firm, which expressed an unqualified opinion and an unqualified conclusion in their reports issued on 26 February 2019 and 14 November 2018, respectively.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with “BRSA Accounting and Financial Reporting Legislation” and the accounting principles generally accepted in countries in which the accompanying unconsolidated 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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A Member Firm of Ernst&Young Global Limited

Emre Çelik, SMMM
Associate Partner

11 November 2019
İstanbul, Turkey

Index

Section One General information

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	1
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	1
III.	Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the bank	1
IV.	Information on qualified shareholders	2
V.	Explanations of the Bank's services and field of operations	2
VI.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries	2

Section Two The unconsolidated financial statements

I.	Balance sheet (Statement of financial position)	3
II.	Statement of off-balance sheet items	5
III.	Income Statement	6
IV.	Statement of income/expense items accounted under shareholder's equity	7
V.	Statement of changes in shareholders' equity	8
VI.	Statement of cash flows	9

Section Three Accounting principles

I.	Explanations on basis of presentation	10
II.	Explanations on strategy of using financial instruments and foreign currency transactions	13
III.	Information on subsidiaries and associates	13
IV.	Explanations on forward transactions and option contracts and derivative instruments	14
V.	Explanations on profit share income and expense	14
VI.	Explanations on fees and commission income and expenses	15
VII.	Explanations on financial assets	15
VIII.	Explanations on offsetting of financial assets and liabilities	17
IX.	Explanations on sale and repurchase agreements and lending of securities	17
X.	Explanations on assets held for sale and discontinued operations and related liabilities	17
XI.	Explanations on goodwill and other intangible assets	17
XII.	Explanations on tangible assets	18
XIII.	Explanations on leasing transactions	18
XIV.	Explanations on provisions and contingent liabilities	21
XV.	Explanations on liabilities relating to employee benefits	21
XVI.	Explanations on taxation	21
XVII.	Explanations on additional disclosures on borrowings	23
XVIII.	Explanations on share certificates issued	23
XIX.	Explanations on acceptances and availed drafts	23
XX.	Explanations on government grants	23
XXI.	Explanations on segment reporting	23
XXII.	Explanations on other matters	23

Section Four Information related to financial position and risk management of the Bank

I.	Explanations on equity items	24
II.	Explanations on currency risk	27
III.	Explanations related to stock position risk	29
IV.	Liquidity risk management and liquidity coverage ratio	30
V.	Explanations on leverage ratio	35
VI.	Explanations on hedge accounting practices	36
VII.	Explanations on risk management	38
VIII.	Securitization positions	39
IX.	Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions	39
X.	Explanations on business segments	39

Section Five Explanations and notes on the unconsolidated financial statements

I.	Explanations and notes related to assets	41
II.	Explanations and notes related to liabilities	55
III.	Explanations and notes related to off-balance sheet contingencies and commitments	63
IV.	Explanations and notes related to the statement of income	63
V.	Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity	68
VI.	Explanations and notes related to cash flow statement	68
VII.	Explanations and notes related to the risk group of the Bank	68
VIII.	Significant events and matters arising subsequent to balance sheet date	69

Section Six Other Explanations

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	70
----	---	----

Section Seven Independent Limited Review Report

I.	Explanations on the limited review report	70
II.	Notes and disclosures prepared by the independent auditor	70

Section Eight Interim Report

I.	Explanations on interim annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager	70
----	---	----

THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TRK KATILIM BANKASI A..
FOR THE NINE-MONTH PERIOD THEN ENDED 30 SEPTEMBER 2019

Address of the head office : Bykdere Cad. No: 129/1 34394 Esentepe / İSTANBUL
Phone 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 interim financial report for the nine-month period prepared in accordance with the Communiqu  of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

The unconsolidated financial statements for the nine-month period and related disclosures and footnotes that are subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira.

Adnan ERTEM Vice Chairman of BOD 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 YEİLYURT Budget and Management Reporting

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

Name-Surname/Position: İsmail Hakkı YEİLYURT/ Budget and Management Reporting

Telephone: 0212 354 12 84

Facsimile: 0212 354 11 03

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

SECTION ONE

GENERAL INFORMATION

1. 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.

2. 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 30 September 2019, 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.

3. Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares 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	-
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	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006		Bachelor	%0.0105
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Salah Abdullatif AL MUDHAF	Member of BOD	30/04/2019		Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmad S. A.A. 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	%0.0566
Ahmet KARACA	Assistant General Manager, Chief Financial Officer	12/07/2006		Master	%0.0007
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	%0.0038
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005		Bachelor	%0.0174
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	%0.0012
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012		Bachelor	%0.0060
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012		Bachelor	%0.0050
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015		Bachelor	%0.0049

*Mr. Khaled Nasser Abdulaziz AL FOUZAN, who has been a member of the Board of Directors since 02/08/2006, resigned from his position as of 30/04/2019.

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.12% of the Bank's share capital (31 December 2018 – 0.11%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

4. Information on qualified shareholders

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,489,651	%62.24	2,489,651	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	748,771	%18.72	748,771	-
Total	3,238,422	%80.96	3,238,422	-

As of 30 September 2019, the shares of parent shareholder of Bank, Kuwait Finance House (“KFH”) are 51.95% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

5. 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 30 September 2019, the Bank is operating through 425 domestic branches (31 December 2018 – 414) with 5,958 employees (31 December 2018 – 5,871). 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 community in the light of 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.

6. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Bank and its subsidiaries:

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Items
- III. Income Statement (Statement of Profit/Loss)
- IV. Statement of Income/Expense and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2019
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

1. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

		Audited Current Period 30.09.2019			Reviewed Prior Period 31.12.2018		
ASSETS	Note	TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		3,709,436	34,977,258	38,686,694	3,647,527	19,934,154	23,581,681
1.1 Cash and Cash Equivalents		1,337,250	22,982,123	24,319,373	1,160,217	15,594,242	16,754,459
1.1.1 Cash and Balances with Central Bank	(5.1.1.)	1,314,999	12,602,585	13,917,584	1,183,109	9,252,979	10,436,088
1.1.2 Banks	(5.1.3.)	22,382	10,381,564	10,403,946	14,736	6,404,912	6,419,648
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Credit Loss (-)		131	2,026	2,157	37,628	63,649	101,277
1.2 Financial Assets at Fair Value Through Profit or Loss		66,404	2,521,517	2,587,921	292,978	96,168	389,146
1.2.1 Government Debt Securities		61,061	2,501,861	2,562,922	18,327	11,770	30,097
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		5,343	19,656	24,999	274,651	84,398	359,049
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	2,176,660	9,086,960	11,263,620	2,164,849	4,231,216	6,396,065
1.3.1 Government Debt Securities		2,072,685	8,539,985	10,612,670	2,065,421	3,804,519	5,869,940
1.3.2 Equity Instruments		13,510	23,785	37,295	10,502	17,046	27,548
1.3.3 Other Financial Assets		90,465	523,190	613,655	88,926	409,651	498,577
1.4. Derivative Financial Assets	(5.1.2.)	129,122	386,658	515,780	29,483	12,528	42,011
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		129,122	386,658	515,780	29,483	12,528	42,011
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	30,695,699	22,315,393	53,011,092	31,029,723	14,804,843	45,834,566
2.1 Loans		31,757,540	19,374,638	51,132,178	31,238,479	14,109,856	45,348,335
2.2 Leasing Receivables	(5.1.10.)	1,308,347	1,170,048	2,478,395	1,439,955	1,010,744	2,450,699
2.3 Other Financial Assets Measured At Amortized Cost	(5.1.6.)	-	2,427,959	2,427,959	-	-	-
2.3.1 Government Debt Securities		-	2,427,959	2,427,959	-	-	-
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Loss (-)		2,370,188	657,252	3,027,440	1,648,711	315,757	1,964,468
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)		468,619	-	468,619	270,382	-	270,382
3.1 Held For Sale		468,619	-	468,619	270,382	-	270,382
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		564,851	-	564,851	547,950	-	547,950
4.1 Investments in Associates (Net)	(5.1.7.)	-	-	-	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Investment in Subsidiaries (Net)	(5.1.8.)	544,851	-	544,851	522,950	-	522,950
4.2.1 Unconsolidated Financial Subsidiaries		521,171	-	521,171	499,270	-	499,270
4.2.2 Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
4.3 Investment in Joint Ventures (Net)	(5.1.9.)	20,000	-	20,000	25,000	-	25,000
4.3.1 Joint Ventures Valued Based on Equity Method		20,000	-	20,000	25,000	-	25,000
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		982,255	974	983,229	688,685	203	688,888
VI. INTANGIBLE ASSETS (Net)		123,960	30	123,990	136,931	48	136,979
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		123,960	30	123,990	136,931	48	136,979
VII. INVESTMENT PROPERTIES (Net)		25,186	-	25,186	25,305	-	25,305
VIII. CURRENT TAX ASSETS		4,427	-	4,427	-	-	-
IX. DEFERRED TAX ASSETS	(5.1.12.)	275,500	-	275,500	346,640	-	346,640
X. OTHER ASSETS	(5.1.13.)	925,532	791,080	1,716,612	817,583	1,982,351	2,799,934
TOTAL ASSETS		37,775,465	58,084,735	95,860,200	37,510,726	36,721,599	74,232,325

In the Official Gazette dated 1 February 2019 and numbered 30673, the notification on the Amendment to the notification on the Financial Statements to be Announced to Public by Banks and the Disclosures and Disclosures Related to these, as well as the Financial Statement formats announced by the Banks were changed. Based on this amendment, the prior year financial statements are restated in order to be comparable with the current period financial statements.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2019
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

					Audited Current Period 30.09.2019			Reviewed Prior Period 31.12.2018
LIABILITIES		Note	TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1.)	29,265,637	47,169,923	76,435,560	22,520,320	31,465,958	53,986,278
II.	FUNDS BORROWED	(5.2.3.)	1,693,050	5,351,737	7,044,787	2,038,900	8,103,989	10,142,889
III.	MONEY MARKETS		-	-	-	188,003	-	188,003
IV.	SECURITIES ISSUED (Net)		-	-	-	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		27,045	155,354	182,399	21,045	148,288	169,333
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	27,045	9,282	36,327	21,045	41,936	62,981
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.6.)	-	146,072	146,072	-	106,352	106,352
VII.	LEASE PAYABLES	(5.2.5.)	292,739	13,371	306,110	-	-	-
VIII.	PROVISIONS	(5.2.7.)	763,328	138,611	901,939	615,510	180,385	795,895
8.1	Restructuring Provision		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		249,592	424	250,016	228,323	318	228,641
8.3	Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4	Other Provisions		513,736	138,187	651,923	387,187	180,067	567,254
IX.	CURRENT TAX LIABILITIES	(5.2.8.1.)	-	-	-	175,685	-	175,685
X.	DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.9.)	-	-	-	-	-	-
11.1	Held For Sale		-	-	-	-	-	-
11.2	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.10.)	-	3,147,163	3,147,163	-	1,901,210	1,901,210
12.1	Loans		-	-	-	-	-	-
12.2	Other Debt Instruments		-	3,147,163	3,147,163	-	1,901,210	1,901,210
XIII.	OTHER LIABILITIES	(5.2.4.)	1,177,523	292,813	1,470,336	1,282,540	151,939	1,434,479
XIV.	SHAREHOLDERS' EQUITY	(5.2.11.)	6,338,152	33,754	6,371,906	5,489,985	(51,432)	5,438,553
14.1	Paid-in Capital		3,995,766	-	3,995,766	3,497,322	-	3,497,322
14.2	Capital Reserves		24,489	-	24,489	22,933	-	22,933
14.2.1	Share Premiums		23,250	-	23,250	22,933	-	22,933
14.2.2	Share Cancellation Profits		1,239	-	1,239	-	-	-
14.2.3	Other Capital Reserves		-	-	-	-	-	-
14.3	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(13,296)	-	(13,296)	(13,296)	-	(13,296)
14.4	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		48,772	33,754	82,526	(29,522)	(51,432)	(80,954)
14.5	Profit Reserves		1,469,385	-	1,469,385	1,107,196	-	1,107,196
14.5.1	Legal Reserves		228,723	-	228,723	184,578	-	184,578
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		1,170,797	-	1,170,797	923,536	-	923,536
14.5.4	Other Profit Reserves		69,865	-	69,865	(918)	-	(918)
14.6	Profit or Loss		813,036	-	813,036	905,352	-	905,352
14.6.1	Prior Years' Profits or Losses		35,540	-	35,540	35,540	-	35,540
14.6.2	Current Period Net Profit or Loss		777,496	-	777,496	869,812	-	869,812
14.7	Minority Shares	(5.2.12.)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY			39,557,474	56,302,726	95,860,200	32,331,988	41,900,337	74,232,325

In the Official Gazette dated 1 February 2019 and numbered 30673, the notification on the Amendment to the notification on the Financial Statements to be Announced to Public by Banks and the Disclosures and Disclosures Related to these, as well as the Financial Statement formats announced by the Banks were changed. Based on this amendment, the prior year financial statements are restated in order to be comparable with the current period financial statements.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 30 SEPTEMBER 2019

