

Kuveyt Türk Katılım Bankası Anonim Şirketi

**Independent auditor's report, consolidated
financial statements and notes for the year
ended December 31, 2019**

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

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

REPORT ON CONSOLIDATED FINANCIAL INFORMATION

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

A) Audit of consolidated Financial Statements

1) Opinion

We have audited the accompanying consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş (the “Bank”) and its subsidiaries (collectively referred as “the Group”), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation which includes “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 and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards (“TFRS”) for those matters not regulated by the aforementioned regulations.

2) Basis for Opinion

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter is addressed in our audit
<p><i>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment of financial assets and related important disclosures</i></p> <p>As disclosed in footnote 1.5 of Section 3; the Group measured expected credit losses for financial assets by TFRS 9 “Financial Instruments Standards” in financial statements. The rationale reasons for selecting TFRS 9 impairment of financial assets as key audit matter are as follows;</p> <ul style="list-style-type: none"> Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements The applications TFRS 9 introduced are complex and comprehensive The classification of financial instruments based on the Group’s business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses The complexity and intensity of the control environment in the processes designed or reorganized together with the adoption of TFRS 9 Estimations and assumptions used for expected credit losses are new, important and complex Complex and comprehensive disclosure requirements of TFRS 9. 	<p>Our additional audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group's past performance, and local and global practices Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group's business model Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment Evaluating the necessity and accuracy of the updates made or required updates after the modelling process Auditing of disclosures related to TFRS 9.

Derivative Financial Instruments	
<p>As disclosed footnote 1.2 and 2.2 of section 5; Derivative financial instruments including foreign exchange contracts, currency and profit share rate swaps and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Group management, fair value calculations of the selected derivative financial instruments control by another organization's valuation experts connected to the same audit network as our organization and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.</p>

4) *Other Matter*

The consolidated financial statements of the Group as at 31 December 2018 were audited by another audit firm, which expressed an unqualified opinion in their reports issued on 7 March 2019.

5) *Responsibilities of Management and Directors for the Consolidated Financial Statements*

Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6) *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entries or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe the matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”) ; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities and financial statements for the period 1 January – 31 December 2019 are not in compliance with the TCC and the Bank’s articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor’s report is Emre Çelik.

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



Emre Çelik, SMMM
Associate Partner

February 28, 2020
Istanbul, Turkey

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**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2019**

Address of the head office : Büyükdere 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 consolidated Year-End Financial Report prepared in accordance with the Communiqué 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REVIEW REPORT

The following are our subsidiaries, subsidiaries and jointly controlled subsidiaries whose financial statements are consolidated in the framework of this annual consolidated financial report.

	Subsidiaries	Subsidiaries	Jointly Controlled Subsidiaries
1.	KT Sukuk Varlık Kiralama A.Ş.		Katılım Emeklilik ve Hayat A.Ş.
2.	KT Kira Sertifikaları Varlık Kiralama A.Ş.		
3.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.		
4.	KT Bank AG.		
5.	KT Portföy Yönetimi A.Ş.		

The consolidated financial statements for the year-end 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.

Hamad Abdulmohsen AL-MARZOUQ
Chairman of the Board of Directors

Ahmad S A A AL KHARJI
Chairman of the Audit
Committee

Nadir ALPASLAN
Member of the Audit Committee

Mohamad AL-MIDANI
Member of the Audit
Committee

Ufuk UYAN
CEO

Ahmet KARACA
Chief Financial Officer

İsmail Hakkı YEŞİLYURT
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 YEŞİLYURT/ Budget and Management Reporting

Telephone: 0212 354 12 84

Facsimile: 0212 354 11 03

SECTION ONE

GENERAL INFORMATION

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

Kuveyt Türk Katılım Bankası A.Ş. (“The Bank”) 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.

The parent bank and consolidated financial partnerships are together called “the group”.

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

As of 31 December 2019, 62.24% of the Parent Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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 parent bank:

Name	Title	Date of Audit Committee Assignments		Audit Committee End Date	Educational Degree	Ownership Percentage
		Date of the Assignment	Committee Assignments			
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD	10/10/2002	19/10/2010	24/12/2019	Doctorate	-
Nadir ALPASLAN	Member of BOD and Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	0.01%
Fawaz KH E AL SALEH	Member of BOD	20/10/2006			Bachelor	-
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015			Bachelor	-
Mohamad Al-MİDANİ	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S A A AL KHARJİ (*)	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	0.06%
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006			Master	0.00%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.00%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.02%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005			Doctorate	0.01%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.00%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.01%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.00%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.01%

* He was appointed as the Chairman of the Audit Committee with the decision taken at the meeting of the Board of Auditors dated 26/01/2020.

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

4. Information on qualified parent bank

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 31 December 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 Parent Bank’s services and field of operations

The Parent Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank’s core business is operating in accordance with the principles of interest-free banking as a participation parent bank by collecting funds through current and profit/loss sharing accounts and lending such funds to its customers.

As of 31 December 2019, the Group is operating through 436 domestic branches (31 December 2018 – 419) with 6,091 employees (31 December 2018 – 5,981). 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 Parent 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 Parent Bank and its subsidiaries:

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

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

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

ASSETS	Note	Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		4,808,663	38,565,666	43,374,329	3,352,422	20,404,674	23,757,096
1.1. Cash and Cash Equivalents		1,781,528	24,948,531	26,730,059	1,158,339	16,249,232	17,407,571
1.1.1. Cash and Balances with Central Bank	(5.1.1.)	1,768,747	17,447,545	19,216,292	1,183,109	9,428,812	10,611,921
1.1.2. Banks	(5.1.3.)	12,921	7,503,851	7,516,772	12,858	6,884,069	6,896,927
1.1.3. Money Markets		-	-	-	-	-	-
1.1.4. Expected Credit Loss (-)		140	2,865	3,005	37,628	63,649	101,277
1.2. Financial Assets at Fair Value Through Profit or Loss		109,958	3,891,546	4,001,504	27,913	75,181	103,094
1.2.1. Government Debt Securities		77,977	3,863,617	3,941,594	18,327	11,770	30,097
1.2.2. Equity Instruments		-	-	-	-	-	-
1.2.3. Other Financial Assets		31,981	27,929	59,910	9,586	63,411	72,997
1.3. Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	2,898,407	9,562,353	12,460,760	2,136,687	4,067,733	6,204,420
1.3.1. Government Debt Securities		2,792,631	9,313,887	12,106,518	2,065,421	3,804,519	5,869,940
1.3.2. Equity Instruments		11,237	27,346	38,583	10,502	17,046	27,548
1.3.3. Other Financial Assets		94,539	221,120	315,659	60,764	246,168	306,932
1.4. Derivative Financial Assets	(5.1.2.)	18,770	163,236	182,006	29,483	12,528	42,011
1.4.1. Derivative Financial Assets at Fair Value Through Profit or Loss		18,770	163,236	182,006	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.)	32,535,710	27,246,766	59,782,476	31,029,723	15,944,851	46,974,574
2.1. Loans		33,532,383	23,726,265	57,258,648	31,238,479	15,220,572	46,459,051
2.2. Leasing Receivables	(5.1.10.)	1,406,165	1,301,355	2,707,520	1,439,955	1,010,744	2,450,699
2.3. Other Financial Assets Measured At Amortized Cost	(5.1.6.)	-	2,859,381	2,859,381	-	37,156	37,156
2.3.1. Government Debt Securities		-	2,725,997	2,725,997	-	37,156	37,156
2.3.2. Other Financial Assets		-	133,384	133,384	-	-	-
2.4. Expected Credit Loss (-)		2,402,838	640,235	3,043,073	1,648,711	323,621	1,972,332
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(Net)		473,326	-	473,326	270,382	-	270,382
3.1. Held For Sale		473,326	-	473,326	270,382	-	270,382
3.2. Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		64,061	-	64,061	52,200	-	52,200
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.)	23,680	-	23,680	23,680	-	23,680
4.2.1. Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
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.)	40,381	-	40,381	28,520	-	28,520
4.3.1. Joint Ventures Valued Based on Equity Method		40,381	-	40,381	28,520	-	28,520
4.3.2. Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		797,960	36,141	834,101	449,287	7,900	457,187
VI. INTANGIBLE ASSETS (Net)		134,064	64,696	198,760	136,932	63,833	200,765
6.1. Goodwill		-	-	-	-	-	-
6.2. Other		134,064	64,696	198,760	136,932	63,833	200,765
VII. INVESTMENT PROPERTIES (Net)		37,646	-	37,646	29,671	-	29,671
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(5.1.15.)	358,279	43,503	401,782	346,640	34,043	380,683
X. OTHER ASSETS	(5.1.17.)	744,570	954,099	1,698,669	904,064	1,986,364	2,890,428
TOTAL ASSETS		39,954,279	66,910,871	106,865,150	36,571,321	38,441,665	75,012,986

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
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

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

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

			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
LIABILITIES		Note	TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1.)	35,401,409	52,848,363	88,249,772	22,516,520	32,713,498	55,230,018
II.	FUNDS BORROWED	(5.2.3.)	160,847	286,378	447,225	93,394	1,901,902	1,995,296
III.	MONEY MARKETS		-	-	-	188,003	-	188,003
IV.	SECURITIES ISSUED (Net)		735,743	3,906,422	4,642,165	1,634,934	6,157,936	7,792,870
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		129,690	294,447	424,137	21,045	149,118	170,163
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss		129,690	164,719	294,409	21,045	42,766	63,811
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	129,728	129,728	-	106,352	106,352
VII.	LEASE PAYABLES	(5.2.6.)	315,732	35,223	350,955	-	-	-
VIII.	PROVISIONS	(5.2.8.)	855,190	244,064	1,099,254	615,727	184,795	800,522
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves For Employee Benefits		302,114	706	302,820	228,540	538	229,078
8.3.	Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4.	Other Provisions		553,076	243,358	796,434	387,187	184,257	571,444
IX.	CURRENT TAX LIABILITIES	(5.2.9.1.)	224,769	1,452	226,221	175,716	1,936	177,652
X.	DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.10.)	-	-	-	-	-	-
11.1.	Held For Sale		-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.11.)	-	3,380,983	3,380,983	-	1,901,210	1,901,210
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	3,380,983	3,380,983	-	1,901,210	1,901,210
XIII.	OTHER LIABILITIES	(5.2.5.)	988,695	268,807	1,257,502	1,183,827	153,891	1,337,718
XIV.	SHAREHOLDERS' EQUITY	(5.2.12.)	6,834,774	(47,838)	6,786,936	5,582,198	(162,664)	5,419,534
14.1.	Paid-in Capital		3,995,766	-	3,995,766	3,497,322	-	3,497,322
14.2.	Capital Reserves		25,764	-	25,764	24,208	-	24,208
14.2.1.	Share Premiums		24,525	-	24,525	24,208	-	24,208
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		(19,082)	-	(19,082)	(13,296)	-	(13,296)
14.4.	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		176,294	78,477	254,771	18,702	(51,432)	(32,730)
14.5.	Profit Reserves		1,472,776	-	1,472,776	1,110,535	-	1,110,535
14.5.1.	Legal Reserves		231,728	-	231,728	187,583	-	187,583
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		70,251	-	70,251	(584)	-	(584)
14.6.	Profit or Loss		1,154,795	(126,315)	1,028,480	919,615	(111,232)	808,383
14.6.1.	Prior Years' Profits or Losses		22,075	(111,232)	(89,157)	106,742	(107,902)	(1,160)
14.6.2.	Current Period Net Profit or Loss		1,132,720	(15,083)	1,117,637	812,873	(3,330)	809,543
14.7.	Minority Shares	(5.2.13.)	28,461	-	28,461	25,112	-	25,112
TOTAL LIABILITIES AND EQUITY			45,646,849	61,218,301	106,865,150	32,011,364	43,001,622	75,012,986

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.