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Audited Current Period 30.09.2019			Reviewed Prior Period 31.12.2018		
	Note	TL	FC	Total	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	65,100,671	48,660,947	113,761,618	57,546,517	29,226,698	86,773,215
I.	GUARANTEES AND WARRANTIES	(5.3.1.) 6,920,238	4,873,648	11,793,886	6,416,633	5,451,457	11,868,090
1.1.	Letters of Guarantee	6,590,497	3,454,357	10,044,854	6,206,886	4,182,512	10,389,398
1.1.1	Guarantees Subject to State Tender Law	219,911	78,787	298,698	217,252	174,971	392,223
1.1.2	Guarantees Given For Foreign Trade Operations	393,460	77,640	471,100	371,535	167,020	538,555
1.1.3	Other Letters of Guarantee	5,977,126	3,297,930	9,275,056	5,618,099	3,840,521	9,458,620
1.2	Bank Loans	12,138	45,163	57,301	17,516	56,582	74,098
1.2.1	Import Letter of Acceptances	12,138	45,163	57,301	17,516	56,582	74,098
1.2.2	Other Bank Acceptances	-	-	-	-	-	-
1.3	Letters of Credit	13,562	1,232,793	1,246,355	11,512	1,068,364	1,079,876
1.3.1	Documentary Letters of Credit	164	322,340	322,504	367	215,062	215,429
1.3.2	Other Letters of Credit	13,398	910,453	923,851	11,145	853,302	864,447
1.4	Guaranteed Refinancing	-	-	-	-	-	-
1.5	Endorsements	-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2	Other Endorsements	-	-	-	-	-	-
1.6	Other Guarantees	304,041	141,335	445,376	180,719	143,999	324,718
1.7	Other Warranties	-	-	-	-	-	-
II.	COMMITMENTS	(5.3.1.) 51,907,235	2,327,161	54,234,396	50,194,084	1,327,223	51,521,307
2.1	Irrevocable Commitments	4,602,268	2,327,161	6,929,429	3,572,418	1,327,223	4,899,641
2.1.1	Forward Asset Purchase and Sales Commitments	459,243	2,264,576	2,723,819	345,756	1,327,223	1,672,979
2.1.2	Share Capital Commitment to Associates and Subsidiaries	-	-	-	-	-	-
2.1.3	Loan Granting Commitments	330,637	-	330,637	214,413	-	214,413
2.1.4	Securities Underwriting Commitments	-	-	-	-	-	-
2.1.5	Commitments For Reserve Deposits Requirements	-	-	-	-	-	-
2.1.6	Payment Commitments For Checks	1,318,604	-	1,318,604	1,136,474	-	1,136,474
2.1.7	Tax and Fund Liabilities From Export Commitments	-	-	-	-	-	-
2.1.8	Commitments For Credit Card Expenditure Limits	2,473,846	-	2,473,846	1,858,018	-	1,858,018
2.1.9	Commitments For Credit Cards and Banking Services Promotions	2,181	-	2,181	-	-	-
2.1.10	Receivables From Short Sale Commitments	-	-	-	-	-	-
2.1.11	Payables For Short Sale Commitments	-	-	-	-	-	-
2.1.12	Other Irrevocable Commitments	17,757	62,585	80,342	17,757	-	17,757
2.2	Revocable Commitments	47,304,967	-	47,304,967	46,621,666	-	46,621,666
2.2.1	Revocable Loan Granting Commitments	47,304,967	-	47,304,967	46,621,666	-	46,621,666
2.2.2	Other Revocable Commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	6,273,198	41,460,138	47,733,336	935,800	22,448,018	23,383,818
3.1	Derivative Financial Instruments Held For Risk Management	-	2,304,345	2,304,345	-	2,165,533	2,165,533
3.1.1	Fair Value Hedges	-	-	-	-	-	-
3.1.2	Cash Flow Hedges	-	2,304,345	2,304,345	-	2,165,533	2,165,533
3.1.3	Hedge of Net Investment in Foreign Operations	-	-	-	-	-	-
3.2.	Held For Trading Transactions	6,273,198	39,155,793	45,428,991	935,800	20,282,485	21,218,285
3.2.1	Forward Foreign Currency Buy/Sell Transactions	919,031	1,185,688	2,104,719	652,622	1,755,501	2,408,123
3.2.1.1	Forward Foreign Currency Buy Transactions	499,327	557,534	1,056,861	347,631	862,093	1,209,724
3.2.1.2	Forward Foreign Currency Sell Transactions	419,704	628,154	1,047,858	304,991	893,408	1,198,399
3.2.2	Other Forward Buy/Sell Transactions	5,354,167	37,970,105	43,324,272	283,178	18,526,984	18,810,162
3.3	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)	363,593,543	155,963,431	519,556,974	316,497,679	142,487,425	458,985,104
IV.	ITEMS HELD IN CUSTODY	11,943,988	12,851,609	24,795,597	10,816,866	5,644,771	16,461,637
4.1	Customers' Securities Held	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	3,510,490	332,891	3,843,381	2,159,381	156,528	2,315,909
4.3	Checks Received for Collection	6,783,397	851,388	7,634,785	7,157,340	906,367	8,063,707
4.4	Commercial Notes Received for Collection	1,650,101	264,915	1,915,016	1,500,145	242,668	1,742,813
4.5	Other Assets Received for Collection	-	-	-	-	-	-
4.6	Assets Received for Public Offering	-	-	-	-	-	-
4.7	Other Items Under Custody	-	-	-	-	-	-
4.8	Custodians	-	11,402,415	11,402,415	-	4,339,208	4,339,208
V.	PLEDGED ITEMS	351,637,916	143,045,708	494,683,624	305,669,174	136,780,695	442,449,869
5.1	Marketable Securities	190,137	104,466	294,603	185,945	99,786	285,731
5.2	Guarantee Notes	101,727	2,282,278	2,384,005	101,681	2,133,522	2,235,203
5.3	Commodity	7,959,478	679,774	8,639,252	6,094,405	633,381	6,727,786
5.4	Warranty	-	-	-	-	-	-
5.5	Properties	119,272,735	2,882,425	122,155,160	112,015,122	2,715,023	114,730,145
5.6	Other Pledged Items	224,113,839	137,096,765	361,210,604	187,272,021	131,198,983	318,471,004
5.7	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES	11,639	66,114	77,753	11,639	61,959	73,598
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		428,694,214	204,624,378	633,318,592	374,044,196	171,714,123	545,758,319

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT (STATEMENT OF PROFIT/LOSS)
AS OF 30 SEPTEMBER 2019

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

3. INCOME STATEMENT

			Audited Current Period 01.01.2019- 30.09.2019	Audited Current Period 01.07.2019- 30.09.2019	Reviewed Prior Period 01.01.2018- 30.09.2018	Reviewed Prior Period 01.07.2018- 30.09.2018
	Note					
I.	PROFIT SHARE INCOME	(5.4.1.)	5,625,937	1,956,885	4,252,337	1,666,486
1.1	Profit Share on Loans		4,567,860	1,559,108	3,609,059	1,385,902
1.2	Profit Share on Reserve Deposits		86,478	26,915	64,436	24,124
1.3	Profit Share on Banks		183,121	67,824	119,782	73,524
1.4	Profit Share on Money Market Placements		-	-	-	-
1.5	Profit Share on Marketable Securities Portfolio		543,786	220,913	258,872	101,261
1.5.1	Fair Value Through Profit or Loss		41,846	20,118	15,274	10,258
1.5.2	Fair Value Through Other Comprehensive Income		447,314	180,542	243,598	91,003
1.5.3	Measured at Amortised Cost		54,626	20,253	-	-
1.6	Finance Lease Income		190,980	63,182	178,030	74,353
1.7	Other Profit Share Income		53,712	18,943	22,158	7,322
II.	PROFIT SHARE EXPENSE		3,087,599	1,055,347	1,949,100	799,821
2.1	Expense on Profit Sharing Accounts	(5.4.4.)	2,344,683	827,454	1,322,435	535,966
2.2	Profit Share Expense on Funds Borrowed	(5.4.2.)	695,399	211,783	598,263	259,071
2.3	Profit Share Expense on Money Market Borrowings		2,514	-	28,388	4,784
2.4	Expense on Securities Issued		-	-	-	-
2.5	Profit Share Expense on Lease		45,003	16,110	14	-
2.6	Other Profit Share Expense		-	-	-	-
III.	NET PROFIT SHARE INCOME (I - II)		2,538,338	901,538	2,303,237	866,665
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		339,638	109,726	259,658	90,773
4.1	Fees And Commissions Received		565,732	189,518	391,062	138,977
4.1.1	Non-Cash Loans		107,360	35,338	90,500	30,288
4.1.2	Other		458,372	154,180	300,562	108,689
4.2	Fees And Commissions Paid		226,094	79,792	131,404	48,204
4.2.1	Non-Cash Loans		16	5	20	6
4.2.2	Other	(5.4.13.)	226,078	79,787	131,384	48,198
V.	DIVIDEND INCOME	(5.4.3.)	2,922	-	1,227	-
VI.	NET TRADING INCOME / LOSS	(5.4.5.)	886,401	321,374	347,434	257,985
6.1	Capital Market Transaction Gains/Losses		26,935	7,620	1,074	(1,908)
6.2	Gains/Losses From Derivative Financial Instruments		955,199	796,066	113,725	(179,206)
6.3	Foreign Exchange Gains/Losses		(95,733)	(482,312)	232,635	439,099
VII.	OTHER OPERATING INCOME	(5.4.6.)	802,190	175,566	402,815	192,760
VIII.	NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		4,569,489	1,508,204	3,314,371	1,408,183
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	2,152,806	780,625	1,286,359	722,558
X.	OTHER PROVISIONS (-)	(5.4.8.)	36,281	904	38,416	26,768
XI.	PERSONNEL EXPENSES (-)		762,689	238,601	627,137	227,834
XII.	OTHER OPERATING EXPENSES (-)		645,647	260,261	476,913	156,760
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		972,066	227,813	885,546	274,263
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES		-	-	-	-
XV.	CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII.	TAXES (XII+...+XV)	(5.4.9.)	972,066	227,813	885,546	274,263
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(194,570)	(51,784)	(217,806)	(85,827)
18.1	Current Tax Provision		(172,329)	4,427	(278,455)	(133,791)
18.2	Deferred Tax Income Effect (+)		194,309	56,211	26,837	10,825
18.3	Deferred Tax Expense Effect (-)		172,068	-	87,486	58,789
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.11.)	777,496	176,029	667,740	188,436
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1	Income on Non-Current Assets Held For Sale		-	-	-	-
20.2	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-	-	-
20.3	Income on Other Discontinued Operations		-	-	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Expenses From Non-Current Assets Held For Sale		-	-	-	-
21.2	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-	-	-
21.3	Expenses From Other Discontinued Operations		-	-	-	-
XXII.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1	Current Tax Provision		-	-	-	-
23.2	Deferred Tax Expense Effect (+)		-	-	-	-
23.3	Deferred Tax Income Effect (-)		-	-	-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXV.	NET PROFIT/LOSS (XVII+XXII)	(5.4.12.)	777,496	176,029	667,740	188,436
25.1	Group's Income/Loss		777,496	176,029	667,740	188,436
25.2	Minority Interest Income/Loss (-)		-	-	-	-
	Earnings Per Share Income/Loss		-	-	-	-

In the Official Gazette dated 1 February 2019 and numbered 30673, the notification on the Amendment to the notification on the Financial Statements to be Announced to Public by Banks and the Disclosures and Disclosures Related to these, as well as the Financial Statement formats announced by the Banks were changed. Based on this amendment, the prior year financial statements are restated in order to be comparable with the current period financial statements.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2019

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

4. STATEMENT OF INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	Audited Current Period 30.09.2019	Reviewed Prior Period 30.09.2018
I. CURRENT PROFIT (LOSS)	777,496	667,740
II. OTHER COMPREHENSIVE INCOME	163,480	(96,739)
2.1 Other Comprehensive Income Not Reclassified Through Profit Or Loss	-	-
2.1.1 Property And Equipment Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-	-
2.1.5 Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2 Other Comprehensive Income Reclassified Through Profit Or Loss	163,480	(96,739)
2.2.1 Foreign Currency Translation Difference	-	-
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	229,373	(205,714)
2.2.3 Cash Flow Hedge Income/Loss	(16,994)	77,125
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss	(48,899)	31,850
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	940,976	571,001

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2019

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

5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

						Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss								
	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Net Prfit/Loss for the Period	Shareholders' Equity Less Minority Shares	Minority Shares)	Total Shareholders' Equity
Prior Period (01/01/2018 – 30/09/2018)																	
I.	Prior Period Ending Balance	3,097,322	22,933	-	-	-	(26,947)	-	-	(10,583)	(4,582)	839,017	673,991	-	4,591,151	-	4,591,151
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540
III.	Adjusted Beginning Balance (I+II)	3,097,322	22,933	-	-	-	(26,947)	-	-	(10,583)	(4,582)	839,017	709,531	-	4,626,691	-	4,626,691
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	(156,896)	60,157	-	-	667,740	571,001	-	571,001
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Reserves	400,000	-	-	-	-	-	-	-	-	-	(400,000)	-	-	-	-	-
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	(559)	-	-	(559)	-	(559)
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	669,097	(673,991)	-	(4,894)	-	(4,894)
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	669,097	(669,097)	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV+.....+X+XI)		3,497,322	22,933	-	-	-	(26,947)	-	-	(167,479)	55,575	1,107,555	35,540	667,740	5,192,239	-	5,192,239
Current Period (01/01/2019 – 30/09/2019)																	
I.	Prior Period Ending Balance	3,497,322	22,933	-	-	-	(13,296)	-	-	(117,150)	36,196	1,107,196	905,352	-	5,438,553	-	5,438,553
II.	Corrections and Accounting Policy Changes Made According to TAS 8(*)	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	3,497,322	22,933	-	-	-	(13,296)	-	-	(88,537)	7,583	1,107,196	905,352	-	5,438,553	-	5,438,553
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	176,735	(13,255)	-	-	777,496	940,976	-	940,976
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Reserves	500,000	-	-	-	-	-	-	-	-	-	(500,000)	-	-	-	-	-
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes	(1,556)	317	1,239	-	-	-	-	-	-	-	(1,077)	-	-	(1,077)	-	(1,077)
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	863,266	(869,812)	-	(6,546)	-	(6,546)
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(6,546)	-	(6,546)	-	(6,546)
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	863,266	(863,266)	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV+.....+X+XI)		(5.2.11.) 3,995,766	23,250	1,239	-	-	(13,296)	-	-	88,198	(5,672)	1,469,385	35,540	777,496	6,371,906	-	6,371,906

(*) Related classification has been made in order to transition between Accumulated Other Comprehensive Income and Expenses to be reclassified in profit or loss.

- 1.Accumulated Revaluation Increase / Decrease of Fixed Assets
- 2.Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan
- 3.Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
- 4.Foreign Currency Transition Differences
- 5.Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income
- 6.Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS AS OF 30 SEPTEMBER 2019

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

6. STATEMENT OF CASH FLOWS

		Audited Current Period	Revised Prior Period
	Note	01.01.2019- 30.09.2019	01.01.2018- 30.09.2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Assets And Liabilities From Banking Operations	212,910	2,283,655
1.1.1	Profit Share Income Received	6,073,594	3,960,434
1.1.2	Profit Share Expense Paid	(3,063,720)	(1,691,719)
1.1.3	Dividends Received	2,922	1,050
1.1.4	Fees And Commissions Received	569,369	395,593
1.1.5	Other Income	(303,030)	421,452
1.1.6	Collections From Previously Written Off Loans	132,549	101,182
1.1.7	Payments to Personnel And Service Suppliers	(755,721)	(571,088)
1.1.8	Taxes Paid	(594,716)	(215,638)
1.1.9	Others	(1,848,337)	(117,611)
1.2	Changes in Assets And Liabilities From Banking Operations	11,053,156	(2,017,986)
1.2.1	Net (Increase) Decrease Held For Trading Financial Assets	(2,297,895)	(182,755)
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(2,138,246)	-
1.2.3	Net (Increase) Decrease in Due From Banks And Other Financial Institutions	(6,709,183)	(3,873,246)
1.2.4	Net (Increase) Decrease in Loans	1,094,200	(14,811,142)
1.2.5	Net (Increase) Decrease in Other Assets	(235,612)	(1,614,021)
1.2.6	Net Increase (Decrease) in Bank Deposits	22,650,062	211,169
1.2.7	Net Increase (Decrease) in Other Deposits	-	15,109,299
1.2.8	Net Increase (Decrease) in Funds Borrowed	(3,087,149)	2,801,839
1.2.9	Net Increase (Decrease) in Due Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	1,776,979	340,871
I.	Net Cash Provided From / (Used in) Banking Operations	11,266,066	265,669
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided From / (Used in) Investing Activities	(7,367,608)	(361,040)
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	(16,901)	-
		-	16,901
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		
2.3	Fixed Assets Purchases	(21,908)	(19,086)
2.4	Fixed Assets Sales	19,976	7,274
	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(2,564,444)
2.5		(6,750,482)	
	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		
2.6		1,816,819	2,236,802
2.7	Cash Paid For Purchase of Investment Securities	(2,427,959)	-
2.8	Cash Obtained From Sale of Investment Securities	-	-
2.9	Other	12,847	(38,487)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided From / (Used in) Financing Activities	(43,222)	(4,894)
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	-	(4,894)
3.5	Payments For Finance Leases	(43,222)	-
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.5.4)	52,456
V.	Net Increase (Decrease) in Cash And Cash Equivalents	5,327,548	(47,809)
VI.	Cash And Cash Equivalents at The Beginning of The Period	(5.5.1)	5,595,655
VII.	Cash And Cash Equivalents at The End of The Period	(5.5.1)	5,547,846

(*) As of 30.09.2019, it includes the payments related to the leases taken in the financial statements within the scope of “ TFRS 16 Leases” which has been implemented since 01.01.2019.

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

1.1. 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 “Regulation On The Procedures And Principles For Accounting Practices And Retention Of Documents By Banks” published in the Official Gazette dated 1 November 2006 with numbered 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Agency (“BRSA”) as well as the circulars and pronouncements published by the BRSA. For matters not regulated by the aforementioned legislations, the Bank prepares its financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, which comprises the terms of the Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority.

Additional paragraph for convenience translation

The differences between the standards set out by BRSA Accounting and Financial Reporting Legislation 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 in the accompanying financial statements. Accordingly, the accompanying 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.

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

The financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss, and the financial assets and liabilities at fair value through other comprehensive income that are measured at fair values.

The preparation of unconsolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the Bank management to make assumptions and estimates with respect to the assets and liabilities on the balance sheet and contingent issues outstanding as of the balance sheet date. These assumptions and estimates mainly consist of calculations of the fair values of financial instruments and the impairment on assets. The assumptions and estimates are reviewed regularly and, when necessary, appropriate corrections are made and the effects of such corrections are reflected on the income statement.

1.3. Changes in accounting estimates, errors and classifications

If changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. There were no significant changes in the accounting estimates of the Bank in the current year. Significant accounting errors are applied retrospectively and prior period financial statements are restated.

1.4. Preparation of the financial statements as regards to 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”). As per the BRSA decision numbered 1623 and dated 21 April 2005 and the BRSA circular dated 28 April 2005 it was stated that the indicators for the application of inflation accounting were no longer applicable. Consequently as of 1 January 2005, the inflation accounting has not been applied.

1.5. Disclosures Regarding TFRS 9 Financial Instruments:

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced “TAS 39: Financial Instruments: Recognition and Measurement.” standard.

TFRS 9 also includes new principles for general hedge accounting which aims to harmonize hedge accounting with risk management applications. In the admission of the accounting policies, TFRS 9 presents the option of postponing the adoption of TFRS 9 hedge accounting and continuing to apply the hedge accounting provisions of TAS 39. Within this context, the Bank continues to apply the hedge accounting provisions of TAS 39.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

All recognized financial assets that are within the scope of TFRS 9 are required to be initially measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount outstanding, are generally measured at Fair Value Through Other Comprehensive Income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

Dividends obtained from such investments are accounted in the financial statements as profit or loss unless they are evidently a part of the recoverable cost of investment.

As a result of the combination of contractual cash flow characteristics and business models, the differences in the classification of financial assets are reflected in the financial statements compared to the current classification in TAS 39.

During the first recognition of a financial asset into the financial statements, business model determined by the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

Classification And Measurement of Financial Instruments:

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “solely payments of principal and profit share” (SPPI).

As per TFRS 9, financial assets at fair value through profit or loss, financial assets available for sale and financial assets held to maturity which are the financial instrument categories under TAS 39; are replaced with financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost; respectively.

Upon initial recognition each financial asset shall be classified as either fair value through profit or loss (“FVTPL”) amortized cost or fair value through other comprehensive income (“FVTOCI”). As for the classification and measurement of financial liabilities, the application of the existing terms of TAS 39 remain largely unchanged under TFRS 9.

Explanations on Expected Credit Loss :

As of 1 January 2018, the Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Part VIII of Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

Prior to TFRS 9, modeling studies were carried out on the principal components of the Expected Loan Loss calculation and the default probability (PD) models were developed on various loan portfolios. Credit portfolios are determined according to customer segments that form the basis of banking activities. The cyclical default probabilities generated by these models developed for use in the Internal Rating Based Approach (IDD) are translated into the Instantaneous Default Probabilities and these instantaneous default probabilities are used when calculating the Expected Loan Loss on TFRS 9 Calculation on Default (LGD) calculation reflects the legal deduction rates and the Bank's past collection performance on unsecured loans. Default Amount (EAD) corresponds to the balance used in cash at the reporting date for cash loans, non-cash loans and balance after application of the loan to commitment risks.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Macroeconomic scenarios affect PD and LGD values. The amount of credit losses expected with 3 different scenarios, Base and Good and Bad scenario, is calculated. The probability of default of the debtors and the loss rates in default vary with each scenario.

The Bank applies a ‘three-stage’ impairment model depending on the gradual increase in credit risk observed since initial recognition

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets. As of 30 June 2019, minimum probability of default of Basel II is used in the calculation of expected credit loss of the receivables from certain public institutions and securities issued by these institutions and organizations.

Furthermore, placements of CBRT and the other banks have been revised estimation of the average maturity from 1 year to 14 days in the calculation of expected credit loss. The change in the estimations resulted in a decrease of TL 50,980 in the expected credit loss.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

In this context; The basic considerations that are taken into account in determining the significant increase in the credit risk of a financial asset and its transfer to Phase 2 are, but are not limited to, the following.

- Delayed by more than 30 days as of the reporting date
- Restructuring
- Close Monitoring
- Evaluation of distortion in Rating Note

The definition of the deterioration in the rating is the comparison of the credit rating at the opening date and the rating date at the reporting date by using the Bank's internal rating based credit rating models. If the rating calculated for the loan at the reporting date exceeds the specified threshold values, the rating is deemed as deterioration.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

The Bank periodically evaluates the provisions of loans and other receivables in accordance with TFRS 9 retrospectively on the basis of their results and, if deemed necessary, revises the basketing rules and the parameters used in the calculation of the related provision balances.

1.6 Revenue from TFRS 15 Customer Contracts:

TFRS 15 Revenue from Customer Contracts provides a single, comprehensive model and guidance on the recognition of revenue and is recorded in accordance with TFRS 15.

1.7 Explanations on IFRS 16 Leases Standard

“TFRS 16 Leases” Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, to be applied in the accounting periods beginning after 31 December 2018. With the TFRS 16 Leases Standard effective from 1 January 2019, the difference between operating lease and leasing is eliminated. After that, the leasing transactions have been started to be shown by the tenants as liabilities in assets and leasing transactions as assets (use right). TFRS 16 Standard eliminates the dual accounting model for leasing of financial leasing transactions and the presentation of operating leases directly on the balance sheet. The current application for the lessor continues similarly.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

As of January 1, 2019, the Bank has applied TFRS 16 Leases standard. The simplified model was preferred in the application of this standard to the financial statements at the date of initial application. In this context, for the leases classified as operating leases in accordance with TAS 17, the Bank reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Bank measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Bank. In addition, the Bank measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments.

	01/01/2019	
	Real Estate	Vehicle
Operational lease commitments		
Contracts excluded from TFRS 16 (-)	-	-
Total rental liability	498,719	24,154
Discounted lease obligation (1 January 2019)	298,513	21,740

TL 17,582 of the assets that have been put into use consists of the classification of rent expenses, which are accounted under prepaid expenses before applying TFRS 16, to the right to use assets.

2. 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 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.

3. 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

4. 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. In accordance with TFRS 9, derivative instruments are classified as ‘hedging derivative financial asset’ and ‘derivative financial assets/liabilities at fair value profit or loss’. 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 at fair value profit or loss” 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.

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank will continue to apply hedge accounting in accordance with TAS 39 in this context. In addition, it performs swap transactions in order to hedge the cash flow risk of fixed-rate financial instruments. In cash flow hedge accounting, the effective portion of the fair value change of the hedging instrument is accounted for under “Hedging Funds” under equity, and the ineffective portion is accounted in the income statement. In the periods in which the cash flows from the hedged item affect profit or loss, the profit / loss of the hedging instrument is also removed from equity and reflected to the income statement.

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 the account of “Hedge Funds”. 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.

5. 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. While applying the internal rate of return method, the Bank amortizes the fees included in the account of the effective profit rate over the expected life of the financial instrument. If the financial asset is impaired and classified as a non-performing loan, profit accruals and rediscount calculations for these customers are continued within the scope of TFRS 9 Financial Instruments Standard.

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” account on the balance sheet.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

6. Explanations on Fees And Commission Income And Expenses

Other than fees and commission income and expenses received from certain banking transactions that are recorded as income or expense in the period they are collected, fees and commission income and expenses are recognized in the income statement depending on the duration of the transaction. Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers.

Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

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.

7. Explanations on Financial Assets

The Bank classifies and accounts for its financial assets as 'Fair Value Through Profit/Loss', 'Fair Value Through Other Comprehensive Income,' or 'Amortized Cost.' Such financial assets are recognized and derecognized as per the terms of "Recognition and Derecognition in Financial Statements" under the section three of the "TFRS 9 Financial Instruments" regarding the classification and measurements of financial instruments, published in the Official Gazette numbered 29953 and dated 19 January 2017 by Public Oversight, Accounting and Auditing Standards Authority ("POA"). When financial assets are included in the financial statements for the first time, they are measured at fair value. Transaction costs are initially added to fair value or deducted from fair value at the initial measurement of financial assets other than the "Fair Value at Fair Value Through Profit or Loss".

The Bank recognizes a financial asset in the financial statements only when it becomes a party to the contractual terms of a financial instrument. During the initial recognition of a financial asset, the business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to gains, losses or profit shares that were previously recorded in the financial statements.

7.1 Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss are financial assets that are managed within a business model other than the business model whose objective is achieved by holding contractual cashflows for collection and the business model whose objective is achieved by collecting and selling contractual cash flows. Also, in case that the contractual terms of financial assets do not give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount, such assets are those that are, obtained with the aim of providing profit from the short-term price or other factor fluctuations in the market or are part of a portfolio aiming to obtain short-term profit, regardless of the reason of acquisition.

7.2 Financial assets at fair value through other comprehensive income:

A financial asset is classified as at fair value through other comprehensive income when the asset is managed within a business model whose objective is achieved by collecting contractual cash flows and selling the financial asset, as well as when the contractual terms of the financial asset give rise on specified dates to cash flows are solely payments of principal and profit share on the principal amount.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition costs that reflect the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with effective profit share method regarding the financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses," which is the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income, are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, or the impairment of the asset. "Unrealized gains and losses" are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, are carried at fair value, in the case that the securities have a quoted market price in an active market and/or the fair values of the securities can be reliably measured. In contrary case, the securities are carried at cost, less provision for impairment.

During initial recognition an entity can make an irrevocable election regarding the presentation of the subsequent changes in the fair value of the investment in an equity instrument, that is not held for trading purposes, in the other comprehensive income. In the case that the entity elects to present the changes as described, dividends arising from the investment is accounted in the financial statements as profit or loss.

7.3 Financial assets measured at amortized cost:

In the case that a financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and that the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and profit share on the principal amount, the financial asset is classified as financial asset measured at amortized cost.

Financial Assets Measured at Amortized Cost; are financial assets, other than loans and receivables, which are held for the purpose of custody until maturity, with conditions necessary for such assets to be held until contractual maturity met, including funding ability; and which have fixed or determinable payments and fixed maturities. Financial assets measured at amortized cost are initially recognized at cost and subsequently measured at amortized cost using the internal rate of return method. Profit share income related to Financial Assets measured at amortized cost is reflected in the income statement. As of the balance sheet date, the Bank does not have any financial assets to be held until maturity.

7.4 Derivative financial assets:

The major derivative instruments utilized by the Bank are foreign currency swaps, cross currency swaps and currency forwards.

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, the fair value amounts are classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss." The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

7.5 Loans:

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Profit Share Rate (internal rate of return) Method".

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

8. 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.

9. 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 Treasury Rent Certificates that are recognized in the assets of the Bank in return for conditional repurchasing. From this date on, the Bank performs sale transactions of treasury rent certificates that are recognized in the assets of the balance sheet in return for conditional repurchasing by tendering to purchase auctions held by CBRT with various maturities; and thusly raises funds.

As of 30 September 2019, the Bank does not have a sales transaction with the promise of repurchase. (31 December 2018 –TL 188,003).

10. 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.”

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.

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.

11. 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. The amortization period of the licenses is determined on the basis of the duration of the license agreements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

12. 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 repair costs are capitalized if the expenditure increases economic life of the asset; other repair costs are expensed as incurred.

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.

The Bank is able to sell and lease back the real estates registered to its assets by issuing the rent certificate. At the end of the lease period, the asset is taken back by paying the sale price. For the real estates within this scope, it applies 2% depreciation over the new value starting from the date of the transaction. According to the public oversight authority (POA) dated 17/09/2018 and numbered 64088382-045-E.1648, transactions are recorded.

13. Explanations on Leasing Transactions

For contracts concluded prior to 1 January 2019, the Bank assesses whether the contract has a lease qualification or include a lease transaction.

(a) The right to obtain almost all of the economic benefits from the use of the leased asset and,

(b) Whether the leased asset which has the right to manage its use is evaluated

As of 1 January 2019 that is the first application date of TFRS 16, the Bank has not reassessed whether the contract has the nature of a lease or does not include a lease as a facilitator application. The Bank elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. This standard has not been applied to the contracts that are not included in the lease process.

Therefore, there is no need to restate the unconsolidated financial statements of the previous years, these financial statements are presented in accordance with TAS 17 “Leases” and TFRS Comment 4 “Determining Whether an Agreement Contains Leasing”.

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Bank’s alternative borrowing interest rate.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

The Bank has recognized the right to lease assets equal to the lease obligation by restating the previously paid or accrued lease payments.

Facilitator Applications

- The Bank applied a single discount rate for the portfolio that has reasonably similar characteristics features and consisted of rents.
- As an alternative to reviewing the impairment, the Bank has applied TAS 37 Provisions, Contingent Liabilities and Contingent Assets before the date of initial application to determine whether leases are disadvantaged in terms of its economy.
- For contracts with rights to extend or terminate lease term, the Bank has used past experience when determining the lease term.
- In accordance with TFRS 16, the Bank has preferred not to use the short-term exceptions from 12 months and 12 months for vehicle rental and exceptions of the underlying assets with low value for the office equipment.
- As an facilitator, the lessee chose not to separate the non-leasing components from the leasing components on the basis of the underlying asset class and instead to account for each lease component and its associated leasing components as a single leasing component.
- The Bank did not apply TFRS 16 Leases Standard for intangible assets leases.

Leases

At the beginning of a contract, the Bank assesses whether the contract has a lease qualification or include a lease transaction. In the event that the contract is transferred for a certain period of time to the right to control the use of the asset defined for a price, this contract of a rental nature or includes a lease transaction. The following conditions are considered when assessing whether a contract has transferred its right to control the use of an asset defined for a specified period of time.

- (a) The contract contains an asset defined.
- (b) A functional part of the asset is physically separate or represents almost the entire capacity of the asset. The asset is not defined if the lessor has a substantive right to substitute to asset and provides an economic benefit from it.
- (c) The right to obtain nearly all of the economic benefits that will be provided from the use of the asset defined.
- (d) The right to manage the use of the asset defined.

The right of the use asset

The Bank reflects the existence of a right of use and a lease obligation to the financial statements at the date the lease is commenced.

The right to use asset is recognized first by cost method and includes the following:

- (a) The first measurement amount of the lease obligation,
- (b) The amount obtained by deducting all rental incentives received from all lease payments made at or before the date of the rental.
- The total cost of the estimated costs to be incurred by the Bank relating to the restoration of all initial direct costs incurred by the Bank and the restoration of the underlying asset or the restoration of the underlying location or the restoration of the underlying asset by the terms and conditions of the underlying asset is included in the total amount of both the financial statements and the right to use assets, as it does not have an important amount, it is not added to the cost of usage rights.

When the Bank applying cost method, the existence of the right of use:

- (a) Accumulated depreciation and accumulated impairment losses are deducted and
- (b) Measures the restatement of the lease obligation over the adjusted cost.

The Bank applies depreciation provisions in TAS 16 Property, Plant and Equipment standard while depreciating in the right of use.