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2019

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

2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

		Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
	Note	TL	FC	Total	TL	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		67,365,973	56,290,702	123,656,675	57,546,517	29,212,634	86,759,151
I. GUARANTEES AND WARRANTIES	(5.3.1.)	6,938,439	4,963,915	11,902,354	6,416,633	5,459,447	11,876,080
1.1. Letters of Guarantee		6,592,042	3,415,529	10,007,571	6,206,886	4,184,393	10,391,279
1.1.1. Guarantees Subject to State Tender Law		218,286	62,740	281,026	217,252	174,971	392,223
1.1.2. Guarantees Given For Foreign Trade Operations		375,091	79,315	454,406	371,535	167,020	538,555
1.1.3. Other Letters of Guarantee		5,998,665	3,273,474	9,272,139	5,618,099	3,842,402	9,460,501
1.2. Bank Loans		8,546	46,489	55,035	17,516	56,582	74,098
1.2.1. Import Letter of Acceptances		8,546	46,489	55,035	17,516	56,582	74,098
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		10,567	1,363,442	1,374,009	11,512	1,068,364	1,079,876
1.3.1. Documentary Letters of Credit		86	371,829	371,915	367	215,062	215,429
1.3.2. Other Letters of Credit		10,481	991,613	1,002,094	11,145	853,302	864,447
1.4. Guaranteed Refinancing		-	147	147	-	1,791	1,791
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		327,284	138,308	465,592	180,719	143,999	324,718
1.7. Other Warranties		-	-	-	-	4,318	4,318
II. COMMITMENTS	(5.3.1.)	52,151,025	1,893,989	54,045,014	50,194,084	1,305,169	51,499,253
2.1. Irrevocable Commitments		4,795,885	1,893,989	6,689,874	3,572,418	1,305,169	4,877,587
2.1.1. Forward Asset Purchase and Sales Commitments		455,887	1,890,943	2,346,830	345,756	1,295,480	1,641,236
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3. Loan Granting Commitments		358,094	-	358,094	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		1,305,235	-	1,305,235	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		2,656,398	-	2,656,398	1,858,018	-	1,858,018
2.1.9. Commitments For Credit Cards and Banking Services Promotions		2,514	-	2,514	-	-	-
2.1.10. Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11. Payables For Short Sale Commitments		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		17,757	3,046	20,803	17,757	9,689	27,446
2.2. Revocable Commitments		47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.1. Revocable Loan Granting Commitments		47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		8,276,509	49,432,798	57,709,307	935,800	22,448,018	23,383,818
3.1. Derivative Financial Instruments Held For Risk Management		-	2,451,906	2,451,906	-	2,165,533	2,165,533
3.1.1. Fair Value Hedges		-	-	-	-	-	-
3.1.2. Cash Flow Hedges		-	2,451,906	2,451,906	-	2,165,533	2,165,533
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held For Trading Transactions		8,276,509	46,980,791	55,257,300	935,800	20,282,485	21,218,285
3.2.1. Forward Foreign Currency Buy/Sell Transactions		512,110	1,242,703	1,754,813	652,622	1,755,501	2,408,123
3.2.1.1. Forward Foreign Currency Buy Transactions		276,131	603,627	879,758	347,631	862,093	1,209,724
3.2.1.2. Forward Foreign Currency Sell Transactions		235,979	639,076	875,055	304,991	893,408	1,198,399
3.2.2. Other Forward Buy/Sell Transactions		7,764,399	45,738,088	53,502,487	283,178	18,526,984	18,810,162
3.3. Other		-	101	101	-	-	-
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		381,449,255	165,631,022	547,080,277	316,497,679	142,487,425	458,985,104
IV. ITEMS HELD IN CUSTODY		11,299,056	14,947,964	26,247,020	10,816,866	5,644,771	16,461,637
4.1. Customers' Securities Held		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		2,891,875	424,980	3,316,855	2,159,381	156,528	2,315,909
4.3. Checks Received for Collection		6,828,688	869,224	7,697,912	7,157,340	906,367	8,063,707
4.4. Commercial Notes Received for Collection		1,578,493	280,131	1,858,624	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		-	13,373,629	13,373,629	-	4,339,208	4,339,208
V. PLEDGED ITEMS		370,138,560	150,613,354	520,751,914	305,669,174	136,780,695	442,449,869
5.1. Marketable Securities		194,245	111,336	305,581	185,945	99,786	285,731
5.2. Guarantee Notes		101,727	2,402,814	2,504,541	101,681	2,133,522	2,235,203
5.3. Commodity		8,938,138	701,641	9,639,779	6,094,405	633,381	6,727,786
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		124,206,037	2,983,314	127,189,351	112,015,122	2,715,023	114,730,145
5.6. Other Pledged Items		236,698,413	144,414,249	381,112,662	187,272,021	131,198,983	318,471,004
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		11,639	69,704	81,343	11,639	61,959	73,598
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		448,815,228	221,921,724	670,736,952	374,044,196	171,700,059	545,744,255

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT (STATEMENT OF PROFIT/LOSS) AND OTHER
COMPREHENSIVE INCOME AS OF 31 DECEMBER 2019

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

3. CONSOLIDATED INCOME STATEMENT

		Notes	Audited Current Period 01.01.2019-31.12.2019	Audited Prior Period 01.01.2018-31.12.2018
I.	PROFIT SHARE INCOME	(5.4.1.)	7,558,226	6,043,165
1.1.	Profit Share on Loans		6,077,584	5,091,408
1.2.	Profit Share on Reserve Deposits		86,722	92,411
1.3.	Profit Share on Banks		257,954	172,954
1.4.	Profit Share on Money Market Placements		-	-
1.5.	Profit Share on Marketable Securities Portfolio		810,359	418,770
1.5.1.	Fair Value Through Profit or Loss		66,463	27,920
1.5.2.	Fair Value Through Other Comprehensive Income		665,164	390,850
1.5.3.	Measured at Amortised Cost		78,732	-
1.6.	Finance Lease Income		259,612	229,320
1.7.	Other Profit Share Income		65,995	38,302
II.	PROFIT SHARE EXPENSE		3,991,466	2,857,709
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	3,050,658	2,000,908
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	272,103	260,715
2.3.	Profit Share Expense on Money Market Borrowings		2,514	35,789
2.4.	Expense on Securities Issued		604,045	560,283
2.5.	Profit Share Expense on Lease		62,146	14
2.6.	Other Profit Share Expense		-	-
III.	NET PROFIT SHARE INCOME (I - II)		3,566,760	3,185,456
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		490,868	367,871
4.1.	Fees And Commissions Received		800,292	571,696
4.1.1.	Non-Cash Loans		175,096	145,665
4.1.2.	Other		625,196	426,031
4.2.	Fees And Commissions Paid		309,424	203,825
4.2.1.	Non-Cash Loans		8,633	27
4.2.2.	Other	(5.4.13.)	300,791	203,798
V.	DIVIDEND INCOME	(5.4.3.)	2,841	1,273
VI.	NET TRADING INCOME / LOSS	(5.4.5.)	1,324,855	539,144
6.1.	Capital Market Transaction Gains/Losses		32,116	10,241
6.2.	Gains/Losses From Derivative Financial Instruments		464,803	136,774
6.3.	Foreign Exchange Gains/Losses		827,936	392,129
VII.	OTHER OPERATING INCOME	(5.4.6.)	789,578	540,934
VIII.	NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		6,174,902	4,634,678
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	2,640,410	1,949,975
X.	OTHER PROVISIONS (-)	(5.4.8.)	59,711	29,589
XI.	PERSONNEL EXPENSES (-)		1,086,890	842,182
XII.	OTHER OPERATING EXPENSES (-)		979,920	766,241
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		1,407,971	1,046,691
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		13,727	7,715
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.)	1,421,698	1,054,406
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(300,733)	(243,699)
18.1.	Current Tax Provision		(401,579)	(454,233)
18.2.	Deferred Tax Income Effect (+)		205,627	46,249
18.3.	Deferred Tax Expense Effect (-)		306,473	256,783
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.11.)	1,120,965	810,707
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.)	1,120,965	810,707
25.1.	Group's Income/Loss		1,117,637	809,543
25.2.	Minority Interest Income/Loss (-)		3,328	1,164
	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
CONSOLIDATED INCOME STATEMENT (STATEMENT OF PROFIT/LOSS) AND OTHER
COMPREHENSIVE INCOME AS OF 31 DECEMBER 2019

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

4. CONSOLIDATED STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

	Audited Current Period 31.12.2019	Audited Prior Period 31.12.2018
I. CURRENT PROFIT (LOSS)	1,120,965	810,707
II. OTHER COMPREHENSIVE INCOME	281,715	(31,385)
2.1 Other Comprehensive Income Not Reclassified Through Profit Or Loss	(5,786)	13,651
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	(7,233)	17,064
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	1,447	(3,413)
2.2 Other Comprehensive Income Reclassified Through Profit Or Loss	287,501	(45,036)
2.2.1 Foreign Currency Translation Difference	52,280	89,577
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	389,097	(142,495)
2.2.3 Cash Flow Hedge Income/Loss	(21,235)	50,973
2.2.4 Foreign Net Investment Hedge Income/Loss	(51,447)	(86,930)
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	(81,194)	43,839
III. TOTAL COMPREHENSIVE INCOME (I+II)	1,402,680	779,322

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2019

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

5. CONSOLIDATED 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 Profit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
Prior Period (01/01/2018 – 31/12/2018)																	
I. Prior Period Ending Balance		3,097,322	24,208	-	-	-	(26,947)	-	83,655	(10,583)	(60,766)	843,581	637,291	-	4,587,761	23,054	4,610,815
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	24,208	-	-	-	(26,947)	-	83,655	(10,583)	(60,766)	843,581	672,831	-	4,623,301	23,054	4,646,355
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	13,651	-	89,577	(106,567)	(28,046)	-	-	809,543	778,158	1,164	779,322
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		-	-	-	-	-	-	-	-	-	-	(2,143)	-	-	(2,143)	894	(1,249)
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dönem Sonu Bakiyesi (III+IV+.....+X+XI)	(5.2.12.)	3,497,322	24,208	-	-	-	(13,296)	-	173,232	(117,150)	(88,812)	1,110,535	(1,160)	809,543	5,394,422	25,112	5,419,534
Current Period (01/01/2019 – 31/12/2019)																	
I. Prior Period Ending Balance		3,497,322	24,208	-	-	-	(13,296)	-	173,232	(117,150)	(88,812)	1,110,535	(1,160)	809,543	5,394,422	25,112	5,419,534
II. Corrections and Accounting Policy Changes Made According to TAS 8(*)		-	-	-	-	-	-	-	-	28,613	(28,613)	-	(27,728)	-	(27,728)	-	(27,728)
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	28,613	(28,613)	-	(27,728)	-	(27,728)	-	(27,728)
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		3,497,322	24,208	-	-	-	(13,296)	-	173,232	(88,537)	(117,425)	1,110,535	(28,888)	809,543	5,366,694	25,112	5,391,806
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	(5,786)	-	52,280	303,232	(68,011)	-	-	1,117,637	1,399,352	3,328	1,402,680
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	-	-	-	-	-	-	-	(1,025)	(60,269)	60,269	(1,025)	21	(1,004)
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)	(5.2.12.)	3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,472,776	(89,157)	1,117,637	6,758,475	28,461	6,786,936

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

(**) As explained in note 5.1.8.2, KT Asset Management A.P. April July 20, 2018, ceding 50% of its stake to KFH Capital Investment Company at a price of 16,901 TRY refers to the reclaiming of the company on April 2, 2019.

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 Translation 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 FLOW AS OF 31 DECEMBER 2019

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

6. CONSOLIDATED STATEMENT OF CASH FLOWS

		Audited Current Period	Audited Prior Period
		01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
	Note		
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Assets And Liabilities From Banking Operations		2,976,982	2,478,564
1.1.1 Profit Share Income Received		8,094,748	5,705,346
1.1.2 Profit Share Expense Paid		(3,890,585)	(2,666,854)
1.1.3 Dividends Received		2,841	1,096
1.1.4 Fees And Commissions Received		800,292	576,090
1.1.5 Other Income		2,241,117	1,024,683
1.1.6 Collections From Previously Written Off Loans		431,694	106,667
1.1.7 Payments to Personnel And Service Suppliers		(1,160,542)	(781,850)
1.1.8 Taxes Paid		(726,594)	(403,181)
1.1.9 Others		(2,815,989)	(1,083,433)
1.2 Changes in Assets And Liabilities From Banking Operations		18,646,946	2,183,958
1.2.1 Net (Increase) Decrease Held For Trading Financial Assets		(3,798,286)	89,843
1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(613,299)	101,518
1.2.3 Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(13,629,788)	(9,455,894)
1.2.4 Net (Increase) Decrease in Loans		294,016	(2,846,285)
1.2.5 Net (Increase) Decrease in Other Assets		286,471	252,892
1.2.6 Net Increase (Decrease) in Bank Deposits		32,726,855	14,548,317
1.2.7 Net Increase (Decrease) in Other Deposits		(830)	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		(1,528,194)	(1,408,194)
1.2.9 Net Increase (Decrease) in Due Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		4,910,001	901,761
I. Net Cash Provided From / (Used in) Banking Operations		21,623,928	4,662,522
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From / (Used in) Investing Activities		(8,810,000)	(1,762,343)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.2 Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		-	16,901
2.3 Fixed Assets Purchases		(151,283)	(65,736)
2.4 Fixed Assets Sales		-	-
2.5 Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(5,768,251)	(4,043,117)
2.6 Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	2,424,997
2.7 Cash Paid For Purchase of Investment Securities		(2,786,740)	-
2.8 Cash Obtained From Sale of Investment Securities		-	-
2.9 Other		(103,726)	(95,388)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From / (Used in) Financing Activities		(2,009,245)	404,171
3.1 Cash Obtained From Funds Borrowed And Securities Issued		6,366,492	4,744,065
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(9,723,301)	(4,335,000)
3.3 Capital Increase		1,423,134	-
3.4 Dividends Paid		(6,546)	(4,894)
3.5 Payments For Finance Leases		(69,024)	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.6.4)	1,701,154	(66,621)
V. Net Increase (Decrease) in Cash And Cash Equivalents		12,505,837	3,237,729
VI. Cash And Cash Equivalents at The Beginning of The Period	(5.6.1)	6,710,455	3,472,726
VII. Cash And Cash Equivalents at The End of The Period	(5.6.1)	19,216,292	6,710,455

(*) 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
PROFIT DISTRIBUTION TABLE OF PARENT BANK AS OF 31 DECEMBER 2019

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

7. PROFIT DISTRIBUTION TABLE OF PARENT BANK

	Current Period 01.01.2019 - 31.12.2019 (*)	Prior Period 01.01.2018 - 31.12.2018 (*)
I. Distribution of Current Period Profit		
1.1. Current Period Profit	1,415,267	1,126,057
1.2. Taxes and Dues Payable (-)	305,429	256,245
1.2.1. Corporate Tax (Income Tax)	401,181	454,141
1.2.2. Income Tax Withholding	-	-
1.2.3. Other Taxes and Dues Payable (**)	(95,752)	(197,896)
A. Net Profit for the Period (1.1-1.2) (Not V-I-17-c)	1,109,838	869,812
1.3. Prior year's Losses (-)	-	-
1.4. First Legal Reserves (-)	-	43,490
1.5. Other Reserves (-)	-	-
B. Distributable Net Period Profit [(A)-(1.3+1.4+1.5)]	1,109,838	826,322
1.6. First Dividend to Shareholders (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Preferred Stocks	-	-
1.6.3. To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Owners of the profit and loss Sharing Certificates	-	-
1.7. Dividend to Personnel (-)	-	-
1.8. Dividend to Board of Directors (-)	-	6,546
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Preferred Stocks	-	-
1.9.3. To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Owners of the profit/loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Statutory Reserves (-)	-	-
1.12. Extraordinary Reserves	-	247,260
1.13. Other Reserves	-	72,180
1.14. Special Funds	-	-
II. Distribution from Reserves		
2.1. Distributed Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. The Owners of Ordinary Shares	-	-
2.3.2. The Owners of Preferred Stocks	-	-
2.3.3. The Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4. The Profit Sharing Bonds	-	-
2.3.5. The Owners of the profit/loss Sharing Certificates	-	-
2.4. Share to Personnel (-)	-	-
2.5. Share to Board of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Stocks	-	-
3.2. To Owners of Stocks (%)	-	-
3.3. To Owners of Preferred Stocks	-	-
3.4. To Owners of Preferred Stocks (%)	-	-
IV. Dividend per Share		
4.1. To Owners of Stocks	-	-
4.2. To Owners of Stocks (%)	-	-
4.3. To Owners of Preferred Stocks	-	-
4.4. To Owners of Preferred Stocks (%)	-	-

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

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

SECTION THREE

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2019

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

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

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

The Parent 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 consolidated 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 consolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the Group 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 Group 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 Group 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 Parent Bank continues to apply the hedge accounting provisions of TAS 39.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 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).

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 Parent 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. 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.

Modeling studies were carried out on the principal components of the Expected Loan Loss calculation and the probability of default (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 loss given default (LGD) 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 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 Parent 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 73,904 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 stage 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 Parent 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 Parent 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2019

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

As of January 1, 2019, the Parent 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 Parent Bank reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Parent 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 Parent Bank. In addition, the Parent 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 Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Parent Bank's exposure to liquidity risk, currency risk and credit risk while increasing profitability and strengthening the Parent 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 Parent Bank.

3. Investments in Associates And Subsidiaries

Consolidated and Separate Financial Statements" ("TAS 27") and then deducted by provisions for impairment losses.

The titles of the entities covered by the consolidation, the locations of the main centers, the subjects of activities and the share rates of the group are as follows:

Title	Adress (City/Country)	Main Operation	31 December 19	31 December 18	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	50.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Financial Institution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/Turkey	Financial Institution	50.00%	50.00%	Accounted for by equity method

(*) KT Sukuk Company Limited, which was established on July 31, 2015 in the Cayman Island for issuance of the Bank's second subordinated loan, is excluded.

Parent Bank and the subsidiaries, the financial tables of which are consolidated along with the Parent Bank, are collectively referred as "the Group."

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Consolidation basis of subsidiaries:

Subsidiaries are entities whose capital and management are directly or indirectly controlled by the Parent Bank. Subsidiaries are consolidated by the full consolidation method, within the framework of significance on the basis of operational outcomes, assets sizes and equity sizes. The financial statements of the relevant subsidiaries are included in the consolidated financial statements as of the date that control is transferred to Parent Bank.

Control denotes any of the following circumstances: the Parent Bank directly or indirectly through subsidiaries has over 50% of the voting rights or, dominance over the voting rights as described afore does not exist but the Parent Bank owns the preferred shares, or; the Parent Bank has voting rights appropriating more than %50 percent of all voting rights due to the agreements signed with other shareholders, or; the Parent Bank has the authority to manage the operational and financial policies of the entity due to certain arrangements or agreements, or; the Parent Bank has the power to influence the majority of the votes within the Board of Directors or any other executive organ vested with similar rights, or; the Parent Bank by any means has the power to appoint or dismiss the majority of the Board of Directors.

In accordance with the full consolidation, all of the assets, liabilities, income, expense and off-balance sheet liabilities of the subsidiaries are consolidated with the assets, liabilities, income, expense and off-balance sheet liabilities of the Parent Bank. The carrying value of the Group's investment in each subsidiary is offset with the cost value of the subsidiary's capital owned by the Group. Balances regarding the transactions between the subsidiaries in the scope of the consolidation and the unrealized gains/losses are reciprocally offset. Minority shares within the net income of the consolidated subsidiaries are determined provided that the net income of the Group shall be calculated, and these minority shares are presented as a separate item in the income statement. Minority shares are presented under the equity in the consolidated balance sheet.

In the case where the accounting policies implemented by the subsidiary are different than the Parent Bank, the accounting policies are reconciled.

4. Explanations on Forward Transactions And Option Contracts And Derivative Instruments

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. 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 Group 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 Group 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.

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The Group performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

While discontinuing cash flow hedge accounting, the cumulative gains/losses recognised in shareholders’ equity and presented under hedging reserves are continued to be kept in 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 Group calculates expense accrual in accordance with the unit value calculation method on profit/loss sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

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 Group 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 Group 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 Parent 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.

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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.

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.

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7.4 Derivative financial assets:

The major derivative instruments utilized by the Group 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".

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

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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 Parent 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 Group comprise mainly computer software. The useful lives of such assets acquired prior to 2004 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years. The amortization period of the licenses is determined on the basis of the duration of the license agreements.

There is no goodwill related to associates and subsidiaries in Group records.

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.

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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 Parent 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 Group 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 Group has not reassessed whether the contract has the nature of a lease or does not include a lease as a facilitator application. The Group 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 consolidated 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 Group 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.

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

Facilitator Applications

- The Group 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 Group 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 Group 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 Group did not apply TFRS 16 Leases Standard for intangible assets leases.

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Leases

At the beginning of a contract, the Group 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 Group 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 Group relating to the restoration of all initial direct costs incurred by the Group 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 Group 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 Group applies depreciation provisions in TAS 16 Property, Plant and Equipment standard while depreciating in the right of use.

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

Lease Obligation

At the effective date of the lease, the Group measures the leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Group'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 Group exercising the option to terminate.

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After the effective date of the lease, the Group 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 Group's borrowing interest rate.

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

The Group 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 Group determines revised rent payments based on revised lease term. The Group determines the revised discount rate for the remaining portion of the lease term as the alternative borrowing interest rate at the date of Group's revaluation.

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

- a) A change in lease payments as a result of a change in an index or a rate used to determine future lease payments. The Group reassessed its lease obligation when only a change in its cash flows that reflect the revised lease payments. The Group 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 Group recognizes the lease restructuring as a separate lease if both of the following conditions are met:
- b) The structuring shall extend the scope of the lease by including the right of use of one or more underlying assets and
- c) 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.

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.

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15. Explanations on Liabilities Relating to Employee Benefits

15.1 Defined benefit plans:

In accordance with existing social legislation, the Group is required to make severance pay to each employee who has completed over one year of service with the 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.

Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

15.2 Defined contribution plans:

The Group 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.

Group 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.

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.

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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 Group 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.

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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 Parent Bank does not apply hedging techniques on related borrowings.

The Group has not issued convertible bonds.

18. Explanations on Share Certificates Issued

There is no significant amount of transaction costs on Group 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 Group.

21. Explanations on Segment Reporting

The Group 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 14.

22. Explanations on Other Matters

The Group has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

1. Explanations on Consolidated 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 31 December 2019 Group's total capital has been calculated as TL 10,254,705 (31 December 2018: TL 7,389,107), capital adequacy ratio is 18.57% (31 December 2018: 17.22%).

1.1. Components of Consolidated Total Capital:

	<i>Current Period Amount</i>	<i>Prior Period Amount</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,000,000	3,500,000
Share Premium	24,525	24,208
Reserves	1,472,776	1,110,535
Other Comprehensive Income According to TAS	268,165	-
Profit	1,028,480	808,383
Current Period Profit	1,117,637	809,543
Prior Period Profit	(89,157)	(1,160)
Minority Shares	-	-
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	28,461	25,112
Common Equity Tier I Capital Before Deductions	6,822,407	5,468,238
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	13,394	40,313
Leasehold Improvements On Operational Leases	66,940	54,010
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	189,095	193,471
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	19,082	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	292,745	311,351
Total Common Equity Tier I Capital	6,529,662	5,156,887

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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	1,189,404	-
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)	-	-
Additional Capital Before Discounts	1,189,404	-
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	1,189,404	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	7,719,066	5,156,887
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	2,073,399	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)	584,194	468,639
Total Deductions From Tier II Capital	2,657,593	2,316,366
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	2,657,593	2,316,366
Total Equity (Total Tier I And Tier II Capital)	10,376,659	7,473,253

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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 (-)	5,505	-
Other Items To Be Defined By The BRSA (-)	116,449	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)	10,254,705	7,389,107
Total Risk Weighted Assets	55,097,567	42,921,666
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	11.81	12.01
Tier I Capital Ratio (%)	13.97	12.01
Capital Adequacy Ratio (%)	18.57	17.22
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	7.35	6.01
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)	584,194	468,639
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	584,194	468,639
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	-	-

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Information on debt instruments included in the calculation of equity:		
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED
Instrument code (CUSIP, ISIN etc.)	XS1323608635	XS2028862998
Governing Law(s) of the Instrument	Regulation on Equity of Banks	Regulation on Equity of Banks
Special Consideration in the Calculation of Equity		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated / Consolidated	Consolidated / Unconsolidated	Consolidated / Unconsolidated
Instrument Type	Subordinated Sukuk	Subordinated Sukuk
Amount recognized in regulatory capital (as of most recent reporting date)	2,073	1,189
Par Value of Instrument (Million TL)	2,073	1,189
Accounting Classification	3470103	3470003
Original date of Issuance	17/02/2016	16/07/2019
Perpetual or dated	Dated	Dated
Maturity date	10 Years (Maturity Date: 17/02/2026)	5 Years (Maturity Date: 16/07/2024)
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	17/02/2021 - All	16/07/2024 – All
Subsequent call dates	17/02/2021	16/07/2024
Profit Share / Dividends		
Fixed or floating profit share / dividend	Fixed	Fixed
Profit share rate and any related index	7.90%	9.13%
Existence of a dividend stopper	No	No
Fully discretionary, partially iscretionary or mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or Non-convertible		
If convertible, conversion trigger	Cannot be converted to stock	Cannot be converted to stock
If convertible, fully or partially	Cannot be converted to stock	Cannot be converted to stock
If convertible, conversion rate	Cannot be converted to stock	Cannot be converted to stock
If convertible, mandatory or optional conversion	Cannot be converted to stock	Cannot be converted to stock
If convertible, specify instrument type convertible into	Cannot be converted to stock	Cannot be converted to stock
If convertible, specify issuer of instrument it converts to	Cannot be converted to stock	Cannot be converted to stock
Write-down feature		
If write-down, write-down trigger(s)	No derating feature	No derating feature
If write-down, full or partial	No derating feature	No derating feature
If write down, permanent or temporary	No derating feature	No derating feature
If temporary write-down, description of write-up mechanism	No derating feature	No derating feature
Position of subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Participation Accounts	Tier - 1
In compliance with article number 7 and 8 of “Own fund regulation”	None	None
Details of incompliances with article number 7 and 8 “Own fund regulation”	None	None

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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 Parent 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 Group is evaluated. This evaluation includes interest rate risk, concentration risk, liquidation risk, reputation risk, residual risk, country risk and strategic risk arising of the banking books as well as market, credit and operational risks. Capital requirement internal evaluation is evaluated to be a developing process and the development areas for the future period are determined and plans are prepared.