The Bank determines whether the right of use has been impaired and recognizes any identified impairment losses in accordance with TAS 36 – Impairment of Assets.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Lease Obligation

At the effective date of the lease, the Bank measures the leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Bank's alternative borrowing interest rate.

Lease payments included in the measurement of the lease liability at the date of the lease's actual start date shall be made for the right of use during the lease term of the underlying asset and consist of the payments which have not been paid at the date of the rental:

- (a) Fixed payments less any lease incentives receivables
- (b) Variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.
- (c) Payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate.

After the effective date of the lease, the Bank measures the lease obligation as follows:

- (a) Increase the book value to reflect the interest on the lease obligation.
- (b) Reduces the book value to reflect the lease payments made and
- (c) Remeasures the book value to reflect revaluations and reconstructions, or to reflect rental payments that are fixed at the revised basis.

The interest on the lease liability for each period of the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease liability. Periodic interest rate is the Bank's borrowing interest rate.

After the beginning of a contract, the Bank remeasures its lease liability to reflect changes in lease payments. The Bank reflects the restatement amount of the lease obligation to the financial statements as revised in the presence of the right of use.

The Bank measures the lease obligation by discounting the revised lease payments on a revised discount rate when any of the following conditions occur:

- A change in the rental period.
- The Bank determines revised rent payments based on revised lease term.
- The Bank determines the revised discount rate for the remaining portion of the lease term as the alternative borrowing interest rate at the date of Bank's revaluation.

In case of any of the following situations, the Bank measures the lease obligation by discounting the revised lease payments:

- A change in lease payments as a result of a change in an index or a rate used to determine future lease payments.
- The Bank reassessed its lease obligation when only a change in its cash flows that reflect the revised lease payments.
- The Bank determines the revised lease payments that related to the remaining lease term according to the revised contractual payment by using non-revised discount rate.
- The Bank recognizes the lease restructuring as a separate lease if both of the following conditions are met:
 - (a) The structuring shall extend the scope of the lease by including the right of use of one or more underlying assets and
 - (b) The increase in the rental price by the price alone and by the corresponding adjustments to the price of the respective contract alone to reflect the terms of the contract.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

14. 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, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

As per the “Matching Principle,” a provision is provided for the liabilities arising 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.

15. Explanations on Liabilities Relating to Employee Benefits

15.1 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.

15.2 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.

15.3 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.

16. Explanations on Taxation

Current Tax

As per the terms of the provisional article 10 added to the Law No. 5520 by the Article 91 of the Law No. 7061, it was established that the rate of 20%, as disclosed in the first paragraph of the Article 32 of the Corporate Tax Law No. 5520, shall be applied as 22% over the corporation income for the tax periods of the years 2018, 2019, 2020 (and for entities that are appointed with special accounting period, for the accounting periods beginning within the relevant year). Council of Ministers is entitled to lower the rate of 22% as disclosed in the first paragraph to a limit of 20%.

Under this scope, corporate tax with the rate of 22% shall be calculated over the corporate income of the corporate taxpayers for the accounting periods of 2018, 2019 and 2020. In addition, as per provisions of the Income Tax Law, advance tax with the rate of 22% shall be paid by the taxpayers in the aforementioned periods in order to be offset from the corporate tax for the aforementioned tax periods.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

The corporate tax rate will be applied as 22% for the years 2018, 2019 and 2020. 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 legislations, advance tax amount shall also be calculated using a rate of 22% for each quarter over tax base and shall be paid, then the advance taxes paid within the year shall be offset from the corporate tax calculated over the yearly corporate tax return for that 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.

With the aforementioned amendment to the law, entities calculate advance tax using a rate of 22% over the quarterly financial income, for the years 2018-2019-2020 and advance tax returns are filed by the fourteenth day of the second month following the related period and taxes are paid by the seventeenth day. Advance taxes are paid within the year belong to that year, and the paid advance taxes are offset from the corporate tax liability calculated over the corporate tax returns in the subsequent year. Any remaining amount of paid advance taxes after the offset can be paid back in cash or it can be deducted from financial loans to the government.

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 profit 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

For taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, as per the provisions of "Turkish Accounting Standard on Income Taxes" ("TAS 12"), the Bank calculates deferred tax liability over all taxable temporary differences and deferred tax asset over taxable temporary differences, apart from the provisions for Expected Credit Losses for 12-Months (Stage 1) and for Lifetime Credit Losses (Stage 2) with significant increase in the credit risk after initial recognition, to the extent that is probable that taxable profit will be available in subsequent periods. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. The tax effect regarding the items directly accounted in equity are also reflected in equity. The rate is used in the calculation of deferred tax assets and liabilities was 22% over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and 20% over temporary timing differences expected to be reversed in 2021 and the following years.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

17. 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.

The Bank has not issued convertible bonds.

18. Explanations on Share Certificates Issued

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

19. Explanations on Acceptances And Aailed Drafts

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

20. Explanations on Government Grants

There are no government grants received by the Bank.

21. Explanations on Segment Reporting

The Bank operates in three main segments; Corporate and Commercial Banking; Retail Banking; International Banking, Treasury and Investment 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 10.

22. Explanations on Other Matters

The Bank has no disclosures on other matters.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

1. Explanations on Equity Items

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 September 2019 Bank’s total capital has been calculated as TL 9,724,989 (31 December 2018: TL 7,463,883), capital adequacy ratio is 19.42% (31 December 2018: 17.68%).

1.1. Components of Total Capital:

	Current Period Amount	Prior Period Amount
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,000,000	3,500,000
Share Premium	23,250	22,933
Reserves	1,469,385	1,107,196
Other Comprehensive Income According to TAS	85,177	-
Profit	813,036	905,352
Current Period Profit	777,496	869,812
Prior Period Profit	35,540	35,540
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	6,390,848	5,535,481
Deductions From Common Equity Tier I Capital		
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 (-)	2,651	88,537
Leasehold Improvements On Operational Leases (-)	60,987	54,010
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	115,901	129,685
Net Deferred Tax Asset/Liability (-)	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	7,583
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	13,296	13,296
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	4,234	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 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 (-)	-	-
Total Deductions From Common Equity Tier I Capital	197,069	295,789
Total Common Equity Tier I Capital	6,193,779	5,239,692

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Additional Tier I Capital Before Deductions		
Capital corresponding to privileged shares not included in the core capital and the related issuance premiums	-	-
Borrowing instruments deemed appropriate by the Authority and related issuance premiums	1,130,096	-
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)	-	-
Additional Capital Before Discounts	1,130,096	-
Deductions From Additional Tier I Capital		
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 (-)	-	-
Items To Be Deducted From Tier I Capital During The Transition Period		
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 Of Banks (-)	-	-
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 Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	1,130,096	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	7,323,875	5,239,692
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	1,977,672	1,847,727
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)	521,658	460,610
Total Deductions From Tier II Capital	2,499,330	2,308,337
Deductions From Tier II Capital		
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 (-)	-	-
Total Deductions From Tier II Capital	-	-
Total Tier II Capital	2,499,330	2,308,337
Total Equity (Total Tier I And Tier II Capital)	9,823,205	7,548,029

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Total Tier I Capital And Tier II Capital (Total Equity)		
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 (-)	1,997	-
Other Items To Be Defined By The BRSA (-)	96,219	84,146
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
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 (-)	-	-
Capital		
Total Capital (Total Of Tier I Capital And Tier II Capital)	9,724,989	7,463,883
Total Risk Weighted Assets	50,086,112	42,206,862
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	12.37	12.41
Tier I Capital Ratio (%)	14.62	12.41
Capital Adequacy Ratio (%)	19.42	17.68
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.50	1.88
Capital Conservation Buffer Ratio (%)	2.50	1.88
Systemic Significant Bank 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	7.87	6.41
Amounts Lower Than Excesses As Per Deduction Rules		
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	-	-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	521,658	460,610
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	521,658	460,610
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	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.2 Approaches applied to assess the adequacy of internal capital requirement in terms of 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 these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Banks' growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect 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 Banks' 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.

2. 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 30 September 2019, the Bank carries a net foreign currency long position of TL 4,931,886 (31 December 2018 – TL 655,043 long position) comprising of TL 5,072,572 balance sheet short position (31 December 2018 - TL 692,847 long position) and TL 140,686 off balance sheet short position (31 December 2018 – TL 37,804 long position).

The announced current foreign exchange buying rates of the Bank as of 30 September 2019 and the previous five working days are as follows (full TL):

	23/09/2019	24/09/2019	25/09/2019	26/09/2019	27/09/2019	Balance Sheet Valuation Rate
USD	5.72462	5.68239	5.69285	5.66845	5.66101	5.65049
EURO	6.29072	6.2478	6.25826	6.20322	6.18539	6.17177
GBP	7.12062	7.07621	7.07061	6.99781	6.96521	6.9534
CHF	5.77608	5.74151	5.77092	5.708	5.69989	5.68443
JPY	0.05324	0.05279	0.05302	0.05267	0.05243	0.05236

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
USD	5.70375
EURO	6.28288
GBP	7.04575
CHF	5.75969
JPY	0.05307

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Currency risk of the Bank:

	Euro	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	3,631,581	5,414,330	3,556,674	12,602,585
Banks(****)	5,526,157	2,477,056	2,376,325	10,379,538
Financial assets at fair value through profit and loss	-	82,777	2,438,740	2,521,517
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,602,923	4,419,037	65,000	9,086,960
Loans and finance lease receivables (*)	9,780,391	13,020,412	87,334	22,888,137
Subsidiaries, associates and joint ventures (**)	445,754	-	-	445,754
Financial assets at amortized cost	1,859,309	568,650	-	2,427,959
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	974	-	974
Intangible assets	-	30	-	30
Other assets	777,765	8,922	1,665	788,352
Total assets	26,623,880	25,992,188	8,525,738	61,141,806
Liabilities				
Current account and funds collected from Banks via participation accounts	54,684	268,900	130,824	454,408
Current and profit sharing accounts FC (****)	9,750,059	28,154,062	8,811,394	46,715,515
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	186,018	7,171,067	1,155,186	8,512,271
Marketable securities issued	-	-	-	-
Miscellaneous payables	53,928	63,287	1,076	118,291
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	88,017	280,588	40,830	409,435
Total liabilities	10,132,706	35,937,904	10,139,310	56,209,920
Net balance sheet position	16,491,174	(9,945,716)	(1,613,572)	4,931,886
Net off-balance sheet position	(16,597,126)	9,919,370	1,605,184	(5,072,572)
Financial derivative assets	230,407	17,398,469	1,697,195	19,326,071
Financial derivative liabilities	16,827,533	7,479,099	92,011	24,398,643
Non-cash loans (***)	1,771,949	2,513,394	588,305	4,873,648
Prior period				
Total assets	16,533,817	21,029,390	5,016,721	42,579,928
Total liabilities	7,468,581	27,940,303	6,516,001	41,924,885
Net balance sheet position	9,065,236	(6,910,913)	(1,499,280)	655,043
Net off-balance sheet position	(9,093,399)	6,923,802	1,476,750	(692,847)
Financial derivative assets	418,581	9,417,560	1,705,056	11,541,197
Financial derivative liabilities	9,511,980	2,493,758	228,306	12,234,044
Non-cash loans (***)	1,720,497	3,064,977	665,983	5,451,457

(*) Includes foreign currency indexed loans amounting to TL 3,003,703 (31 December 2018 – TL 5,425,809) followed as TL on the balance sheet

(**) TL 445,754 (31 December 2018 - TL 445,754) of the subsidiaries amounting to TL 544,851 in the balance sheet includes foreign currency subsidiary and subsidiary.

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

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

(*****) Other liabilities at fair value through TL 1,018 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 97,320

(*****) Includes provisions for expected losses amounting to TL 2,026 in the balance sheet

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 386,658 (31 December 2018 – TL 12,528)
- Prepaid expenses : TL 2,603 (31 December 2018 - 706 TL)
- Derivative financial liabilities held for trading : TL 9,282 (31 December 2018 – TL 41,936)
- Marketable securities of FC revaluation reverse: (31,287) (31 December 2018 - TL (51,432))
- Derivative financial liabilities held for hedging : TL 146,072 (31 December 2018 - TL 106,352)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

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

- Forward foreign currency purchase transactions TL 1,043,170 (31 December 2018 – TL 538,844)
- Forward foreign currency sale transactions: TL 1,221,406 (31 December 2018 – TL 788,379)

3. Explanations related to stock position risk

3.1 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.

3.2. 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		Comparison		
	Equity Securities (shares) investments (*)	Carrying Value	Fair Value	Market Value
1	Securities at Fair Value Through Other Comprehensive Income	37,295	-	-
	Quoted Securities	-	-	-
2	Investments in Associates	-	-	-
	Quoted Securities	-	-	-
3	Investment in Subsidiaries	544,851	-	101,640
	Quoted Securities	53,416	-	101,640
4	Other	20,000	-	-
	Quoted Securities	-	-	-
Prior Period		Comparison		
	Equity Securities (shares) investments (*)	Carrying Value	Fair Value	Market Value
1	Securities Available-for-Sale	27,548	-	-
	Quoted Securities	-	-	-
2	Investments in Associates	-	-	-
	Quoted Securities	-	-	-
3	Investment in Subsidiaries	522,950	-	80,520
	Quoted Securities	53,416	-	80,520
4	Other	25,000	-	-
	Quoted Securities	-	-	-

(*) Related equity investments are accounted on a cost basis in the accompanying financial statements since the fair value of these investments can not be measured reliably.

3.3 Realized gains/losses, revaluation surplus, unrealized gains/losses on equity securities and results included in core and supplementary capitals:

None.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

4. Liquidity risk management and liquidity coverage ratio

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.

4.1 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 has a strong capital structure and is supported by its main shareholder is Kuwait Finance House; also its current and participation accounts are spread to the base and are stable, and its sources of foreign borrowing are diversified. Hence, by the virtue of the aforementioned facts, the Bank has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Bank which insures its cash outflows with the high-quality liquid assets is deemed high. The Bank also has limits available for use at Central Bank of Turkey and other financial institutions.

Indicators regarding the liquidity position are analyzed and liquidity risk is evaluated at the ALCO meetings attended by the senior management. Furthermore, 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. Official and International Reporting Directorate tracks the liquidity coverage ratio and the results are reported to the BRSA.

4.2. 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.

4.3 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

4.4 Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:

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

4.5. 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.

4.6. 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.