2. Explanations and Disclosures related to Consolidated Credit Risk

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

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

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

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

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

Futures and option contracts and other similar contract positions are not held.

The indemnified non-cash loans are subject to the same risk weight as the unpaid credits, in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Credits and Other Receivables in Banks and the Provisions to be Forged". Renewed and restructured loans are monitored in accordance with the methods set out in the relevant legislation.

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

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

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The Parent Bank's top 100 and 200 cash loan customers represents 32% and 38% of the total cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 non-cash loan customers represent 36% and 44% of the total non-cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 cash and non-cash loan customers represent 29% and 35% of the total cash and non-cash loan portfolio, respectively.

Risk Classifications	Current Period	Average Risk
	Risk Amount (*)	Amount(**)
Conditional and unconditional receivables from central governments or Central Banks	31,013,638	23,685,798
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	213,413	17,784
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	16,228,371	13,873,750
Conditional and unconditional receivables from corporates	16,604,167	15,066,822
Conditional and unconditional receivables from retail portfolios	9,606,960	9,517,428
Conditional and unconditional receivables secured by mortgages	14,693,282	14,641,742
Collateralized receivables with mortgages	366,696	296,723
Past due receivables	71,775	139,120
Receivables defined under high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	94,539	92,180
Stock Investments	64,061	262,824
Other receivables	5,629,588	5,255,941
Total	94,586,490	82,850,112

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

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

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Risk Classifications	Prior Period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or Central Banks	14,541,105	11,099,179
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	11,778,118	8,846,417
Conditional and unconditional receivables from corporates	13,781,704	13,510,514
Conditional and unconditional receivables from retail portfolios	8,545,598	8,809,967
Conditional and unconditional receivables secured by mortgages	15,069,170	15,366,306
Past due receivables	148,718	119,924
Receivables defined under high risk category by BRSA	142,541	59,865
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	110,567	78,440
Stock Investments	-	-
Other receivables	6,548,071	4,638,583
Total	70,665,592	62,529,195

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

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

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2.1. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional receivables from central governments of Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	31,013,638	-	8,608,241	14,644,904	9,592,411	14,542,010	366,020	71,775	94,539	-	-	78,933,538
European Union Countries	-	-	824,744	1,852,296	4,617	25,985	1	-	-	-	-	2,707,643
OECD Countries (**)	-	-	2,283,038	104	305	5,139	187	-	-	-	-	2,288,773
Off-Shore Regions	-	-	596,972	43,215	4,033	91,304	-	-	-	-	-	735,524
USA, Canada	-	-	1,796,239	195	107	1,393	-	-	-	-	-	1,797,934
Other Countries	-	213,413	2,119,137	63,453	5,487	27,451	488	-	-	-	-	2,429,429
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	64,061	-	64,061
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	5,629,588	5,629,588
Total	31,013,638	213,413	16,228,371	16,604,167	9,606,960	14,693,282	366,696	71,775	94,539	64,061	5,629,588	94,586,490

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

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

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

(****) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

Prior Period (*)	Conditional and unconditional receivables from central governments of Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	14,535,871	-	6,950,787	12,625,853	8,528,354	14,900,002	148,049	137,339	81,584	-	-	57,907,839
European Union Countries	-	-	1,032,719	1,063,763	7,514	28,575	-	5,202	-	-	-	2,137,773
OECD Countries (**)	-	-	1,454,388	1,067	183	6,246	-	-	-	-	-	1,461,884
Off-Shore Regions	-	-	63,003	25,733	4,044	75,875	-	-	-	-	-	168,655
USA, Canada	-	-	1,414,111	200	70	1,639	-	-	-	-	-	1,416,020
Other Countries	5,234	-	863,110	65,088	5,433	56,833	669	-	28,983	-	-	1,025,350
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	522,950	-	522,950
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	6,025,121	6,025,121
Total	14,541,105	-	11,778,118	13,781,704	8,545,598	15,069,170	148,718	142,541	110,567	522,950	6,025,121	70,665,592

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

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

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

(****) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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2.2. Risk profile by sectors or counterparties

Current Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional receivables secured by retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Stock Investment	Other receivables	TL	FC	Total(*)
Agriculture	-	-	-	-	-	-	119,667	156,206	225,587	5,056	57	-	-	-	-	-	-	441,927	64,646	506,573
Farming and Stockbreeding	-	-	-	-	-	-	106,093	108,362	172,439	4,850	-	-	-	-	-	-	-	338,736	53,008	391,744
Forestry	-	-	-	-	-	-	13,557	46,517	52,633	206	57	-	-	-	-	-	-	101,630	11,340	112,970
Fishery	-	-	-	-	-	-	17	1,327	515	-	-	-	-	-	-	-	-	1,561	298	1,859
Manufacturing	-	-	-	-	-	-	6,058,671	2,702,394	3,073,301	41,992	333	-	-	-	-	-	-	10,426,041	1,450,650	11,876,691
Mining and Quarrying	-	-	-	-	-	-	760,612	511,372	474,847	7,379	324	-	-	-	-	-	-	1,519,291	235,243	1,754,534
Production	-	-	-	-	-	-	2,709,562	1,931,744	2,353,566	32,577	9	-	-	-	-	-	-	5,945,017	1,082,441	7,027,458
Electricity, Gas and Water	-	-	-	-	-	-	2,588,497	259,278	244,888	2,036	-	-	-	-	-	-	-	2,961,733	132,966	3,094,699
Construction	-	-	-	-	-	-	3,972,764	1,211,622	2,358,297	137,757	37	-	-	-	-	-	-	7,234,628	445,849	7,680,477
Services	31,013,638	-	-	213,413	-	16,228,371	5,599,752	3,209,367	3,763,232	165,284	228	-	-	-	94,539	64,061	-	15,222,505	45,129,380	60,351,885
Wholesale and Retail Trade	-	-	-	-	-	-	2,252,736	2,185,655	2,490,142	62,331	205	-	-	-	-	-	-	6,076,176	914,893	6,991,069
Accommodation and Dining	-	-	-	-	-	-	36,887	87,037	241,753	19,415	-	-	-	-	-	-	-	343,670	41,422	385,092
Transportation and Telecom.	-	-	-	-	-	-	765,109	462,754	284,925	48,816	20	-	-	-	-	-	-	1,426,176	135,448	1,561,624
Financial Institutions	31,013,638	-	-	213,413	-	16,228,371	1,894,579	1,358	4,177	339	-	-	-	-	94,539	64,061	-	5,625,757	43,888,717	49,514,475
Real Estate and Rental Services	-	-	-	-	-	-	303,842	98,475	278,747	29,430	-	-	-	-	-	-	-	684,314	26,180	710,494
Professional Services	-	-	-	-	-	-	2,017	239	187	-	-	-	-	-	-	-	-	2,443	-	2,443
Educational Services	-	-	-	-	-	-	64,708	60,495	141,753	699	-	-	-	-	-	-	-	256,249	11,406	267,655
Health and Social Services	-	-	-	-	-	-	279,874	313,355	321,548	4,254	3	-	-	-	-	-	-	807,720	111,314	919,033
Others	-	-	-	-	-	-	853,313	2,327,371	5,272,865	16,607	71,120	-	-	-	-	-	5,629,588	10,976,788	3,194,076	14,170,864
Total	31,013,638	-	-	213,413	-	16,228,371	16,604,167	9,606,960	14,693,282	366,696	71,775	-	-	-	94,539	64,061	5,629,588	44,301,889	50,284,601	94,586,490

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

(**) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

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Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total(*)
Agriculture	-	-	-	-	-	-	162,292	127,432	170,992	887	165	-	-	-	-	-	369,171	92,597	461,768
Farming and Stockbreeding	-	-	-	-	-	-	141,219	89,493	119,124	514	165	-	-	-	-	-	271,617	78,898	350,515
Forestry	-	-	-	-	-	-	21,057	37,653	51,481	373	-	-	-	-	-	-	96,874	13,690	110,564
Fishery	-	-	-	-	-	-	16	286	387	-	-	-	-	-	-	-	680	9	689
Manufacturing	-	-	-	-	-	-	5,571,102	2,360,429	2,934,869	27,184	6,139	-	-	-	-	-	4,680,606	6,219,117	10,899,723
Mining and Quarrying	-	-	-	-	-	-	656,519	442,318	466,638	4,991	1,496	-	-	-	-	-	934,316	637,646	1,571,962
Production	-	-	-	-	-	-	2,419,377	1,807,383	2,212,894	21,775	3,778	-	-	-	-	-	3,481,545	2,983,662	6,465,207
Electricity, Gas and Water	-	-	-	-	-	-	2,495,206	110,728	255,337	418	865	-	-	-	-	-	264,745	2,597,809	2,862,554
Construction	-	-	-	-	-	-	2,619,301	1,308,575	3,178,670	33,537	13,240	-	-	-	-	-	4,661,653	2,491,670	7,153,323
Services	14,541,105	-	-	-	-	11,778,118	4,464,627	3,070,787	3,940,959	64,328	36,570	-	-	-	110,567	-	10,598,950	27,408,111	38,007,061
Wholesale and Retail Trade	-	-	-	-	-	-	1,741,363	2,052,541	2,609,256	43,163	33,816	-	-	-	-	-	4,520,753	1,959,386	6,480,139
Accommodation and Dining	-	-	-	-	-	-	102,139	84,121	240,799	5,366	1,168	-	-	-	-	-	209,585	224,008	433,593
Transportation and Telecom.	-	-	-	-	-	-	871,931	457,554	331,670	10,364	343	-	-	-	-	-	730,921	940,941	1,671,862
Financial Institutions	14,541,105	-	-	-	-	11,778,118	1,065,281	709	3,474	1	-	-	-	-	110,567	-	3,855,940	23,643,315	27,499,255
Real Estate and Rental Services	-	-	-	-	-	-	329,550	101,156	269,928	1,111	302	-	-	-	-	-	381,393	320,654	702,047
Professional Services	-	-	-	-	-	-	37	357	217	-	-	-	-	-	-	-	611	-	611
Educational Services	-	-	-	-	-	-	81,693	55,495	158,899	42	-	-	-	-	-	-	193,728	102,401	296,129
Health and Social Services	-	-	-	-	-	-	272,633	318,854	326,716	4,281	941	-	-	-	-	-	706,020	217,405	923,425
Others	-	-	-	-	-	-	964,382	1,678,375	4,843,680	22,782	86,427	-	-	-	-	-	6,548,071	8,912,865	5,230,852
Total	14,541,105	-	-	-	-	11,778,118	13,781,704	8,545,598	15,069,170	148,718	142,541	-	-	-	110,567	6,548,071	29,223,245	41,442,347	70,665,592

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

(**) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

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

Risk Categories (*) – Current Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	425,122	-	-	1,728,966	12,263,955
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	213,413
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,772,354	852,076	5,165,590	55,029	1,392,493
Conditional and unconditional receivables from corporates	2,570,647	692,051	2,894,299	1,269,541	9,149,806
Conditional and unconditional receivables from retail portfolios	1,582,405	747,055	1,121,613	1,587,319	4,407,322
Conditional and unconditional receivables secured by mortgages	961,021	579,140	958,207	1,983,077	10,211,837
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	71,713	62	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	57,729	11,341	21,765	500	3,204
Stock Investments	-	-	-	-	64,061
Other Receivables	-	-	-	-	-
Total	7,440,991	2,881,725	10,161,474	6,624,432	37,706,091

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

(**) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

Risk Categories (*) – Prior Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	194,001	365,306	155,773	-	5,351,089
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,048,784	1,561,667	792,936	303,169	174,186
Conditional and unconditional receivables from corporates	3,841,421	537,376	1,446,766	1,408,712	6,522,535
Conditional and unconditional receivables from retail portfolios	1,375,118	704,468	1,080,494	1,723,192	3,520,864
Conditional and unconditional receivables secured by mortgages	832,833	568,743	1,188,187	2,224,151	10,255,256
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	100,306	1,498	1,635	2,745	36,357
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	-	-	11,227	16,545	82,795
Stock Investments	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	8,392,463	3,739,058	4,677,018	5,678,514	25,943,082

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

(**) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

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2.4 Exposure Categories

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

The ratings of an international credit rating agency are used for the Banks and Corporate Receivables asset class, which is limited to the receivables that are resident abroad. Receivables from banks are analyzed in two separate receivable classes according to their original maturity. If the original maturity is 3 months or less, they are assigned to “Short Term Receivables from Banks and Intermediary Institutions”, if it is more than 3 months it is assigned to “Receivables from Banks and Intermediary Institutions”. The banks and institutions established within the country are evaluated as unrated.