4.7. 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(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
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	20,041,809	17,250,525	19,935,469	17,144,184
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	52,036,610	31,676,832	4,617,380	3,167,683
3	Stable deposits	11,725,624	-	586,281	-
4	Less stable deposits	40,310,986	31,676,832	4,031,099	3,167,683
5	Unsecured wholesale funding, of which:	13,426,067	8,771,118	6,468,529	4,013,572
6	Operational deposits	-	-	-	-
7	Non-operational deposits	12,605,147	8,638,647	5,647,609	3,881,101
8	Unsecured funding	820,920	132,471	820,920	132,471
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	10,314,398	9,402,356	10,314,398	9,402,356
11	Outflows related to derivative exposures and other collateral requirements	9,699,142	9,402,356	9,699,142	9,402,356
12	Outflows related to restructured financial Instruments	615,256	-	615,256	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	16,158,431	5,259,959	1,139,816	292,108
16	TOTAL CASH OUTFLOWS			22,540,123	16,875,719
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	13,908,181	10,509,825	11,871,062	9,729,565
19	Other cash inflows	9,835,235	6,701,434	9,835,235	6,701,434
20	TOTAL CASH INFLOWS	23,743,416	17,211,259	21,706,297	16,430,999
21	TOTAL HQLA			19,935,469	17,144,184
22	TOTAL NET CASH OUTFLOWS			5,635,031	4,218,930
23	LIQUIDITY COVERAGE RATIO (%)			353.78	406.36

(*) The average of last three months' liquidity coverage ratio calculated by monthly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 30 September 2019:

	Highest	Date	Lowest	Date	Average
TL+FC	395.83	19/07/2019	200.76	16/08/2019	306.29
FC	469.13	19/07/2019	226.06	16/08/2019	354.35

The liquidity coverage rate is calculated by the proportion of high quality liquid assets held by the bank to its one month maturity cash outflows. Important balance sheet items that determine the rate; Compulsory provisions held by the CBRT, repo / non-repurchase securities, institutional qualified participation accounts, funds from abroad and receivables from banks. These items have more impact on the liquidity coverage ratio than the liquidity assets and net cash outflows, because they have a high share of the current cointegration, high concentration and variability over time.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Liquidity risk management and liquidity coverage ratio (continued)

<i>Prior Period</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	10,508,441	8,795,462	10,488,821	8,775,842
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	39,025,039	21,661,571	3,389,442	2,166,157
3	Stable deposits	10,261,242	-	513,062	-
4	Less stable deposits	28,763,797	21,661,571	2,876,380	2,166,157
5	Unsecured wholesale funding, of which:	10,237,486	6,333,153	5,244,979	3,132,932
6	Operational deposits	-	-	-	-
7	Non-operational deposits	9,329,972	6,111,483	4,337,465	2,911,262
8	Unsecured funding	907,514	221,670	907,514	221,670
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	8,432,694	7,464,267	8,432,694	7,464,267
11	Outflows related to derivative exposures and other collateral requirements	8,007,192	7,464,267	8,007,192	7,464,267
12	Outflows related to restructured financial Instruments	425,502	-	425,502	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	15,380,687	5,760,329	1,017,528	306,640
16	TOTAL CASH OUTFLOWS			18,084,643	13,069,996
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	14,676,955	11,138,438	12,592,834	10,612,342
19	Other cash inflows	8,518,216	8,076,938	8,518,216	8,076,938
20	TOTAL CASH INFLOWS	23,195,171	19,215,376	21,111,050	18,689,280
				Upper Limit Applied Value	
21	TOTAL HQLA			10,488,821	8,775,842
22	TOTAL NET CASH OUTFLOWS			4,521,161	3,267,499
23	LIQUIDITY COVERAGE RATIO (%)			231.99	268.58

(*) The average of the calculated liquidity coverage ratio for the last three months based on the monthly simple arithmetic average,

The table below presents highest, lowest and average liquidity coverage ratios for 31 December 2018:

Prior Period:

	Highest	Date	Lowest	Date	Average
TL+FC	311.34	20/07/2018	215.70	19/10/2018	248.32
FC	422.71	16/02/2018	251.08	28/12/2018	331.97

The liquidity coverage ratio is calculated by the ratio of the high quality liquid assets of the bank to the net cash outflows within the one-month maturity window. Important balance sheet items which are influential over the aforementioned ratio may be specified as required reserves held in the presence of TC Central Bank, securities not subject to repo/assurance, institutional qualified participation accounts, funds of foreign origins and receivables from banks. These items have a higher influence over the liquidity coverage ratio as their amounts have a higher share of liquid assets and net cash outflows, their consideration rate is higher and they may show variability over time.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (**)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	4,474,389	9,443,195	-	-	-	-	-	13,917,584
Banks (*)	10,401,789	-	-	-	-	-	-	10,401,789
Financial assets at fair value through profit and loss	-	502	4,576	-	2,566,799	16,044	-	2,587,921
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	84,821	218,283	1,828,139	8,511,403	428,212	192,762	11,263,620
Loans (**)	-	13,936,184	5,588,061	14,760,074	15,269,740	2,070,601	(1,041,527)	50,583,133
Loans measured at amortised cost	-	-	-	-	2,427,959	-	-	2,427,959
Other assets (***)	30,799	1,665,302	17,573	-	275,500	-	2,689,020	4,678,194
Total assets	14,906,977	25,130,004	5,828,493	16,588,213	29,051,401	2,514,857	1,840,255	95,860,200
Liabilities								
Current account and funds collected from banks via participation accounts	420,578	44,361	-	-	-	-	-	464,939
Current and profit sharing accounts	30,919,913	37,421,928	5,212,916	2,349,695	66,169	-	-	75,970,621
Funds provided from other financial institutions	-	1,750,381	1,034,709	1,453,215	4,225,647	2,034,108	-	10,498,060
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	253,515	112,480	-	-	-	-	-	365,995
Other Liabilities (****)	-	1,117,516	8,369	160,855	-	-	7,273,845	8,560,585
Total Liabilities	31,594,006	40,446,666	6,255,994	3,963,765	4,291,816	2,034,108	7,273,845	95,860,200
Net liquidity gap	(16,687,029)	(15,316,662)	(427,501)	12,624,448	24,759,585	480,749	(5,433,590)	-
Prior period								
Total assets	10,418,405	20,761,571	6,307,308	14,845,579	18,515,472	2,689,247	694,743	74,232,325
Total liabilities	22,289,365	28,792,696	5,243,863	5,780,662	3,990,081	1,901,210	6,234,448	74,232,325
Net liquidity gap	(11,870,960)	(8,031,125)	1,063,445	9,064,917	14,525,391	788,037	(5,539,705)	-

(*) Expected losses are netted off with provision.

(**) Includes receivables from leasing transactions and presented with netting off with the expected credit loss.

(***) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies and prepaid expenses are included under unallocated assets.

(****) The unallocated other liabilities consists of equity and provisions balances.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

5. Explanations on leverage ratio

Disclosure of leverage ratio template

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:

On-balance sheet assets (*)		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	92,460,876	73,486,996
2	(Assets deducted in determining Tier I Capital)	(213,103)	(250,604)
3	Total on-balance sheet risks (sum of lines 1 and 2)	92,247,773	73,236,392
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	377,879	125,968
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	348,172	134,811
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	726,051	260,779
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	557,736	863,204
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	557,736	863,204
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	65,495,705	61,704,440
11	(Adjustments for conversion to credit equivalent amounts)	(42,572,916)	(40,649,139)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	22,922,789	21,055,301
Capital and total risks			
13	Tier I Capital	7,339,842	5,313,980
14	Total risks (sum of lines 3, 6, 9 and 12)	116,454,349	95,415,676
Leverage ratio			
15	Leverage ratio	6.30	5.57

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was %6.3 % (31 December 2018 - 5.57%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital increased by 38% due to the profit for the period, balance-sheet risks increased by 26%, and off balance sheet items increased by 9%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 74 basis points.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

6. Explanations on hedge accounting practices

TFRS 9 permits to defer application of TFRS 9 hedge accounting principles and permits the companies continue to apply hedge accounting principles of TAS 39 as a policy choice. In this context, the Bank continue to apply TAS 39 policy for the hedge accounting.

The Bank uses cash flow hedge (CFH) accounting as of the balance sheet date.

The contractual amounts of the derivative financial instruments as of September 30, 2019 and the net fair values of the financial instruments are summarized in the table below:

	Current Period			Prior Period		
	Principal*	Asset	Liability	Principal*	Asset	Liability
Derivative Financial Instruments	-	-	-	-	-	-
Cross currency swap transactions (CFH)	1,225,041	-	146,072	1,144,549	-	106,352
Total	1,225,041	-	146,072	1,144,549	-	106,352

(*) Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 1,079,304 (December 31, 2018: TL 1,020,984) the total notional of derivative financial assets amounting to TL 2,304,345 (December 31, 2018: TL 2,165,533) is accounted for in off-balance sheet under “Derivative financial instruments held for risk management” line item.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked;

- The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized,

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

In accordance with TAS, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Cash flow hedge:

The Bank, convert Malaysian Ringgit (MYR) 800,000 MYR borrowings to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on borrowings and changes in USD/TL foreign exchange rates on profit share-yielding assets.

In this context, the derivative financial instruments which are determined as hedging instruments are cross currency swaps and the hedged items are funds borrowed and profit share-yielding assets. In the below table, the effect of accounting of CFH is explained:

Current Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Asset	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1,079,304	(7,272)

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 1,600.

(**) Subsidiary of the Participation Bank KT Kira Certifikaları A.Ş. Securities issued by the Bank and presented in the "Loans Received" line in the financial statements.

Prior Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Asset	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1,020,984	9,721

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to (TL 2,138)

(**) Bank's subsidiary KT Kira Sertifikaları A.Ş. Securities issued by the Bank and presented in the "Loans Received" line in the financial statements.

At the inception date, the Participation Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. Effectiveness tests have been selected according to the methods that are allowed by TAS 39 in reliance to the risk strategies of the Participation Bank. Also, effectiveness tests have been performed at the end of every month and the effectiveness of the risk relationships have been measured.

As of September 30, 2019 cash flow hedge transactions have been determined as effective.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

7. 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.

7.1. Explanations on Risk Management and Risk Weighted Amounts:

7.1.1. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/09/2019	Prior Period 31/12/2018	Current Period 30/09/2019
1	Credit risk (excluding counterparty credit risk) (CCR)	41,411,176	36,698,184	3,325,238
2	Standardised approach (SA)	41,442,054	36,757,533	3,327,709
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	290,587	91,242	23,247
5	Standardised approach for counterparty credit risk (SA-CCR)	290,587	91,242	23,247
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	30,878	59,345	2,470
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2,768,125	1,070,340	230,518
17	Standardised approach (SA)	2,768,125	1,070,340	230,518
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	5,585,346	4,287,751	446,828
20	Basic indicator approach	5,585,346	4,287,751	446,828
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	50,086,112	42,206,862	4,028,301

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

8. Securitization Positions

None.

9. Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions

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

10. Explanations on business segments

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

Corporate and 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 includes fund collection, installment commercial loans, business loans, non cash loans, consumer financing and credit cards. The Bank serves in the range of products areas of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Selected balance sheet and income statement items according to segments:

Current Period 1 January 2019-30 September 2019	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	4,045,320	2,586,454	1,215,126	-	7,846,900
Operating expenses (-)	3,597,892	1,041,971	945,172	1,289,799	6,874,834
Transfers between segments	2,170,458	(558,572)	(1,611,886)	-	-
Net operating income(loss)	2,617,886	985,911	(1,341,932)	(1,289,799)	972,066
Income from associates	-	-	-	-	-
Income (loss) before tax	2,617,886	985,911	(1,341,932)	(1,289,799)	972,066
Provision for taxation (-)	-	-	-	194,570	194,570
Net income for the period	2,617,886	985,911	(1,341,932)	(1,484,369)	777,496
Current Period					
30 September 2019					
Segment assets	17,972,905	32,712,318	41,481,182	-	92,166,405
Associates, subsidiaries and joint ventures	-	-	-	564,851	564,851
Undistributed assets	-	-	-	3,128,944	3,128,944
Total assets	17,972,905	32,712,318	41,481,182	3,693,795	95,860,200
Segment liabilities	60,430,937	16,004,043	10,681,039	-	87,116,019
Undistributed liabilities	-	-	-	2,372,275	2,372,275
Shareholders' equity	-	-	-	6,371,906	6,371,906
Total liabilities	60,430,937	16,004,043	10,681,039	8,744,181	95,860,200
Prior Period					
1 January 2018 – 30 September 2018					
Operating income	3,297,887	1,766,735	330,253	-	5,394,875
Operating expenses (-)	2,124,747	937,579	417,993	1,029,010	4,509,329
Transfers between segments	1,509,575	(210,946)	(1,298,629)	-	-
Net operating income(loss)	2,682,715	618,210	(1,386,369)	(1,029,010)	885,546
Income from associates	-	-	-	-	-
Income (loss) before tax	2,682,715	618,210	(1,386,369)	(1,029,010)	885,546
Provision for taxation (-)	-	-	-	217,806	217,806
Net income for the period	2,682,715	618,210	(1,386,369)	(1,246,816)	667,740
Prior Period					
31 December 2018					
Segment assets	18,471,406	27,461,414	23,753,809	-	69,686,629
Associates, subsidiaries and joint ventures	-	-	-	547,950	547,950
Undistributed assets	-	-	-	3,997,746	3,997,746
Total assets	18,471,406	27,461,414	23,753,809	4,545,696	74,232,325
Prior Period					
31 December 2018					
Segment liabilities	42,407,218	11,578,738	12,401,757	-	66,387,713
Undistributed liabilities	-	-	-	2,406,059	2,406,059
Shareholders' equity	-	-	-	5,438,553	5,438,553
Total liabilities	42,407,218	11,578,738	12,401,757	7,844,612	74,232,325

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets:

1.1. Information regarding the cash assets and the Central Bank of Republic of Turkey:

1.1.1 Cash and balances with the Central Bank of Republic of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	430,607	1,037,842	491,059	1,348,617
The Central Bank of Republic of Turkey	752,774	10,383,352	692,050	6,947,252
Other (*)	131,618	1,181,391	-	957,110
Total	1,314,999	12,602,585	1,183,109	9,252,979

(*) As of 30 September 2019, precious metal account amounting to TL 1,033,581 (31 December 2018 - TL 957,110 and money in transit amounting to TL 279,481 (31 December 2018 - None) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	245,195	925,820	677,230	53
Restricted time deposit	495,000	-	-	-
Unrestricted time deposit	12,579	9,457,532	14,820	6,947,199
Total	752,774	10,383,352	692,050	6,947,252

In accordance with the “Communiqué no. 2013/15 on Reserve Requirements”, 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 1 % and 7 % for TL deposits and other liabilities according to their maturities as of 30 September 2019 (31 December 2018: %1.5 ile % 8 for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 21% for deposit and other foreign currency liabilities according to their maturities as of 30 September 2019 (31 December 2018: 4% and 20% for all foreign currency liabilities).

1.2 Information on financial assets at fair value through profit and loss:

As of 30 September 2019, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2018 – None).

Positive differences related to marketable derivative financial assets:

Financial assets at financial assets at fair value through profit or loss	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	32,557	2,079	29,120	1,799
Swap transactions	96,565	384,579	363	10,729
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	129,122	386,658	29,483	12,528

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	22,382	10,381,564	14,736	6,404,912
Domestic	22,225	3,472,083	14,631	3,608,271
Foreign	157	6,909,481	105	2,796,641
Branches and head office abroad	-	-	-	-
Total	22,382	10,381,564	14,736	6,404,912

1.3.2 Information on foreign banks account:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks

1.4 Information on financial assets at fair value through other comprehensive income:

	Current period	Prior Period
Debt Securities	11,147,378	6,432,017
Quoted on stock exchange	11,147,378	6,432,017
Not quoted on stock exchange	-	-
Share certificates	179,701	128,489
Quoted on stock exchange	90,465	60,764
Not quoted on stock exchange	89,236	67,725
Impairment provision	(63,459)	(164,441)
Total	11,263,620	6,396,065

1.5 Explanations on financial assets measured at amortized cost:

1.5.1 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	1,725	4,892	1,034	398
Corporate shareholders	-	4,876	-	398
Real person shareholders	1,725	16	1,034	-
Indirect loans granted to shareholders	453,330	309	204,988	520
Loans granted to employees	20,484	788	16,311	6
Total	475,539	5,989	222,333	924

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.5.2 Information on standart loans, loans underclose monitoring and restructured loans under close monitoring:

Current Period		Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
Cash Loans	Standard Loans and Other Receivables		Loans and Receivables with Revised Contract Terms	Refinance
Loans	43,302,997	3,431,578	2,136,893	-
Export Loans	17,034	6,643	-	-
Import Loans	1,729,640	40,591	-	-
Corporation Loans	22,229,898	2,796,079	2,070,745	-
Consumer Loans	6,304,565	351,396	38,192	-
Credit Cards	934,276	115,949	27,956	-
Loans given to financial sector	7,059,218	-	-	-
Other	5,028,366	120,920	-	-
Other Receivables	8,824	83,515	11,244	-
Total	43,311,821	3,515,093	2,148,137	-

Prior Period		Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
Cash Loans	Standard Loans and Other Receivables		Loans and Receivables with Revised Contract Terms	Refinance
Loans	39,786,672	3,533,527	731,716	-
Export Loans	26,872	506	2	-
Import Loans	1,867,353	81,466	-	-
Corporation Loans	21,773,227	3,034,533	710,335	-
Consumer Loans	6,483,386	225,107	3,883	-
Credit Cards	746,572	46,666	16,975	-
Loans given to financial sector	5,435,072	-	-	-
Other	3,454,190	145,249	521	-
Other Receivables	5,432	110,414	807	-
Total	39,792,104	3,643,941	732,523	-

Information on standart loans and loans under close monitoring and restructured loans under close monitoring regarding provision:

Current Period (*)	Standard Loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	354,937	-
Significant Increase in Credit Risk	-	1,202,477

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 693.

Prior Period	Standard Loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	437,198	-
Significant Increase in Credit Risk	-	655,489

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.5.3 Distribution of cash loans and other receivables according to their maturities:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

1.5.4 Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	71,778	6,517,492	6,589,270
Housing Loans	17,674	5,444,069	5,461,743
Vehicle Loans	34,600	784,986	819,586
Consumer Loans	18,193	202,380	220,573
Other	1,311	86,057	87,368
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	87,839	87,839
Housing Loans	-	49,330	49,330
Vehicle Loans	-	-	-
Consumer Loans	-	33,098	33,098
Other	-	5,411	5,411
Retail Credit Cards-TL	468,484	73	468,557
With Installment	105,527	73	105,600
Without Installment	362,957	-	362,957
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,652	15,392	17,044
Housing Loans	-	1,104	1,104
Vehicle Loans	655	10,394	11,049
Consumer Loans	995	3,894	4,889
Other	2	-	2
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	12,913	60	12,973
With Installment	4,903	60	4,963
Without Installment	8,010	-	8,010
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	554,827	6,620,856	7,175,683

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards: (continued)

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	73,283	6,511,422	6,584,705
Housing Loans	20,865	5,729,170	5,750,035
Vehicle Loans	30,836	480,515	511,351
Consumer Loans	19,859	181,876	201,735
Other	1,723	119,861	121,584
Consumer Loans-FC Indexed	-	38	38
Housing Loans	-	38	38
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	116,935	116,935
Housing Loans	-	49,281	49,281
Vehicle Loans	-	20	20
Consumer Loans	-	57,746	57,746
Other	-	9,888	9,888
Retail Credit Cards-TL	345,849	75	345,924
With Installment	66,190	75	66,265
Without Installment	279,659	-	279,659
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,133	9,565	10,698
Housing Loans	-	1,096	1,096
Vehicle Loans	340	4,712	5,052
Consumer Loans	791	3,757	4,548
Other	2	-	2
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	8,779	70	8,849
With Installment	3,306	70	3,376
Without Installment	5,473	-	5,473
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	429,044	6,638,105	7,067,149

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	241,573	4,234,996	4,476,569
Business Loans	31,926	1,032,823	1,064,749
Vehicle Loans	172,894	1,971,956	2,144,850
Consumer Loans	36,753	1,230,217	1,266,970
Other	-	-	-
Commercial Installment Loans-FC Indexed	4,306	948,302	952,608
Business Loans	4,122	208,158	212,280
Vehicle Loans	184	101,364	101,548
Consumer Loans	-	638,780	638,780
Other	-	-	-
Commercial Installment Loans-FC	1,244	105,331	106,575
Business Loans	-	62,627	62,627
Vehicle Loans	1,244	42,704	43,948
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	596,651	-	596,651
With Installment	192,534	-	192,534
Without Installment	404,117	-	404,117
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	843,774	5,288,629	6,132,403
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	255,142	4,395,428	4,650,570
Business Loans	19,741	1,226,572	1,246,313
Vehicle Loans	191,863	1,615,884	1,807,747
Consumer Loans	43,538	1,552,971	1,596,509
Other	-	1	1
Commercial Installment Loans-FC Indexed	14,884	1,559,774	1,574,658
Business Loans	11,441	372,631	384,072
Vehicle Loans	3,112	245,751	248,863
Consumer Loans	331	941,392	941,723
Other	-	-	-
Commercial Installment Loans-FC	3,827	149,701	153,528
Business Loans	-	110,540	110,540
Vehicle Loans	3,827	39,161	42,988
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	455,440	-	455,440
With Installment	160,745	-	160,745
Without Installment	294,695	-	294,695
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	729,293	6,104,903	6,834,196

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.5.6 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	48,629,457	43,830,656
Foreign loans	345,594	337,912
Total	48,975,051	44,168,568

1.5.7 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	110	121,040
Loans granted indirectly to subsidiaries and associates	-	-
Total	110	121,040

1.5.8 Specific provisions for loans or default (Third Stage) provisions:

	Current period	Prior period
Loans and receivables with limited collectability	374,408	89,643
Loans and receivables with doubtful collectability	481,521	243,531
Uncollectible loans and receivables	613,404	507,882
Total	1,469,333	841,056

1.5.9 Information on non-performing loans (Net):

1.5.9.1 Information on Loans and Other Receivables Included in Loans under Follow-Up Account, Which are Restructured or Rescheduled

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
--	--	---	--

Current Period:

(Gross Amount Before Specific Provisions)
 Restructured Loans and Receivables

- 54,100 -

Prior Period:

(Gross Amount Before Specific Provisions)
 Restructured Loans and Receivables

- 58,870 -

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.5.9.2 Information on the movement of total non-performing loans:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2018	142,629	310,520	726,618
Additions in the current period (+)	706,486	862,856	250,820
Transfers from other categories of non-performing loans (+)	82,319	105,980	280,361
Transfers to other categories of non-performing loans (-)	105,902	280,539	82,219
Collections in the current period (-)	100,415	91,655	138,716
Write offs (-)	10,372	156,716	344,928
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	714,745	750,446	691,936
Specific provisions (-)	374,408	481,521	613,404
Net balances on balance sheet	340,337	268,925	78,532

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period			
Ending balance of prior period 31.12.2017	158,589	117,234	438,307
Additions in the current period (+)	322,009	271,152	286,259
Transfers from other categories of non-performing loans (+)	-	260,125	298,008
Transfers to other categories of non-performing loans (-)	259,090	299,043	-
Collections in the current period (-)	78,879	38,948	192,814
Write offs (-)	-	-	103,142
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	142,629	310,520	726,618
Specific provisions (-)	89,643	243,531	507,882
Net balance at the balance sheet	52,986	66,989	218,736

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.5.9.3 Information on non-performing loans granted as foreign currency:

	Group III	Group IV	Group V
Current period:			
Ending balance of the current period	144,824	32,015	9,669
Provision amount (-)	84,186	16,083	3,108
Net balance at the balance sheet	60,638	15,932	6,561
Prior period:			
Ending balance of the current period	19,793	-	-
Provision amount (-)	2,547	-	-
Net balance at the balance sheet	17,246	-	-

1.5.9.4 Gross and net amounts of non-performing loans with respect to user groups:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	340,337	268,925	78,532
Loans granted to real persons and legal entities (Gross)	714,745	750,446	691,936
Specific provision (-)	374,408	481,521	613,404
Loans to real persons and legal entities (Net)	340,337	268,925	78,532
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2018	52,986	66,989	218,736
Loans to real persons and legal entities (Gross)	142,629	310,520	726,618
Specific provision (-)	89,643	243,531	507,882
Loans to real persons and legal entities (Net)	52,986	66,989	218,736
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

The Bank has collaterals such as cash, mortgages, pledges, and checks of customer issued for non-performing loans.

1.5.9.5 Information on profit share accruals, rediscounts and valuation differences computed for non-performing loans and their provision:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	3,998	17,836	19,153
Profit share accruals, rediscount and valuation differences	1,665	18,072	7,331
Provision (-)	5,663	35,908	26,484

1.5.10 Main guidelines for liquidation process of uncollectible loans and other receivables:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

1.5.11 Information on the write-off policy:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

1.6 Information on other financial assets measured at amortised cost:

1.6.1 Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	2,427,959	-
Quoted on a Stock Exchange	2,427,959	-
Not Quoted	-	-
Impairment Provision (-)	693	-
Total	2,427,266	-

1.6.2 Movements of Other Financial Assets Measured at Amortized Cost During The Year

	Current Period	Prior Period
Opening Balance	-	-
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	2,427,959	-
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	693	-
Ending Balance	2,427,266	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.7 Information on investment in associates (Net):

1.7.1 The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2018 – TL 4,897), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 33 (31 December 2018 – TL 714), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,936 (31 December 2018 – TL 5,201), Swift shares amounting to TL 390 (31 December 2018 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2018 – TL 15) and VISA Inc. shares amounting to TL 10,693 (31 December 2018 – TL 7,055), 4.55% ownership of the shares of Ulusal Derecelendirme A.Ş. amounting to TL 2,273 (31 December 2018 – TL 0), are classified as financial assets at fair value through other comprehensive income since the Bank's ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

1.7.2 Information about investments in unconsolidated associates: None (31 December 2018 – None).

1.7.3 Information related to consolidated associates: None (31 December 2018 – None).

1.8 Information on subsidiaries (Net):

1.8.1 Although the Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş does 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 this subsidiary has not been consolidated. The Bank has reflected its subsidiary at restated cost less any provision for impairment in its financial statements until 31 December 2004.

1.8.2 Information on subsidiaries:

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

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
28,942	27,873	-	-	-	477	(3,686)	-
150,595	147,919	1,642	-	-	1,513	(4,524)	-
25,904	639	-	-	-	140	186	-
5,520,967	276	-	-	-	97	42	-
3,315,126	709,754	8,876	-	-	(6,258)	4,618	-
51,066	23,650	2,623	-	-	7,931	3,818	-
1,995,757	1	-	-	-	-	-	-
10,568	9,537	242	-	-	2,753	366	-

(*) As of 30 September 2019, 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 Commercial Law financial statements as at 30 September 2019.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	522,950	377,647
Movements during the year	-	145,303
Purchases	-	152,061
Transfers from subsidiaries (*)	21,901	(5,000)
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	(5,000)
Revaluation increase (**)	-	3,242
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	544,851	522,950
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) On 2 April 2019, the Bank acquired 50% of the shares of KT Portföy Yönetimi A.Ş., which was transferred to KFH Capital Investment Company on July 20, 2018 for a consideration of TL 16,901. As a result of this transaction, all balance of KT Portföy Yönetimi A.Ş. has been transferred to the subsidiaries line. (December 31, 2018 - The Bank has transferred 50% shares of KT Portföy Yönetimi A.Ş. (Subsidiary) with a capital of TL 10,000 to KFH Capital Investment Company on July 20, 2018 for a consideration of TL 16,901).

(**) It expresses reversal of impairment loss.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	445,754	445,754
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,417	53,516
Subsidiaries that are quoted on the stock exchange		
	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,416	53,416
Quoted in Foreign Stock Exchange	-	-
Total	53,416	53,416

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of September 30, 2019 is EUR 84,835,444 and the capital adequacy ratio is %24.9.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.9 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%	2,280,806	67,472	11,264	19,699	14,743

(*) These figures are shown per Turkish Trade Law financial statements as of 30 September 2019.

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

1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1,159,079	825,168	1,674,227	1,307,276
1 to 4 years	1,408,167	1,304,346	910,320	854,221
More than 4 years	357,299	348,881	297,345	289,202
Total	2,924,545	2,478,395	2,881,892	2,450,699

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	2,924,545	2,881,892
Unearned finance lease income (-)	(446,150)	(431,193)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	2,478,395	2,450,699

1.10.3 Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, 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 33,722 are included in the non-performing loans in the balance sheet (31 December 2018 – TL 9,493).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.11 Information on derivative financial assets for hedging purposes: None (31 December 2018 – None).

1.12 Information on deferred tax asset

As of 30 September 2019, deferred tax is offset as TL 275,500 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 30 September 2019 is TL 374,905 (31 December 2018 – TL 362,096) and deferred tax liability is TL 99,405 (31 December 2018 – TL 15,456 TL).

	Current period	Prior period
Reserve for employee benefits	31,586	31,297
Retirement pay liability	21,424	17,412
Deferred income	58,140	55,507
Impairment provision for subsidiaries, fixed assets and assets held for sale	5,982	-
Rediscounts for derivative instruments held for trading (net)	1,600	30,080
TFRS 9 Provisions	238,809	192,935
Precious metals valuation difference	4,624	2,031
Other	12,740	32,834
Deferred tax asset	374,905	362,096
The difference between the registered value of tangible assets and tax value	(8,089)	(7,293)
Accruals of derivative financial instruments held for trading (net)	(75,222)	
Revaluation difference of financial assets at fair value through profit or loss	(12,655)	(3,691)
Other	(3,439)	(4,472)
Deferred tax liability	(99,405)	(15,456)
Deferred tax asset, (net)	275,500	346,640

Table of deferred tax asset movement:

	30 September 2019	30 September 2018
As of January 1	346,640	138,710
Deferred tax (expense)/income	(22,241)	60,649
Deferred tax accounted under other comprehensive income	(48,899)	31,850
TFRS 9 opening effect	-	(8,987)
Deferred tax asset	275,500	222,222

1.13 Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 1,716,612 (31 December 2018 – TL 2,799,934). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

SECTION FIVE

2. Explanations and notes related to liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

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
I. Real persons current accounts-TL	5,634,190	-	-	-	-	-	-	-	5,634,190
II. Real persons profit sharing accounts TL	-	6,334,066	9,606,465	518,099	-	334,849	370,322	20,664	17,184,465
III. Other current accounts-TL	3,912,671	-	-	-	-	-	-	-	3,912,671
Public sector	425,202	-	-	-	-	-	-	-	425,202
Commercial sector	3,450,448	-	-	-	-	-	-	-	3,450,448
Other institutions	26,508	-	-	-	-	-	-	-	26,508
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	10,513	-	-	-	-	-	-	-	10,513
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	9,803	-	-	-	-	-	-	-	9,803
Participation banks	710	-	-	-	-	-	-	-	710
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	462,062	1,577,574	112,340	-	334,318	48,017	-	2,534,311
Public sector	-	296	225	597	-	2,878	-	-	3,996
Commercial sector	-	420,609	1,454,560	101,635	-	321,558	47,330	-	2,345,692
Other institutions	-	40,821	121,802	10,051	-	9,833	457	-	182,964
Commercial and other institutions	-	336	969	57	-	49	230	-	1,641
Banks and participation banks	-	-	18	-	-	-	-	-	18
V. Real persons current accounts-FC	12,144,659	-	-	-	-	-	-	-	12,144,659
VI. Real persons profit sharing accounts-FC	-	5,651,571	9,185,423	1,274,002	-	835,717	809,925	1,651	17,758,289
VII. Other current accounts-FC	4,882,845	-	-	-	-	-	-	-	4,882,845
Commercial residents in Turkey	4,373,231	-	-	-	-	-	-	-	4,373,231
Commercial residents in Abroad	213,081	-	-	-	-	-	-	-	213,081
Banks and participation banks	296,533	-	-	-	-	-	-	-	296,533
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	296,307	-	-	-	-	-	-	-	296,307
Participation banks	226	-	-	-	-	-	-	-	226
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	603,208	3,135,506	91,986	-	34,183	42,946	-	3,907,829
Public sector	-	8	-	-	-	-	-	-	8
Commercial sector	-	538,292	2,899,566	88,209	-	25,457	42,860	-	3,594,384
Other institutions	-	48,850	131,946	3,769	-	8,710	-	-	193,275
Commercial and other institutions	-	16,051	59,657	8	-	16	-	-	75,732
Banks and participation banks	-	7	44,337	-	-	-	86	-	44,430
IX. Precious metal funds	4,766,126	1,923,757	1,526,286	171,840	-	84,707	3,536	49	8,476,301
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	31,340,491	4,974,664	5,031,254	2,168,267	-	1,623,774	1,274,746	22,364	76,435,560