The ratings given by the international credit rating agency are used to determine the risk weighted asset class. The ratings of the credit rating agency are being used for Banks and Corporate Receivables asset class limited to the counterparties which are resident abroad.

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

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

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2.5 Credit risk using the standard approach:

2.5.1. Credit risk exposed and credit risk mitigation effects:

		CCF and CRM		CCF and CRM		RWA and RWA density	
		Receivable before		Receivable post			
	Risk Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Receivables from central governments and Central Banks	30,588,516	-	33,605,176	-	8,457,751	25
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	213,413	-	213,413	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	15,261,831	1,448,896	15,261,831	441,957	7,861,568	50
7	Receivables from corporate	13,704,605	6,041,797	11,766,419	2,895,423	14,389,635	98
8	Retail receivables	7,473,507	7,335,009	6,834,853	2,127,037	6,528,583	73
9	Receivables secured by residential property	6,576,129	800,583	6,449,840	345,249	2,354,030	35
10	Receivables secured by commercial property	7,139,330	1,343,866	6,841,721	631,961	4,605,711	62
11	Non-performing receivables	366,696	-	350,774	-	202,996	58
12	Receivables in high-risk categories	71,775	-	71,775	-	107,637	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	94,539	-	94,539	-	24,598	26
16	Other receivables	5,629,588	-	5,629,588	-	1,940,186	34
17	Stock investments	64,061	-	64,061	-	64,061	100
18	Total	87,183,990	16,970,151	87,183,990	6,441,627	46,536,756	

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2.5.2. Exposures by asset classes and risk weights:

Risk Classes / Risk Weights		0%	10%	20%	35%	50%	75%	100%	150%	200%	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	16,689,674	-	-	-	16,915,502	-	-	-	-	33,605,176
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	213,413	-	-	-	-	-	-	-	-	213,413
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	14,639	-	5,066,500	-	7,548,760	-	3,073,889	-	-	15,703,788
7	Receivables from corporate	148,383	-	154,780	-	-	-	14,358,679	-	-	14,661,842
8	Retail receivables	142,071	-	156,874	-	-	8,662,945	-	-	-	8,961,890
9	Receivables secured by residential property	48,758	-	47,908	6,698,423	-	-	-	-	-	6,795,089
10	Receivables secured by commercial property	55,594	-	79,821	-	5,497,040	-	1,841,227	-	-	7,473,682
11	Non-performing receivables	400	-	831	-	293,427	-	56,116	-	-	350,774
12	Receivables in high-risk categories	17	-	-	-	-	-	-	71,758	-	71,775
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	37,135	-	17,988	-	36,832	-	2,584	-	-	94,539
16	Stock investments	-	-	-	-	-	-	64,061	-	-	64,061
17	Other receivables	3,204,687	-	605,894	-	-	-	1,819,007	-	-	5,629,588
18	Total	20,554,771	-	6,130,596	6,698,423	30,291,561	8,662,945	21,215,563	71,758	-	93,625,617

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2.6. Risk amounts according to risk weights:

Current										
Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions
Risk Weights										from Equity
Exposures before Credit Risk Mitigation	19,163,486	-	5,690,382	6,921,378	28,608,126	9,600,544	23,569,926	71,775	-	121,954
Exposures after Credit Risk Mitigation	20,554,771	-	6,130,596	6,698,423	30,291,561	8,662,945	21,215,563	71,758	-	121,954
Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions
Risk Weights										from Equity
Exposures before Credit Risk Mitigation	12,856,658	-	3,712,318	6,701,775	17,331,237	8,536,013	20,997,905	142,541	-	84,146
Exposures after Credit Risk Mitigation	14,641,358	-	3,992,095	6,488,528	18,028,010	7,457,743	19,562,748	107,965	-	84,146

2.7. Information by major sectors and type of counterparties

Impaired Loans; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness according to TFRS 9 Financial Instruments. For such credits, “specific provisions” are allocated as TFRS 9 suggests.

Past Due Loans; are the credits that overdue up to 90 days but not impaired. For such credits, “general provisions” are allocated within the scope of TFRS 9.

	Loans	Provisions
	Impaired Loans	
Current Period	Significant Increase in Credit Risk (Stage II)	Default (Stage III)
Agriculture	158,153	30,991
Farming and Stockbreeding	115,499	24,357
Forestry	41,860	3,606
Fishery	794	3,028
Manufacturing	1,600,817	376,583
Mining and Quarrying	251,886	56,884
Production	1,244,865	304,370
Electricity, Gas and Water	104,066	15,329
Construction	1,206,802	701,370
Services	2,246,279	867,584
Wholesale and Retail Trade	1,454,282	477,745
Accommodation and Dining	80,853	90,430
Transportation and Telecommunication	231,402	68,157
Financial Institutions	341	3,904
Real Estate and Rental Services.	239,020	183,419
Professional Services	280	-
Educational Services	116,459	3,466
Health and Social Services	123,642	40,463
Others	635,884	133,153
Total	5,847,935	2,109,681
		2,554,475

(*) Provisions for expected credit loss include Stage II and Stage III provisions.

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Prior Period	Loans		Provisions
	Impaired Loans		Expected Credit Loss Provisions (*)
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	
Agriculture	63,086	9,746	13,846
Farming and Stockbreeding	31,154	2,938	2,987
Forestry	31,293	1,804	5,850
Fishery	639	5,004	5,009
Manufacturing	1,115,007	262,681	378,696
Mining and Quarrying	250,079	54,398	90,889
Production	806,806	193,924	239,988
Electricity, Gas and Water	58,122	14,359	47,819
Construction	1,510,587	325,507	491,122
Services	1,451,460	482,450	473,147
Wholesale and Retail Trade	972,821	301,443	279,822
Accommodation and Dining	147,390	23,628	45,081
Transportation and Telecommunication	148,179	49,934	42,779
Financial Institutions	58	13,584	13,582
Real Estate and Rental Services.	59,340	64,699	65,087
Professional Services	217	2	14
Educational Services	14,885	109	1,536
Health and Social Services	108,570	29,051	25,246
Others	425,368	105,456	140,605
Total	4,565,508	1,185,840	1,497,416

2.8. Movements in value adjustments and provisions

Current Period (*****)	Opening Balance (After TFRS9)	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	841,927	2,085,698	(395,880)	(974,156)	1,557,589
Stage 1&2 Provisions (**)	1,099,680	554,712	(168,908)	-	1,485,484

Prior Period (*****)	Opening Balance	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	489,571	658,814	(203,316)	(103,142)	841,927
Stage 1&2 Provisions (**)	330,083	1,291,161	(521,564)	-	1,099,680

(*) Represents Stage III expected loss provision.

(**) Represents Stage I and Stage II expected loss provision.

(***) Includes provision reversals and exchange rate differences.

(****) Represents loans written off from assets.

(*****) It does not include provisions for non-cash loans.

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2.9. Risk involved in counter-cyclical capital buffer calculation

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	27,110,378	-	27,110,378
Germany	1,894,969	-	1,894,969
Bahrain	91,183	-	91,183
Albania	35,928	-	35,928
Iraq	17,681	-	17,681
Marshall Islands	16,257	-	16,257
Qatar	9,628	-	9,628
Italy	3,213	-	3,213
Hungary	2,992	-	2,992
Saudi Arabia	2,797	-	2,797
Other	23,091	-	23,091

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	24,970,123	-	24,970,123
Germany	1,075,439	-	1,075,439
Bahrain	73,673	-	73,673
Albania	34,419	-	34,419
Saudi Arabia	22,379	-	22,379
Iraq	12,135	-	12,135
Qatar	9,751	-	9,751
Marshall Islands	8,217	-	8,217
United Arab Emirates	5,257	-	5,257
Uzbekistan	5,170	-	5,170
Other	28,222	-	28,222

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

The Bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings are shown the table below as of 31 December 2019.

	Cash Loans	Non-Cash Loans	Total
High Quality	35.48%	59.31%	39.54%
Medium Quality	37.61%	22.38%	35.02%
Average	18.16%	12.43%	17.19%
Below Average	8.75%	5.88%	8.26%

Note: All portfolio is rated.

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3. Explanations on consolidated currency risk

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. The "standard method" and the "value at risk method" used in legal reporting are used to measure the exchange rate risk of the bank.

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

As of 31 December 2019, the Group carries a net foreign currency long position of TL 8,342,300 (31 December 2018 – TL 716,838 long position) comprising of TL 7,931,895 balance sheet short position (31 December 2018 - TL 661,104 short position) and TL 410,405 off balance sheet long position (31 December 2018 – TL 55,734 long position).

The announced current foreign exchange buying rates of the Parent Bank as of 31 December 2019 and the previous five working days are as follows (full TL):

	24/12/2019	25/12/2019	26/12/2019	27/12/2019	30/12/2019	Balance Sheet Valuation Rate
USD	5.94262	5.93509	5.93653	5.94731	5.94564	5.94702
EURO	6.58514	6.58402	6.58364	6.62169	6.65612	6.66909
GBP	7.69001	7.69832	7.70519	7.76096	7.79915	7.81761
CHF	6.05012	6.05164	6.0516	6.08132	6.11495	6.14576
JPY	0.05432	0.05424	0.05418	0.05429	0.05447	0.05475

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

	Monthly average FC purchase rate
USD	5.84877
EURO	6.49932
GBP	7.66817
CHF	5.94704
JPY	0.05356

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Consolidated Currency risk of the Group:

	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	6,723,592	6,143,746	4,580,207	17,447,545
Banks (****)	4,455,707	327,005	2,718,274	7,500,986
Financial assets at fair value through profit and loss	-	117,210	3,774,336	3,891,546
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	5,035,423	4,458,363	68,567	9,562,353
Loans and finance lease receivables (*)	12,967,653	13,987,774	94,287	27,049,714
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Financial assets at amortized cost	2,210,574	648,807	-	2,859,381
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	35,184	957	-	36,141
Intangible assets	64,671	25	-	64,696
Other assets	907,374	87,235	1,640	996,249
Total assets	32,400,178	25,771,122	11,237,311	69,408,611
Liabilities				
Current account and funds collected from Banks via participation accounts	5,616	245,376	143,666	394,658
Current and profit sharing accounts FC (****)	12,089,925	29,619,334	10,744,446	52,453,705
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	203,116	3,430,771	68,697	3,702,584
Marketable securities issued	-	2,723,864	1,182,558	3,906,422
Miscellaneous payables	51,129	67,293	610	119,032
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	134,276	312,517	43,117	489,910
Total liabilities	12,484,062	36,399,155	12,183,094	61,066,311
Net balance sheet position	19,916,116	(10,628,033)	(945,783)	8,342,300
Net off-balance sheet position	(20,055,210)	11,193,288	930,027	(7,931,895)
Financial derivative assets	371,647	19,860,378	1,463,898	21,695,923
Financial derivative liabilities	20,426,857	8,667,090	533,871	29,627,818
Non-cash loans (***)	1,883,918	2,503,577	576,420	4,963,915
Prior period				
Total assets	17,941,072	20,890,334	5,022,834	43,854,240
Total liabilities	8,865,568	27,755,833	6,516,001	43,137,402
Net balance sheet position	9,075,504	(6,865,499)	(1,493,167)	716,838
Net off-balance sheet position	(9,061,656)	6,923,802	1,476,750	(661,104)
Financial derivative assets	418,581	9,417,560	1,705,056	11,541,197
Financial derivative liabilities	9,480,237	2,493,758	228,306	12,202,301
Non-cash loans (***)	1,728,487	3,064,977	665,983	5,459,447

(*) Includes foreign currency indexed loans amounting to TL 2,662,329 (31 December 2018 – TL 5,425,809).