There are no 7 day notification accounts of the Bank.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

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
I. Real persons current accounts-TL	4,753,832	-	-	-	-	-	-	-	4,753,832
II. Real persons profit sharing accounts-TL	-	4,802,842	7,316,485	424,115	-	229,178	266,378	17,002	13,056,000
III. Other current accounts-TL	3,092,182	-	-	-	-	-	-	-	3,092,182
Public sector	186,809	-	-	-	-	-	-	-	186,809
Commercial sector	2,851,256	-	-	-	-	-	-	-	2,851,256
Other institutions	46,276	-	-	-	-	-	-	-	46,276
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	7,841	-	-	-	-	-	-	-	7,841
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	7,708	-	-	-	-	-	-	-	7,708
Participation banks	133	-	-	-	-	-	-	-	133
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	423,645	761,309	112,589	-	246,581	74,182	-	1,618,306
Public sector	-	146	2,285	-	-	1,388	-	-	3,819
Commercial sector	-	380,225	698,953	102,196	-	233,421	72,119	-	1,486,914
Other institutions	-	43,258	60,055	10,342	-	11,763	1,859	-	127,277
Commercial and other institutions	-	16	-	51	-	8	204	-	279
Banks and participation banks	-	-	16	-	-	1	-	-	17
V. Real persons current accounts-FC	8,080,999	-	-	-	-	-	-	-	8,080,999
VI. Real persons profit sharing accounts-FC	-	3,923,178	6,085,488	961,802	-	537,731	339,707	993	11,848,899
VII. Other current accounts-FC	3,593,287	-	-	-	-	-	-	-	3,593,287
Commercial residents in Turkey	3,254,669	-	-	-	-	-	-	-	3,254,669
Commercial residents in Abroad	242,275	-	-	-	-	-	-	-	242,275
Banks and participation banks	96,343	-	-	-	-	-	-	-	96,343
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	96,238	-	-	-	-	-	-	-	96,238
Participation banks	105	-	-	-	-	-	-	-	105
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	443,390	2,174,742	208,184	-	16,061	9,678	363	2,852,418
Public sector	-	39	3	-	-	-	-	-	42
Commercial sector	-	409,203	2,007,121	203,238	-	15,935	9,592	363	2,645,452
Other institutions	-	16,693	68,699	106	-	103	-	-	85,601
Commercial and other institutions	-	17,448	71,143	4,840	-	23	-	-	93,454
Banks and participation banks	-	7	27,776	-	-	-	86	-	27,869
IX. Precious metal funds	2,588,233	1,020,239	1,205,547	212,397	-	61,746	2,174	19	5,090,355
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	22,108,533	10,613,294	17,543,571	1,919,087	-	1,091,297	692,119	18,377	53,986,278

There are no 7 day notification accounts of the Bank.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

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

2.1.2.1 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	14,767,239	10,848,810	7,900,970	6,836,543
FC accounts	15,661,304	8,572,475	21,934,387	15,911,931
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 150 (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 which issued in official gazette no. 25893 on 1 November 2005.

2.1.2.2 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.

2.1.2.3 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	8,532	5,677
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	27,045	732	20,764	1,362
Swap transactions	-	8,550	281	40,574
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	27,045	9,282	21,045	41,936

2.3. Information on funds borrowed:

2.3.1 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	1,693,050	4,133,224	2,038,900	6,657,758
From Foreign Banks, Institutions and Funds	-	1,218,513	-	1,446,231
Total	1,693,050	5,351,737	2,038,900	8,103,989

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,693,050	2,466,292	2,038,900	4,254,863
Medium and Long-Term	-	2,885,445	-	3,849,126
Total	1,693,050	5,351,737	2,038,900	8,103,989

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

2.3.3 Explanations related to the concentrations of the Bank's major liabilities:

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

2.4 Information on other liabilities and miscellaneous payables:

As of 30 September 2019, other liabilities amount to TL 1,104,342 (31 December 2018 – TL 1,172,585), sundry creditors amount to TL 365,994 (31 December 2018 - TL 261,894), both of them do not exceed 10% of the balance sheet total.

2.5 Information on finance lease payables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	120,238	78,961	-	-
1 to 4 years	244,144	139,706	-	-
More than 4 years	126,244	87,443	-	-
Total	490,626	306,110	-	-

The Participation Bank used FTP (Fund Transfer Pricing) rates as an alternative borrowing rate of profit at 1 January 2019. Relevant ratios are revised and revised in 2-week periods after 1 January 2019. The change in Participation Bank payments uses an unmodified discount rate unless the variable profit share rate is related. If the change in the lease payments results from variable profit share rates (LIBOR, EURIBOR), the lessee will use a revised discount rate reflecting changes in the profit share rate.

2.6 Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	146,072	-	106,352
Hedge of net investment in foreign operations	-	-	-	-
Total	-	146,072	-	106,352

2.7 Information on provisions:

2.7.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans:
As of 30 September 2019, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 656 (31 December 2018 – TL 4,654) and TL 1,050 for leasing receivables (31 December 2018 – TL 1,266) is offset against loans and receivables.

2.7.2 Information on other provisions:

	Current Period	Prior Period
Non-Cash Loans That Are Not Converted Into Cash	373,933	240,373
Special Provisions for non-cash loans	77,179	145,911
General Provisions for non-cash loans	128,490	129,152
Provision for Profits will be Allocated to Participation Accounts	2,181	1,778
Other (*)	70,140	50,040
Total	651,923	567,254

(*) The other part of the main period amounting to TL 18,020 (December 31, 2018 - TL 13,780) is TL 7,043 (31 December 2018 - TL 6,500) for the expense of TL 45,077 (31 December 2018 - TL 29,760) is the amount for impairment loss.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

2.7.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 106,444 (31 December 2018 – TL 86,381), vacation pay liability amounting to TL 4,506 (31 December 2018 – TL 585), performance premium amounting to TL 77,822 (31 December 2018 – TL 86,617), retirement bonuses on payment of TL 50,943 (31 December 2018 – TL 44,014), committee fee amounting to TL 10,113 (31 December 2018 – TL 10,869) and other fees amounting to TL 188 (31 December 2018 – TL 175).

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 6,379.86 (full amount) (31 December 2018 – TL 5,434.42 (full amount)) 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 (%)	16.30	16.30
Inflation rate (%)	12.00	12.00
Salary increase rate (%)	25.00	13.00

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

	Current Period	Prior Period
Balance at the beginning of the period	86,381	83,942
Provisions recognized during the period	26,186	23,362
Paid during the period	(6,123)	(3,859)
Actuarial loss	-	(17,064)
Balances at the end of the period	106,444	86,381

2.8 Explanations on tax liability:

2.8.1 Explanations on current tax liability:

2.8.1.1 Information on tax provisions: None (31 December 2018-TL 175,685)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

2.8.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	48,034	21,252
Taxation of immovable property	1,944	1,569
Banking Insurance Transaction Tax (BITT)	29,063	32,461
Foreign Exchange Transaction Tax	2,176	-
Value Added Tax Payable	1,244	1,904
Income tax deducted from wages	11,825	9,675
Other	1,254	1,130
Total	95,540	67,991

2.8.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Security Premiums-Employee	7,299	5,640
Social Security Premiums-Employer	7,872	6,075
Unemployment insurance-Employee	522	404
Unemployment insurance-Employer	1,247	952
Total	16,940	13,071

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

2.8.1.4 Information on deferred tax liability: None (31 December 2018 - None).

2.9 Information on payables related to assets held for sale:

None (31 December 2018 – None).

2.10 Information on subordinated loans:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

2.11 Information on shareholders' equity:

2.11.1 Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,000,000	3,500,000
Preference shares	-	-
Repurchased shares amount (*)	(4,234)	(2,678)
Total	3,995,766	3,497,322

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

2.11.2 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.

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

None.

2.11.4 Information on share capital increases from capital reserves during the current period:

2.11.5 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.

2.11.6 Summary of privileges given to shares representing the capital:

None. (31 December 2018- None)

2.11.7 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 (*)	53,889	31,288	(37,105)	(51,432)
Foreign Exchange Difference	-	-	-	-
Total	53,889	31,288	(37,105)	(51,432)

(*) 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 financial assets at fair value through other comprehensive income in the balance sheet.

2.12 Information on minority shares:

None (31 December 2018 – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

3. Explanations and notes related to off-balance sheet contingencies and commitments

3.1. Explanations on off-balance sheet accounts:

3.1.1 Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 30 September 2019 amounts to TL 2,473,846 (31 December 2018 – TL 1,858,018); payment commitments for cheque books amounts to TL 1,318,604 (31 December 2018 – TL 1,136,474).

3.1.2 Types and amounts of probable losses and obligations arising from off-balance sheet items including below items:

3.1.2.1 Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 30 September 2019, the Bank has guarantees and surety ships constituting of TL 10,044,854 (31 December 2018 – TL 10,389,398) of letters of guarantee; TL 57,301 (31 December 2018 – TL 74,098) of acceptances and TL 1,246,355 (31 December 2018 – TL 1,079,876) of letters of credit. Also, banks has other acceptances amounting to TL 445,376 (31 December 2018 – TL 324,718).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i.)

3.1.3 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	11,793,886	11,868,090
Total	11,793,886	11,868,090

4. Explanations and notes related to the statement of income

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	4,037,042	530,818	3,314,466	294,593
Short term loans	1,179,282	92,895	934,211	41,152
Medium and long-term loans	2,822,492	437,919	2,367,632	253,441
Profit share on non-performing loans	35,268	4	12,623	-
Premiums received from resource utilization support fund	-	-	-	-

4.1.2 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	265	-	-	-
Foreign Banks	41,757	140,099	18,225	101,097
Branches and head office abroad	-	1,000	-	460
Total	42,022	141,099	18,225	101,557

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

4.1.3 Information on profit share income from securities portfolio:

The Bank has received TL 543,786 of profit share income from rent certificates (sukuk) which is given the details in information of financial assets at fair value through other comprehensive income (1 January – 30 September 2018 - TL 285,872).

4.1.4 Information on profit share income received from associates and subsidiaries:

	Current Period	Prior Period
Profit share income received from associates and subsidiaries	44	180

4.2 Information on profit share expenses:

	Current period		Prior period	
	TL	FC	TL	FC
Banks				
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	11,582	7,759	2,981	8,511
Foreign banks	-	10,042	4,473	20,309
Branches and head office abroad	-	-	-	-
Other Institutions	273,227	392,789	149,640	412,349
Total	284,809	410,590	157,094	441,169

4.2.1 Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	336,413	137,999

4.2.2 Profit share expense paid to securities issued:

None (1 January - 30 September 2018: None).

4.3 Information on dividend income:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

4.4 Distribution of profit share on funds based on maturity of funds:

Current period		Profit Sharing Accounts						
Account name	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	Total
TL								
Collected funds from banks through current and profit share accounts	-	144	-	-	-	-	-	144
Real person’s non-trading profit sharing Account	637,943	689,275	57,119	-	32,507	36,710	2,158	1,755,710
Public sector profit sharing account	20	102	25	-	6	-	-	153
Commercial sector profit sharing account	45,567	109,523	12,222	-	1,941	1,316	-	170,569
Other institutions profit sharing account	5,689	8,997	1,275	-	376	143	-	16,480
Total	689,219	1,108,039	70,641	-	34,830	38,169	2,158	1,943,056
FC								
Banks	60	1,947	-	-	-	-	-	2,007
Real person’s non-trading profit sharing account	90,853	155,916	22,259	-	13,587	12,359	46	295,020
Public sector profit sharing account	-	14	-	-	-	-	-	14
Commercial sector profit sharing account	8,119	53,783	2,689	-	211	203	-	65,005
Other institutions profit sharing account	634	8,441	68	-	77	-	-	9,220
Precious metal accounts	14,331	13,720	1,603	-	707	-	-	30,361
Total	113,997	233,821	26,619	-	14,582	12,562	46	401,627
Grand Total	803,216	1,341,860	97,260	-	49,412	50,731	2,204	2,344,683
Prior period		Profit Sharing Accounts						
Account name	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	Total
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person’s non-trading profit sharing account	332,647	530,964	35,426	-	18,709	18,455	1,079	937,280
Public sector profit sharing account	649	2,161	-	-	1	-	-	2,811
Commercial sector profit sharing account	33,829	76,515	12,493	-	1,183	910	4	124,934
Other institutions profit sharing account	3,899	8,562	985	-	325	167	-	13,938
Total	371,024	618,202	48,904	-	20,218	19,532	1,083	1,078,963
FC								
Banks	58	822	-	-	-	-	-	880
Real person’s non-trading profit sharing account	49,286	92,242	19,552	-	10,057	6,179	15	177,331
Public sector profit sharing account.	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	6,684	29,884	1,866	-	4,448	76	3	42,961
Other institutions profit sharing account	1,524	3,877	364	-	3	-	-	5,768
Precious metal accounts	3,941	10,942	1,071	-	578	-	-	16,532
Total	61,493	137,767	22,853	-	15,086	6,255	18	243,472
Grand Total	432,517	755,969	71,757	-	35,304	25,787	1,101	1,322,435

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	886,401	347,434
Income	30,877,536	27,584,234
Gain on capital market transactions	38,548	8,925
Gain on derivative financial instruments	2,437,468	2,013,686
Foreign exchange profit	28,401,520	25,561,623
Losses (-)	(29,991,135)	(27,236,800)
Losses on capital market transactions	(11,613)	(7,851)
Losses on derivative financial instruments	(1,482,269)	(1,899,961)
Foreign exchange losses	(28,497,253)	(25,328,988)

4.6 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	762,316	330,489
Income from sale of assets	33,155	25,553
Revenues from real estates sold under the lease certificate.	-	40,595
Income from the real estate sales' gains by rent certificates	2,245	1,931
Other Income	4,474	4,247
Total	802,190	402,815

4.7 Provisions for loan losses and other receivables of the Bank:

	Current Period(*)	Prior Period
Expected Credit Loss	2,152,806	1,286,359
12 month expected credit loss (Stage 1)	13,975	247,877
Significant increase in credit risk (Stage 2)	605,279	545,902
Non-performing loans (Stage 3)	1,533,552	492,580
Marketable Securities Impairment Expense	864	3,009
Financial Assets at Fair Value through Profit or Loss	864	3,009
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	35,417	35,407
Total	2,189,087	1,324,775

(*) Includes the provisions in the "Other Provision Expenses" line in the Income Statement.

(**) Includes free provisions that can be allocated from profit to be distributed to participation accounts according to provisions regulation.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

4.8 Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	742,626	607,907
Provision for retirement pay liability	20,063	19,230
Depreciation expenses of fixed assets	134,727	45,704
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	30,843	20,815
Depreciation expenses of assets held for sale	-	-
Other operating expenses	253,374	257,264
Rent expenses	1,835	97,236
Maintenance expenses	73,433	29,821
Advertisement expenses	25,616	17,506
Communication expenses	37,358	28,838
Heating, electricity and water expenses	19,057	12,392
Cleaning expenses	5,073	4,336
Vehicle expenses	6,917	6,074
Stationery expenses	6,765	5,524
Other expenses	77,320	55,537
Losses on sales of assets	984	625
Deposit insurance fund expenses	118,537	75,040
Other	107,182	77,465
Total	1,408,336	1,104,050

(*) Includes the provisions in the "Personnel Expenses" line in the Income Statement.

4.9 Information on profit/loss from continued and discontinued operations before taxes:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 172,329 (1 January-30 September 2018 - TL 278,455), deferred tax expense of TL 194,309 (1 January-30 September 2018 - TL 26,837) and TL 172,068 (1 January-30 September 2018 - TL 87,486) deferred tax income is recognized.

4.11 Information on net income/loss from continued and discontinued operations:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

4.12 Information on net income/loss:

4.12.1 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 30 September 2019, net profit share income is TL 2,538,338 (1 January-30 September 2018 – TL 2,303,237), net fees and commission income is TL 339,638 (1 January-30 September 2018 – TL 259,658).

4.12.2 Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods:

None (1 January - 30 September 2018 – None).

4.12.3 Profit/Loss attributable to minority interest:

None (1 January - 30 September 2018 – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

4.13 Details of sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:

As of 30 September 2019, other fees and commissions received is TL 458,372 (1 January - 30 September 2018 – TL 300,562), TL 152,377 of this amount is related with credit card fees and commissions (1 January - 30 September 2018 – TL 78,619) and TL 112,130 of this amount is related with POS machine commissions (1 January - 30 September 2018 – TL 59,068).

As of 30 September 2019, other fees and commissions given is TL 226,078 (1 January - 30 September 2018 – TL 131,384), TL 133,293 (1 January - 30 September 2018 – TL 67,134) of this amount is related with POS clearing commissions and installation expenses, TL 18,946 (1 January - 30 September 2018 – TL 12,583) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

6. Explanations and Disclosures Related to Statement of Cash Flows

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

7. Explanations and notes related to risk group of the Bank:

7.1 The volume of transactions related to the risk group of the Bank, the loans and funds collected which have not been completed at the end of the period and the income and expenses related to the period:

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	121,040	19,092	1,034	398	204,988	520
Balance at end of period	110	18,984	1,725	4,892	453,330	309
Profit share and commission income	-	44	99	12	6,366	1

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

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	19	1,253	1,030	786	150,924	917
Balance at end of period	121,040	19,092	1,034	398	204,988	520
Profit share and commission income	67	79	50	6	6,920	2

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

7.2 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	Current period	Current period	Current Period	Current period	Current period
Current and profit sharing accounts						
Balance at beginning of period	62,800	33,887	35,032	60,187	255,239	417,813
Balance at end of period	108,645	62,800	131,799	35,032	499,865	255,239
Profit share expense	4,634	1,059	1,824	3,160	29,492	20,269

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 541

7.3 Forward and option agreements and other similar agreements with the risk group of the Bank:

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	Current period	Current period		Current Period	Current period
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	259,035	40,710	287,483	-	-	-
Balance at end of period	38,747	259,035	560,484	287,483	-	-
Total Profit / Loss	(227)	-	138	-	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

7.4 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
Borrowings						
Balance at beginning of period	5,646,443	7,063,526	802,108	2,175,759	-	-
Balance at end of period	8,667,531	5,646,443	1,147,454	802,108	-	-
Profit share expense	331,779	136,940	38,735	63,775	-	-

7.5 Information on remunerations provided to top management:

As of 1 January - 30 September 2019, the Bank has paid TL 33,516 to top management (1 January - 30 September 2018 TL 25,859).

8. Significant events and matters arising subsequent to balance sheet date

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 220,000 thousand on 9 October 2019 and a maturity of 70 days with a cost of 12.72%

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. issued sukuk on October 10, 2019 with a nominal value of TL 220,000 thousand and a maturity of 69 days with a cost of 12.72%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. issued sukuk on October 18, 2019 with a nominal value of TL 300,000 thousand and a maturity of 89 days and a cost of 13.07%.

KT Leasing Certificates Varlık Kiralama A.Ş. issued sukuk on October 31, 2019 with a nominal value of TL 100,000 thousand and a cost of 10.85% with 90 days maturity.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

SECTION SIX

OTHER EXPLANATIONS

1. **Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet:** None.

SECTION SEVEN

LIMITED REVIEW REPORT

1. **Explanations on the limited review report:**

The unconsolidated financial statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 11 November 2019 is presented preceding the financial statements.

2. **Notes and disclosures prepared by the independent auditor:** None.

SECTION EIGHT
INTERIM REPORT

1. **Explanations on interim annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager**

1.1 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.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.2 Financial Informations Summary:

UNCONSOLIDATED BALANCE SHEET	30 September 2019	31 December 2018
CASH BALANCES AND CENTRAL BANK	13,917,584	10,436,088
BANKS	10,403,946	6,419,648
LOANS	51,132,178	45,348,335
FINANCE LEASE RECEIVABLES (Net)	2,478,395	2,450,699
TANGIBLE ASSETS (Net)	983,229	688,888
OTHER ASSETS	16,944,868	8,888,667
TOTAL ASSETS	95,860,200	74,232,325
FUND COLLECTED	76,435,560	53,986,278
FUNDS BORROWED	7,044,787	10,142,889
MARKETABLE SECURITIES ISSUED (Net)	0	-
FINANCE LEASE PAYABLES (Net)	306,110	-
SUBORDINATED LOANS	3,147,163	1,901,210
OTHER LIABILITIES	2,554,674	2,763,395
EQUITY	6,371,906	5,438,553
TOTAL LIABILITIES	95,860,200	74,232,325

UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 September 2019	30 September 2018
PROFIT SHARE INCOME	5,625,937	4,252,337
PROFIT SHARE EXPENSE	3,087,599	1,949,100
NET PROFIT SHARE INCOME/EXPENSE	2,538,338	2,303,237
NET FEES AND COMMISSION INCOME/EXPENSE	339,638	259,658
PERSONNEL EXPENSES	762,689	627,137
DIVIDEND INCOME	2,922	1,227
NET TRADING INCOME / LOSS	886,401	347,434
OTHER OPERATING INCOME	802,190	402,815
EXPECTED LOSS PROVISIONS (-)	2,152,806	1,286,359
OTHER OPERATING EXPENSES (-)	36,281	38,416
INCOME/ LOSS BEFORE TAX	645,647	476,913
TAX CHARGE	972,066	885,546
PROFIT SHARE INCOME	(194,570)	(217,806)
CURRENT PERIOD INCOME/LOSSES	777,496	667,740

	30 September 2019	31 December 2018
Total Loans/Total Assets*	55.93%	64.39%
Total Loans/Fund Collected*	70.14%	88.54%
Average Equity Profit **	17.55%	17.34%
Average Assets Profit **	1.22%	1.32%
Capital Adequacy Ratio	19.42%	17.68%

* Finance Lease Receivables is included in total loans.

**Related ratios calculated by included in interim periods' profit amounts to year-end balances.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.3 Message from the Chairman

Interest rate cuts by developed and developing country central banks and ongoing trade disputes between the United States and China have set the agenda for financial markets in the third quarter of 2019. The International Monetary Fund (IMF) has revised its global growth forecasts downwards due to disagreements over trade and technology, Brexit and global geopolitical uncertainties. Following the September attack on Saudi Arabia's largest oil facility, oil prices rose sharply since 1991.

The July April update of the IMF's Global Economic Outlook report showed that the organization lowered both its growth expectations for 2019 and 2020 by 0.1 percentage points compared to the April report, pulling it to 3.2% for 2019 and 3.5% for 2020.

In its "Interim Economic Outlook" report, the OECD highlighted the increase in uncertainty and fragility in the global perspective, commenting that global growth will decelerate to 2.9% in 2019 and 3% in 2020.

The FED reduced its policy rate by 25 basis points for the first time in 11 years due to the global slowdown and trade tensions in July and reduced the policy rate to its second meeting in September. Thus, it reduced the policy interest rate by a total of 50 basis points to 1.75%- 2.0% band. The institution noted that economic activity continued to grow at a moderate pace, while the labor market remained strong, while fixed capital investments and exports weakened. Fed members explained that downside risks, especially from global trade policies and non-US economic conditions, are increasing and that interest rate reduction decisions provide insurance for these risks.

Economic activity in the eurozone remains weak and inflation remains below target. In the UK, however, the failure to resolve disputes over Brexit is reinforcing early election signals.

While the economy contracted by 1.5% year-on-year in the second quarter, the economic recovery continued with 1.2% growth in the quarter. On an annual basis, the contraction in private consumption expenditures slowed, while the contraction in investment expenditures increased. Growth in exports, a sharp decline in imports and public spending were the factors limiting second-quarter growth. In the New Economy Programme covering the period 2020-2022, private consumption is expected to contribute highly to growth with the support of deferred demands in 2020 and the increasing need for financing in an environment of improving confidence. As a result of this, 2019 is expected to complete with 0.5% growth; 5% growth is expected in the following 3 years.

Annual inflation fell to a 32-month low of 9.26% in September. The inflation target in the New Economy Programme is 12% for the year-end of 2019 and is set at 8.5%, 6% and 4.9% respectively for 2020, 2021 and 2022.

The strong capital structure of the banking sector, which is one of the most important sectors of the Turkish economy, reduces fragility in the face of economic fluctuations. While the non-performing loan ratio in the sector was 4.7% in August, the capital adequacy ratio remains high with 17.9%. Banking sector assets grew by 10.4% in the first eight months of 2019 compared to the end of 2018, while utilised funds increased by 7.8%. With the effect of falling interest rates and the public financing support packages offered, there is an acceleration in the funds being used. In the same period, participation banks continued to grow to consolidate their position in the sector, increasing their total assets by 19.7% and their funds by 13.8%. The increase in banking sector financing volume is expected to accelerate during the rest of 2019, especially with the impact of a revival in commercial financing demand. Global trade uncertainties and global geopolitical developments will remain on the agenda of the markets in 2020.

1.4 Message from the General Manager

In the third quarter of 2019, support to contribute to the balancing process under the leadership of economic management and related institutions continued. CBT's interest rate reductions are reflected in the costs and pricing of the banking sector. The public financing support packages also contributed to the strengthening trend in the economy, and the Turkish economy is giving strong signals about the transition to growth again. In this period, the banking sector continued to create capacity for the development of our economy with its strong structure, strong capital adequacy and liquidity.

Celebrating its thirtieth birthday, Kuveyt Turk continued its steady growth and increased its net profit by 16.44% to TL 777 million in the first nine months of 2019, maintaining its asset quality. Kuveyt Turk's fund size increased by 41.58 per cent to TL 76.4 billion compared to the end of 2018, while the fund size used increased by 12.16 per cent

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

to TL 53.6 billion. Kuveyt Turk, whose equity assets reached TL 6.4 billion and assets reached TL 95.9 billion, maintained its position in the first place among participation banks in terms of asset size.

Kuveyt Turk has announced the second phase of the Export Support Package in the third quarter of 2019, in order to support exports and increase foreign exchange input to the country, by continuing its efforts to support the real economy and sustainability of its business activities through its products and services developed in line with the principles of participation banking. By reducing the profit rates in euros and dollars, the needs of the exporting customers are analysed and the appropriate rate and maturity options are presented. This package, which announced its first phase in January, provided funding support of approximately \$ 500 million. In addition, Kuveyt Turk became the first participation bank to be integrated into Eximbank's short-term receivables insurance. Eximbank insures exporters against commercial and political risks in order to facilitate the collection of receivables arising from their foreign sales. Banks also accept this insurance policy as collateral and provide financing to our exporters. In this way, it is aimed to facilitate the access to financing of all our exporters who export against goods. In addition, following the interest rate reduction decisions of CBT in the related period, Kuveyt Turk reduced the profit ratio in housing finance to 1.14% and in vehicle finance to 1.24%, while TL financing rates for corporate-commercial companies and SMEs were reduced by 750 basis points.

In addition to the free money transfer service of KT Bank AG, Europe's first participation Bank founded in Germany by Kuveyt Turk, 'Our Land account' has been offered to encourage Turkish citizens living abroad or having an address abroad to evaluate their savings in Turkey. Our expatriates who want to grow and evaluate their savings in their territory can open our land account in Kuveyt Turk and transfer money up to 5 thousand euros through KT Bank AG without paying any costs to these accounts.

In the third quarter of the year, Kuveyt Turk continued to add new ones to its international awards. Kuveyt Turk was awarded the "Best Asset Management" Award for providing high quality and fast solutions to its customers through its domestic and international branches and correspondent banks by utilizing technological solutions at the ninth global Islamic Finance Awards (GIFA) held this year. Architech Bilişim, a technology company founded with the goal of marketing the products and services developed in the R & D centers of Kuveyt Turk participation bank in national and international arena, has managed to put its name among the first 500 IT companies in Turkey in a short time. Architech Bilişim, which continues its work with full speed, has been awarded the "most growing IT company in the last year" award at the Bilişim 500, which was organized by BThaber for the twentieth time this year. Architech, which has become the address of new technologies in the banking sector in a short time, is planned to export 120 million TL of software to more than 20 countries by 2020.

KT Portföy Yönetimi A.Ş., a wholly owned subsidiary of Kuveyt Turk through its implementation last year, the Teknogirişim Venture Capital Investment Fund (Teknogirişim GSYF) has signed its first investment contract with the Akaunting initiative, which has received training and mentoring support from the Lonca Girişimcilik Merkezi. Akaunting, which produces a free online pre-accounting program for SMEs, has stated that it will use the investment it receives from Teknogirisim GSYF to increase its product range and expand into new markets.

Kuveyt Turk, along with FinTech company ComPay, the pioneer in payment solutions, has implemented the 'Pay by QR Code from the account' service. Thanks to this application, which allows payment by QR code for purchases made from e-commerce sites, users can make their purchases from their bank account without the need for a credit card.

Kuveyt Turk, with its strong capital and liquidity position, high asset quality, dynamic approach to corporate governance, continuous improvement focused on customer service model, ongoing investment in technology, accelerate the digital transformation efforts and overseas expansion by leading companies in the participation banking sector in Turkey in the coming period aims to continue to be.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

1.5 Financial Position, Performance and Assessment of the Prospects for the Future

As of 30 September 2019, unconsolidated financial statements asset size is TL 95 million 860 thousand, amount of the utilization of funds is TL 53 million 611 thousand and funds collected amount is TL 76 million 436 thousand. Due to the effect of the first nine months' profit of TL 777 thousand, the ratio of shareholder equity increased 17.16% by reaching TL 6 million 372 thousand. As of 30 September 2019, unconsolidated capital adequacy ratio has been realized as 19,42%.

The expectations for growth and profitability will continue in the development line.

1.6 Announcement regarding important developments within 3 months

On 16 July 2019, within the scope of the Regulation on the Equity of Banks Grup, the Group issued a lease certificate of KT One Company Ltd, which can be included in additional capital of US \$ 200 million with repurchase option and 9.13% expected annual lease return after 5 years.

The Bank has issued sukuk with a total nominal value of TL 1,505,000 thousand with seven separate transactions over KT Kira Sertifikaları Varlık Kiralama A.Ş. with a minimum 13.41% and maximum 21.11% cost in different maturity periods.

1.7 Assessment of the expectations related to the subsequent interim period

The Bank continues to open new branches after the subsequent interim. The number of branches is planned to reach 430 by the end of 2019.