(**) 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 1,057 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 95,676

(*****) Includes provisions for expected losses amounting to TL 2,865 in the balance sheet

(*****) Includes deferred tax assets amounting to TL 43,503 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 163,236 (31 December 2018 – TL 12,528)
- Prepaid expenses : TL 1,217 (31 December 2018 - 706 TL)
- Derivative financial liabilities held for trading : TL 164,719 (31 December 2018 – TL 42,766)
- Marketable securities of FC revaluation reverse: 82,154 (31 December 2018 - TL (51,432))
- Derivative financial liabilities held for hedging : TL 129,728 (31 December 2018 - TL 106,352)

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

- Forward foreign currency purchase transactions TL 907,180 (31 December 2018 – TL 538,844)
- Forward foreign currency sale transactions: TL 983,763 (31 December 2018 – TL 788,379)
- Precious metal purchase transactions: TL 15,348 (31 December 2018 – TL 538,980)
- Precious metal sale transactions: TL 322,394 (31 December 2018 – TL 1,561)

Currency risk sensitivity

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

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

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	56,526	5,830	56,526	5,830
EURO	10%	(13,909)	1,385	(13,909)	1,385
GOLD	10%	3,545	(62,195)	3,545	(62,195)

4.Explanations related to stock position risk

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

4.2. 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 Equity Securities (shares) investments (*)	Comparison		
	Carrying Value	Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	38,583	-	-
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	40,381	-	-
Quoted Securities	-	-	-
Prior Period Equity Securities (shares) investments (*)	Comparison		
	Carrying Value	Fair Value	Market Value
Securities Available-for-Sale	27,548	-	-
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	28,520	-	-
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.

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

None.

5. Consolidated 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.

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

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

The Group 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 Group 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 Group 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 Group. 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.

5.2. Information on the centralization degree of liquidity management and funding strategy and the functioning between the Group and the Group's subsidiaries:

The Group's liquidity management is performed by the Asset and Liability Management. Depending on the Parent 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.

5.3 Information on the Group's funding strategy including the policies on funding types and variety of maturities:

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

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

Almost all liabilities of the Group are denominated in Turkish Lira, American Dollar, Euro or Gold. The TL denominated liquidity of the Group 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.

5.5. 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.

5.6. 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 Group, 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.

5.7. General information about the contingency funding plan:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Contingency Funding 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 Contingency Funding 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.

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5.8 Analysis of financial liabilities by remaining contractual maturities:

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

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2019								
Funds Collected (*)	78,060,065	5,880,531	3,542,282	766,894	-	88,249,772	-	88,249,772
Other Fundings	644,712	271,750	1,685,305	3,126,653	-	5,728,420	(1,900,212)	3,828,208
Debts from lease transaction	13,524	23,118	85,987	205,986	22,340	350,955	-	350,955
Securities issued	54,296	82,218	136,514	2,281,515	2,328,110	4,882,653	(240,488)	4,642,165
Funds from repo transaction	-	-	-	-	-	-	-	-
Total	78,772,597	6,257,617	5,450,088	6,381,048	2,350,450	99,211,800	(2,140,700)	97,071,100
31 December 2018								
Funds Collected (*)	49,161,442	4,219,221	1,623,929	225,426	-	55,230,018	-	55,230,018
Other Fundings	14,633	649,749	1,411,517	747,878	2,212,652	5,036,429	(1,139,923)	3,896,506
Debts from lease transaction	-	-	-	-	-	-	-	-
Securities issued	902,322	604,764	2,892,671	4,245,755	2,212,653	10,858,165	(3,065,295)	7,792,870
Funds from repo transaction	188,990	-	-	-	-	188,990	(987)	188,003
Total	50,267,387	5,473,734	5,928,117	5,219,059	4,425,305	71,313,602	(4,206,205)	67,107,397

Maturity analysis for guarantees and contingencies

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
31 December 2019								
Letters of Guarantee	5,340,090	141,073	492,414	2,339,451	1,590,962	103,581	-	10,007,571
Bills of Exchange and Bank Acceptances	810	10,792	20,733	19,943	2,757	-	-	55,035
Letters of Credit	501,105	155,156	396,019	306,255	15,474	-	-	1,374,009
Other guarantees	337,440	-	1,633	114,656	8,160	3,703	-	465,592
Pre-financings given as guarantee	147	-	-	-	-	-	-	147
Total	6,179,592	307,021	910,799	2,780,305	1,617,353	107,284	-	11,902,354
31 December 2018								
Letters of Guarantee	5,688,077	81,800	441,412	2,453,996	1,605,546	120,448	-	10,391,279
Bills of Exchange and Bank Acceptances	360	19,120	27,698	26,920	-	-	-	74,098
Letters of Credit	429,522	139,102	212,454	241,055	57,665	78	-	1,079,876
Other guarantees	203,053	-	1,630	109,403	11,773	3,177	-	329,036
Pre-financings given as guarantee	1,791	-	-	-	-	-	-	1,791
Total	6,322,803	240,022	683,194	2,831,374	1,674,984	123,703	-	11,876,080

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Contractual maturity analysis of derivative instruments:

31 December 2019						
	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	12,077,560	10,566,931	4,609,256	412,627	-	27,666,374
Exit	12,195,664	10,677,764	4,526,288	191,211	-	27,590,927
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	1,162,576	-	1,162,576
Exit	-	-	-	1,289,329	-	1,289,329
Total Cash Inflow	12,077,560	10,566,931	4,609,256	1,575,203	-	28,828,950
Total Cash Outflow	12,195,664	10,677,764	4,526,288	1,480,540	-	28,880,256
31 December 2018						
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	7,688,220	2,699,172	224,786	-	-	10,612,178
Exit	7,691,214	2,692,695	222,198	-	-	10,606,107
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	1,020,984	-	1,020,984
Exit	-	-	-	1,144,549	-	1,144,549
Total Cash Inflow	7,688,220	2,699,172	224,786	1,020,984	-	11,633,162
Total Cash Outflow	7,691,214	2,692,695	222,198	1,144,549	-	11,750,656

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Liquidity coverage ratio

<i>Current 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)	25,272,325	22,026,474	25,124,149	21,878,298
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	46,310,797	14,182,034	4,066,501	1,418,203
3	Stable deposits	11,291,580	-	564,579	-
4	Less stable deposits	35,019,217	14,182,034	3,501,922	1,418,203
5	Unsecured wholesale funding, of which:	16,772,002	11,695,643	9,399,904	6,911,683
6	Operational deposits	-	-	-	-
7	Non-operational deposits	13,256,946	8,617,440	5,884,848	3,833,480
8	Unsecured funding	3,515,056	3,078,203	3,515,056	3,078,203
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	12,550,258	12,180,971	12,550,258	12,180,971
11	Outflows related to derivative exposures and other collateral requirements	12,550,258	12,180,971	12,550,258	12,180,971
12	Outflows related to restructured financial Instruments	-	-	-	-
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	16,207,218	4,972,052	1,161,643	273,377
16	TOTAL CASH OUTFLOWS			27,178,306	20,784,234
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	18,201,958	12,419,370	15,337,019	11,801,428
19	Other cash inflows	12,642,247	6,676,898	12,642,247	6,676,898
20	TOTAL CASH INFLOWS	30,844,205	19,096,268	27,979,266	18,478,326
				Upper Limit Applied Value	
21	TOTAL HQLA			25,124,149	21,878,298
22	TOTAL NET CASH OUTFLOWS			6,794,577	5,196,059
23	LIQUIDITY COVERAGE RATIO (%)			369.77	421.06

(*) 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 – 31 December 2019:

	Highest	Date	Lowest	Date	Average
TL+FC	406.63	21/10/2019	240.00	28/03/2019	321.01
FC	484.90	21/10/2019	266.24	28/03/2019	359.10

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.

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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)	10,394,138	8,699,045	10,374,738	8,679,645
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	38,600,632	21,425,122	3,352,582	2,142,512
3	Stable deposits	10,149,608	-	507,480	-
4	Less stable deposits	28,451,024	21,425,122	2,845,102	2,142,512
5	Unsecured wholesale funding, of which:	9,995,941	6,163,550	5,077,535	3,003,000
6	Operational deposits	-	-	-	-
7	Non-operational deposits	9,100,310	5,942,922	4,181,904	2,782,372
8	Unsecured funding	895,631	220,628	895,631	220,628
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	7,835,747	7,301,791	7,835,747	7,301,791
11	Outflows related to derivative exposures and other collateral requirements	7,835,747	7,301,791	7,835,747	7,301,791
12	Outflows related to restructured financial Instruments	-	-	-	-
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	15,193,785	5,675,561	1,005,900	301,914
16	TOTAL CASH OUTFLOWS			17,271,764	12,749,217
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	14,305,334	10,806,549	12,243,659	10,285,976
19	Other cash inflows	8,176,724	7,740,988	8,176,724	7,740,988
20	TOTAL CASH INFLOWS	22,482,058	18,547,537	20,420,383	18,026,964
				Upper Limit Applied Value	
21	TOTAL HQLA			10,374,738	8,679,645
22	TOTAL NET CASH OUTFLOWS			4,317,941	3,187,304
23	LIQUIDITY COVERAGE RATIO (%)			240.27	272.32

(*) 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 2018:

Prior Period:

	Highest	Date	Lowest	Date	Average
TL+FC	321.02	22/07/2018	208.32	29/04/2018	251.84
FC	424.74	22/07/2018	254.06	21/10/2018	327.42

The liquidity coverage ratio is calculated by the ratio of the high quality liquid assets of the parent 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.

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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	7,919,383	11,296,909	-	-	-	-	-	19,216,292
Banks (*)	7,350,687	3	163,077	-	-	-	-	7,513,767
Financial assets at fair value through profit and loss	-	32,425	42	1,163,895	2,795,621	9,521	-	4,001,504
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	97,758	3,770,234	8,377,539	17,850	197,379	12,460,760
Loans (**)	-	12,226,141	8,067,543	16,440,882	18,454,898	2,883,798	(1,150,167)	56,923,095
Loans measured at amortised cost	-	-	-	-	2,859,381	-	-	2,859,381
Other assets (***)	270,904	1,473,688	13,048	-	401,782	-	1,730,929	3,890,351
Total assets	15,540,974	25,029,166	8,341,468	21,375,011	32,889,221	2,911,169	778,141	106,865,150
Liabilities								
Current account and funds collected from banks via participation accounts	398,194	7,719	-	-	-	-	-	405,913
Current and profit sharing accounts	36,632,138	41,022,014	5,880,531	3,542,282	766,894	-	-	87,843,859
Funds provided from other financial institutions	-	158,561	31,466	369,208	1,380,529	2,239,399	-	4,179,163
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	299,646	250,882	1,182,558	2,909,079	-	-	4,642,165
Miscellaneous payables	276,465	111,714	-	-	-	-	-	388,179
Other Liabilities (****)	-	1,029,136	331,789	148,110	1,971	-	7,894,865	9,405,871
Total Liabilities	37,306,797	42,628,790	6,494,668	5,242,158	5,058,473	2,239,399	7,894,865	106,865,150
Net liquidity gap	(21,765,823)	(17,599,624)	1,846,800	16,132,853	27,830,748	671,770	(7,116,724)	-
Prior period								
Total assets	10,636,395	20,639,885	6,873,283	14,550,996	19,114,397	3,147,587	50,443	75,012,986
Total liabilities	22,914,733	28,307,032	5,435,921	6,147,094	4,181,734	1,901,210	6,125,262	75,012,986
Net liquidity gap	(12,278,338)	(7,667,147)	1,437,362	8,403,902	14,932,663	1,246,377	(6,074,819)	-

(*) 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.

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6. Explanations on consolidated leverage ratio

6.1 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)	102,900,864	74,347,784
2	(Assets deducted in determining Tier I Capital)	(273,001)	(297,605)
3	Total on-balance sheet risks (sum of lines 1 and 2)	102,627,863	74,050,179
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	288,592	125,968
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	390,743	134,811
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	679,335	260,779
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	572,070	924,333
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	572,070	924,333
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	65,620,425	61,755,452
11	(Adjustments for conversion to credit equivalent amounts)	(42,603,597)	(40,649,139)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	23,016,828	21,106,313
Capital and total risks			
13	Tier I Capital	7,582,549	5,322,366
14	Total risks (sum of lines 3, 6, 9 and 12)	126,896,096	96,341,604
Leverage ratio			
15	Leverage ratio	5.98	5.53

(*) 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 Gropu's consolidated balance sheet date was 5.98% (31 December 2018 - 5.53%). 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 42% due to the profit for the period, balance-sheet risks increased by 39%, and off balance sheet items increased by 9%. Accordingly, the leverage ratio of the current period compared to the previous year shows a increase of 45 basis points.

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7. Explanations on consolidated fair values of financial assets and liabilities

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Banks	7,516,772	6,896,927	7,516,772	6,896,927
Financial assets at FVTOCI	12,460,760	6,204,420	12,460,760	6,204,420
Financial assets valued at amortised cost	2,859,381	37,156	2,887,798	37,156
Loans and lease receivables	57,856,487	47,723,910	51,203,405	46,316,457
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	405,913	252,892	405,913	252,892
Other current and profit sharing accounts	87,843,859	54,977,126	87,843,859	54,977,126
Money market borrowings	-	188,003	-	188,003
Funds provided from other financial institutions	3,828,208	3,896,506	2,512,293	3,895,868
Finance Lease Payable	4,642,165	7,792,870	4,604,571	8,222,941
Securities issued	1,257,502	1,337,718	1,257,502	1,337,718
Other Liabilities	350,955	-	350,955	-

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

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

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

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9. 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 Parent Bank continue to apply TAS 39 policy for the hedge accounting.

The parent bank uses cash flow hedging (“CFH”) and net investment hedging accounting as of the balance sheet date.

The contractual amounts of the derivative financial instruments as of December 31, 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)	1,289,330	-	129,728	1,144,549	-	106,352
Total	1,289,330	-	129,728	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 1,162,576 (December 31, 2018: TL 1,020,984) the total notional of derivative financial assets amounting to TL 2,451,906 (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.

Net investment hedge:

The Group applies a net investment hedge strategy to hedge its foreign currency risk due to its net investment of EUR 81,653,991 (Full Amount) of its subsidiary KT Bank AG. The same portion of the Group's foreign currency denominated participation funds is designated as hedging instrument. The effective portion of the exchange rate changes of the foreign currency participation funds in this scope is accounted for under hedging funds account under equity.

Hedging funds account under equity and other comprehensive income regarding net investment hedges have been accounted TL (176,445) and TL (51,447), respectively in the current period.

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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 (*)
			Assets	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1,162,576	(11,514)

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 2,533.

(**) 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 (*)
			Assets	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 Certifikaları 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 December 31, 2019 cash flow hedge transactions have been determined as effective.

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10. Explanations On Consolidated Risk Management

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee (“ALCO”) and the Risk Management Department (“RMD”) which has been composed in order to manage systemic risks that the Parent Bank is exposed. The Board of Directors is the owner of the Parent 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 Parent 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.

10.1. Explanations on Risk Management and Risk Weighted Amounts:

10.1.1. GBA – Bank’s Risk Management Approach:

What kind of an interaction does the Parent Bank’s risk profile has with the management board’s risk appetite and how does the business model determine the Parent Bank’s risk profile and how it interacts with it (i.e. Key risks regarding the business model and each one of these risks’ effect on the explanations);

Parent Bank’s business model fundamentally consisted of two main operating areas. These main areas are current accounts in accordance with the non-interest banking rules, collecting funds through profit/loss participation accounts and providing the usage of funds to its clients through these funds and equity. The business model of the Parent Bank occurs an exposure of some significant risks. These significant risks are evaluated and identified by the Parent Bank’s Internal Capital Competence Evaluation Process. Parent Bank’s risk strategy for all significant risks is formed in writing. Parent Banks are required to form a structure which is composed of the policies and processes regarding determining the risk appetite and following it’s units’ compliance because of the regulation regarding the Parent Banks Internal Systems and Internal Capital Competence Evaluation Process, numbered 29057 and published by the Official Gazette on 11 July 2014. In order to comply with this regulation Risk Appetite Policy is published by the Risk Management Leadership and approved by the Board of Directors. In accordance with the Parent Bank’s Risk Appetite Policy, risk levels and risk limits of each kind of risks which appeared important are collectively determined to achieve the Parent Bank’s goals and to actualize the Parent Bank’s strategies by taking the risk capacity of the Parent Bank into consideration. Parent Bank’s risk strategy and risk limits are determined by the Board of Directors.

The units which perform the risk measurement and management are carrying out their businesses independently from execution units. Fundamentally, control and management activities devoted to credit, market, liquidity, operational and other significant risk types are occurred. Due to the business model, Risk Management Leadership strategically contribute to the Parent Bank to identify, follow, measure and manage all risks which the Parent Bank may expose. Credit Risk Management and Modelling unit which is one of the units which constitutes the Risk Management Leadership, carries out the risk measurement and management works regarding the credit risks. Market Risk, Operational Risk, Risk and Capital Planning Department which is another unit which carries out its businesses under the Risk Management Leadership, coordinates the Parent Bank’s capital planning works and manage risks regarding the market, operations, liquidity and other important risk types.

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Parent Bank has a credit predominant active structure due to its main business model. Reflecting the Bank's business model, total actives, predominantly consisted of dues regarding receivables from leasing and cash loans. The Parent Bank predominantly aims to grow sustainably by funding the real sector's financing and increasing the credit amount by taking the risk-return balance into the consideration. Within the frame of its business model, the main risk type which the Parent Bank exposed/predicts to be exposed damage is credit risk. The significant risks within the scope of Parent Bank's credit risks are as follows;

- Credit Risk states the possibility of loan loss which the Parent Bank may expose due to the the partial or total nonpayment of its credit client on time in accordance with the contract made between the credit client and the Bank.
- Counterparty credit risk refers to the default risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings on obligation to both sides.
- Concentration risk covers risks arising from concentration between different types of risk or on an individual risk basis which may result in large losses that could threaten the parent bank's ability to maintain its core operations or its financial structure or which could cause significant changes in the parent bank's risk profile.

The parent bank is exposed to market risk due to its treasury transactions and other financial operations. However, correspondingly with the risk appetite, the bank takes care to ensure that its market risk-generating assets have high credit rating and liquidity, and it does not carry a speculative foreign exchange position in order to hedge foreign exchange risk.

The parent bank is exposed to operational risk due to its operations, processes carried out, human resources, systems and external resources. Operational risks in the bank are managed under the supervision of the Board of Directors within the framework of identifying, evaluating, monitoring and reducing/controlling the risks. The current risk management is considered to be in line with the size of the bank, taking into account the level and importance of the risk.

Explanations on risk reporting processes provided to the board of directors and senior management, in particular the scope and main content of the reporting,

Timely and comprehensive reporting of risks exposed within the scope of Risk management activities and risks arising from transactions carried out with the risk group of the Parent Bank is carried out by the head of Risk Management. The Parent Bank produces regular reports from the risk measurement models it uses and analyzes the reports. Risk measurement and risk monitoring results are reported to the Board of directors or to the Internal Systems Committee and senior management regularly and on time by the Risk Management Presidency.

The reports prepared include the level and development of significant risks and their effects on capital needs, the compliance of assumptions used in risk measurement and evaluation systems, the adequacy of the level of capital that the parent bank should hold for all important risks, its compliance with legal and internal capital targets and ratios, the need for future capital and changes to be made in, business continuity plans, etc. includes information.

The parent bank organizes a report on risk measurement, capital and liquidity planning and risk management capabilities under the scope of ICAAP at least once a year and in any case as of the end of the year.

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10.1.2. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2019	Prior Period 31/12/2018	Current Period 31/12/2019
1	Credit risk (excluding counterparty credit risk) (CCR)	46,512,157	37,342,067	3,720,973
2	Standardised approach (SA)	46,536,755	37,401,412	3,722,940
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	198,727	89,725	15,898
5	Standardised approach for counterparty credit risk (SA-CCR)	198,727	89,725	15,898
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	24,598	59,345	1,968
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	2,694,440	1,076,251	215,555
17	Standardised approach (SA)	2,694,440	1,076,251	215,555
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	5,667,645	4,354,278	453,412
20	Basic indicator approach	5,667,645	4,354,278	453,412
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)	55,097,567	42,921,666	4,407,806

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10.1.3. Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation:

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards					
		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securization Positions	Market Risk	No subject to capital requirements or subject to deduction from capital
Assets							
Cash and Balances with Central Bank of Turkey	19,216,292	19,216,292	19,216,292	-	-	-	-
Banks	7,516,772	7,516,772	7,516,772	-	-	-	-
Receivables From Money Markets	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	4,001,504	4,001,504	-	-	-	4,001,504	-
Financial Assets at Fair Value Through OCI	12,460,760	12,460,760	12,460,760	-	-	-	-
Financial Assets Measured at Amortised Cost	2,859,381	2,859,381	2,859,381	-	-	-	-
Derivative Financial Assets	182,006	182,006	-	182,006	-	-	-
Expected Loss Provisions (-)	3,046,078	3,046,078	1,557,589	-	-	-	1,488,489
Loans	57,258,648	57,258,648	57,258,648	-	-	-	-
Lease Receivables	2,707,520	2,707,520	2,707,520	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	473,326	473,326	473,326	-	-	-	-
Subsidiaries	23,680	23,680	23,680	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	40,381	40,381	40,381	-	-	-	-
Tangible Assets (Net)	834,101	834,101	834,101	-	-	-	-
Intangible Assets (Net)	198,760	198,760	198,760	-	-	-	-
Investment Properties (Net)	37,646	37,646	37,646	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-
Deferred Tax Asset	401,782	401,782	401,782	-	-	-	-
Other Assets	1,698,669	1,698,669	1,698,669	-	-	-	-
Total Assets	106,865,150	106,865,150	105,727,718	182,006	-	4,001,504	1,488,489
Liabilities							
Funds Collected	88,249,772	88,249,772	-	-	-	-	88,249,772
Borrowings	447,225	447,225	-	-	-	-	447,225
Debt to money markets	-	-	-	-	-	-	-
Securities Issued (Net)	4,642,165	4,642,165	-	-	-	-	4,642,165
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	424,137	424,137	-	-	-	-	424,137
Lease Payables	350,955	350,955	-	-	-	-	350,955
Provisions	1,099,254	1,099,254	-	-	-	-	1,099,254
Current Tax Liabilities	226,221	226,221	-	-	-	-	226,221
Deferred Tax Liabilities	-	-	-	-	-	-	-
Subordinated Debt Instruments	3,380,983	3,380,983	-	-	-	-	3,380,983
Other Liabilities	1,257,502	1,257,502	-	-	-	-	1,257,502
Equity	6,786,936	6,786,936	-	-	-	-	6,786,936
Total Liabilities	106,865,150	106,865,150	-	-	-	-	106,865,150

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10.1.4 Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1- Carrying Value of Assets in Accordance with TAS (as in template 1B)	106,865,150	105,727,718	-	182,006	4,001,504
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	-	-
3- Total net amount	106,865,150	105,727,718	-	182,006	4,001,504
4- Off-balance sheet amounts	123,656,675	6,441,627	-	520,198	57,709,307
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	-	-	-	-
9-Risk Amounts	230,521,825	112,169,345	-	702,204	61,710,811

10.2. General qualitative information on credit risk:

10.2.1. How the business model translates into the components of the group's credit risk profile:

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

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

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

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

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

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

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

10.4. Relations between the credit risk management, risk control, compliance and internal audit functions;

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

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

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

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

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

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

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

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

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

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

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

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

Credit quality of assets:

Current Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	2,109,681	57,856,487	1,557,589	58,408,579
2	Debt securities	-	15,329,013	8,872	15,320,141
3	Off-balance sheet exposures(*)	-	17,391,736	421,583	16,970,152
4	Total	2,109,681	90,577,236	1,988,044	90,698,872

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

Prior Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	1,185,840	47,723,910	841,927	48,067,823
2	Debt securities	-	6,365,505	164,441	6,201,064
3	Off-balance sheet exposures(*)	-	14,228,231	239,316	13,988,915
4	Total	1,185,840	68,317,646	1,245,684	68,257,802

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

Changes in Stock of Defaulted Loans and Debt Securities:

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	1,185,840	715,060
2	Loans and debt securities that have been defaulted since the last reporting period	2,329,691	884,877
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	(974,156)	(103,142)
5	Other changes	(431,694)	(310,955)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	2,109,681	1,185,840

10.6. Qualitative disclosures related to the credit quality of assets

10.6.1 Scope and definitions of “overdue” and “provision allocated” receivables for accounting purposes and the differences of definitions between “overdue” and “provision allocated”, if any

Overdue receivables: Overdue receivables and provision allocated receivables are determined according to the Communiqué on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves. Provision for receivables: All financial instruments other than those covered by TFRS 9 and whose fair value is reflected in the profit / loss.

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

The portion, as defined in The Regulation on Procedures and Principles Regarding the Classification of Loans and Provisions; based on minimum, legal compulsory consideration of collateral except for the amount calculated by using in the calculation of Lost in Default's ECLs. This portion corresponds to the rate determined by the Bank's past collection experience regarding the unsecured credit risk amount.

10.6.3. Definitions of the methods used when determining the provision amount

TFRS 9 requires a 12-month expected credit loss provision for all financial assets in Stage 1 and the expected credit loss for all other financial assets. 12-month expected credit loss represents the portion of the expected credit loss from probable default events within 12 months after the reporting date. Lifetime losses are losses from all possible default events during the expected life of the financial instrument after the reporting date. Lifetime refers to the maturity of the financial instrument. In non-maturity financial instruments, the bank calculates the behavioral maturity and uses this to calculate the expected loan loss. The ECLs are calculated at each instrument level by taking into account the projected cash flows, the PD (Probability of default), the LGD (Loss given default), the CCR (Credit Conversion Rate) and the discount rate. In small, very unimportant and unrated portfolios, the ECL can be estimated on a collective basis.

10.6.4. Definition of restructured receivables

The financial terms in existing financial difficulties may be amended to facilitate payment of the debt, and the original loan terms that were previously signed can be changed according to the borrower's new financing power and structure when the loan cannot be repaid or a potential non-repayment is encountered. In order for a loan to be considered as restructured, the debtor must be in financial difficulty and the debtor must be provided with the concession requirements for changing the loan conditions.

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

Distribution of cash receivables by sectors is as follows:

Sector	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Individual	8,757,610	7,503,339
Other Services	3,623,990	4,067,604
Education	329,666	349,526
Real Estate and Brokerage	1,042,084	382,518
Financial Services	9,167,477	5,506,964
Food, Beverage, Tobacco	2,217,930	1,387,365
Government	406,943	55,730
Production	2,361,665	2,010,030
Construction	7,320,658	6,319,400
Public Services (Electricity, Water & Gas)	4,027,816	3,674,016
Mining & Chemistry	2,685,939	2,318,818
Machinery Equipment	400,345	354,933
Automotive	1,668,448	1,540,260
Oil, Gas and Oil Products	116,958	133,942
Health	562,229	509,078
Agriculture	190,390	152,941
Textile	3,563,134	3,107,012
Wholesale & Retail	9,735,324	8,126,200
Tourism	421,054	347,300
Transportation & Warehouse	1,366,508	1,062,774
Total	59,966,168	48,909,750

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The distribution of cash receivables by geographical regions is as follows:

Region	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Akdeniz Region	3,911,807	3,425,548
Dogu Anadolu Region	1,013,398	914,832
Ege Region	3,363,576	2,996,116
Güneydogu Anadolu Region	3,031,352	2,492,121
İç Anadolu Region	8,692,112	7,737,345
Karadeniz Region	1,634,926	1,415,864
Marmara Region	30,036,782	26,109,922
Foreign	8,282,215	3,818,002
Total	59,966,168	48,909,750

The maturity distribution of cash receivables is as follows:

Maturity Distribution	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
1-3 years	26,805,539	14,612,307
3-5 years	17,834,222	5,810,681
5 years and more	7,382,686	7,130,585
Up to 1 year	7,290,079	20,769,489
Defaulted	653,642	586,688
Total	59,966,168	48,909,750

10.6.6. Provisions based on geographical and sectoral concentration and written off amounts

Current Period - Sector	Non-performing loans	Specific Provisions	Write-Offs (*)
Agriculture	30,991	22,316	7,879
Farming and Stockbreeding	24,357	16,068	4,417
Forestry	3,606	3,220	1,315
Fishery	3,028	3,028	2,147
Manufacturing	376,583	304,506	265,788
Mining and Quarrying	56,884	45,765	58,561
Production	304,370	246,358	163,879
Electricity, Gas and Water	15,329	12,383	43,348
Construction	701,370	508,171	342,206
Services	867,584	632,309	296,959
Wholesale and Retail Trade	477,745	353,978	181,178
Accommodation and Dining	90,430	68,361	8,944
Transportation and Telecommunication	68,157	54,342	45,687
Financial Institutions	3,904	3,557	11,464
Real Estate and Rental Services	183,419	117,328	4,965
Professional Services	-	-	3
Educational Services	3,466	2,496	177
Health and Social Services	40,463	32,247	44,541
Other	133,153	90,287	61,324
TOTAL	2,109,681	1,557,589	974,156

(*) Refers to loans that were deleted from assets in 2019.

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Prior Period - Sector	Non-performing loans	Specific Provisions	Write-Offs
Agriculture	9,746	8,390	409
Farming and Stockbreeding	2,938	2,035	15
Forestry	1,804	1,350	394
Fishery	5,004	5,005	-
Manufacturing	262,681	217,367	29,796
Mining and Quarrying	54,398	44,639	2,112
Production	193,924	159,070	12,199
Electricity, Gas and Water	14,359	13,658	15,485
Construction	325,507	237,015	9,106
Services	482,837	319,652	51,643
Wholesale and Retail Trade	301,830	177,978	37,841
Accommodation and Dining	23,628	11,543	5,098
Transportation and Telecommunication	49,934	34,419	5,520
Financial Institutions	13,584	13,582	-
Real Estate and Rental Services	64,699	62,512	67
Professional Services	2	1	-
Educational Services	109	99	515
Health and Social Services	29,051	19,518	2,602
Other	105,069	59,503	12,188
TOTAL	1,185,840	841,927	103,142

Current Period - Geographic Region	Non-performing loans	Provisions	Write-Offs (*)
Marmara Region	1,312,283	947,319	459,910
Güneydogu Anadolu Region	107,121	93,246	161,338
İç Anadolu Region	276,563	218,935	188,405
Akdeniz Region	139,607	111,878	84,960
Ege Region	115,692	91,200	42,038
Dogu Anadolu Region	45,101	34,514	13,169
Karadeniz Region	47,307	35,278	24,336
Foreign	66,007	25,219	-
Total	2,109,681	1,557,589	974,156

(*) Refers to loans that were deleted from assets in 2019.

Prior Period - Geographic Region	Non-performing loans	Provisions	Write-Offs
Marmara Region	666,034	476,553	67,110
Güneydogu Anadolu Region	153,563	116,028	8,109
İç Anadolu Region	160,541	116,592	14,728
Akdeniz Region	110,693	66,340	5,438
Ege Region	54,219	39,686	2,714
Dogu Anadolu Region	22,434	13,574	3,650
Karadeniz Region	12,283	12,283	1,393
Foreign	6,073	871	-
Total	1,185,840	841,927	103,142

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10.6.7. Aging analysis for non-performing loans:

Current period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	609,793	966,048	401,154	94,868	8,738
Retail Loans	86	58	1,072	36	66
Credit cards	10,144	13,165	3,839	510	104
Other	-	-	-	-	-
Total	620,023	979,271	406,065	95,414	8,908

Prior Period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	283,516	347,316	374,104	99,369	16,347
Retail Loans	6,893	28,860	10,244	1,475	955
Credit cards	6,590	8,298	1,352	438	83
Other	-	-	-	-	-
Total	296,999	384,474	385,700	101,282	17,385

10.6.8. Breakdown of Restructured receivables according to their provisions:

Restruction Status	Current Period - Risk	Prior Period - Risk
Performing	2,275,941	732,523
Non-Performing	65,699	58,870
Total	2,341,640	791,393

10.7. Credit Risk Mitigation

10.7.1 Qualitative information on Credit Risk Mitigation Techniques

Within the framework of the credit transactions carried out by the parent bank, all the collateral documents received in the presence of the branch personnel are checked by the branch operations staff and forwarded to the collateral follow-up Directorate through the main banking application. The systematic entries of the guarantees are completed by the personnel of the guarantee follow-up directorate where signature compliance, authorization checks and validity examinations are performed.

10.7.2 Credit risk mitigation techniques:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	43,822,510	12,458,319	2,010,696	2,127,750	1,841,401	-	-
2	Debt securities	15,320,141	-	-	-	-	-	-
3	Total	59,142,651	12,458,319	2,010,696	2,127,750	1,841,401	-	-
4	Overdue	526,472	25,620	15,922	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	34,548,444	13,519,379	3,276,016	-	-	-	-
2	Debt securities	6,204,420	-	-	-	-	-	-
3	Total	40,752,864	13,519,379	3,276,016	-	-	-	-
4	Overdue	208,225	135,688	72,099	-	-	-	-

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10.8. Explanations on Counterparty Credit Risk (CCR):

10.8.1. Risk management objectives and policies for CCR:

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

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

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

10.8.3. Policies relating to guarantees and other risk mitigation and assessments concerning counterparty credit risk, including central counterparty risk:

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

10.8.4. Rules with respect to wrong-way risk:

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

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

In case of a decrease in the credit rating, there is no additional collateral amount that our parent bank has to provide.

10.8.6. Counterparty credit risk (CCR) approach analysis:

	Current Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	183,939	351,813	-	1.4	535,752	179,294
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	179,294

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	Prior Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	40,956	154,833	-	1.4	195,789	75,810
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	75,810

10.8.7. Capital requirement for credit valuation adjustment (CVA):

		Current Period		Prior Period	
		EAD post-CRM	RWA	EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation				
1	(i) VaR component (including the 3×multiplier)	-	-	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3	All portfolios subject to the Standardised CVA capital obligation	535,752	19,433	195,789	13,915
4	Total subject to the CVA capital obligation	535,752	19,433	195,789	13,915

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10.8.8.CCR exposures by risk class and risk weights

Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	425,122	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	307,401	217,182	-	-	-	-	-	170,071
7	Receivables from corporate	-	-	-	-	-	4,139	-	-	-	4,139
8	Retail receivables	-	-	-	-	6,416	-	-	-	-	4,812
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	239	84
10	Receivables secured by commercial property	-	-	-	375	-	-	-	-	-	188
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	Total	425,122	-	307,401	217,557	6,416	4,139	-	-	239	179,294

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

(**) Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

(***) 35% Risk Weight is classified in Others.

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Prior Period - Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	194,001	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	106,085	58,446	-	-	-	-	-	50,440
7	Receivables from corporate	-	-	-	-	-	15,043	-	-	-	15,043
8	Retail receivables	-	-	-	-	9,585	-	-	-	-	7,189
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	955	334
10	Receivables secured by commercial property	-	-	-	452	-	2,578	-	-	-	2,804
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	Total	194,001	-	106,085	58,898	9,585	17,621	-	-	955	75,810

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

** Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

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

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11. Securitization Positions

None.

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

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

13. Qualitative explanations on market risk:

13.1. Group's processes and strategies:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13.3. Structure and scope of risk reporting and/or measurement systems:

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

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

The details of the market risk calculated as of 31 December 2018 and 31 December 2019 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

13.4. Market risk under standardised approach:

		Risk Weighted Amounts
		Current Period
	Outright products	2,694,440
1	Profit share risk (general and specific)	2,555,241
2	Equity risk (general and specific)	-
3	Foreign exchange risk	139,006
4	Commodity risk	193
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	2,694,440

		Risk Weighted Amounts
		Prior Period
	Outright products	1,076,251
1	Profit share risk (general and specific)	403,149
2	Equity risk (general and specific)	-
3	Foreign exchange risk	671,790
4	Commodity risk	1,312
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	1,076,251

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13.5. Explanations on Operational Risk:

"Basic Indicator Method" is used in operational risk calculation of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years, 2017, 2016 and 2015 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Goup published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the parent bank, subsidiary of the parent bank or subsidiary of the shareholder of the parent bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 453,412 corresponding to the 8% of TL 5,667,645 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 453,412 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2016 Amount	31/12/2017 Amount	31/12/2018 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	2,273,905	2,776,027	4,018,300	3,022,744	15	453,412
Value at Operational Risk (Total*12.5)						5,667,645

Prior Period	31/12/2015 Amount	31/12/2016 Amount	31/12/2017 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1,916,914	2,273,905	2,776,027	2,322,282	15	348,342
Value at Operational Risk (Total*12.5)						4,354,278

13.6. Profit-share rate risk related to banking book:

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

Current Period	Currency (*)	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's equity- Losses/shareholder's equity
1	TL	(+) 500bp	(442,560)	(4.28%)
2	TL	(-) 400bp	416,612	4.03%
3	USD	(+) 200bp	127,243	1.23%
4	USD	(-) 200bp	(144,354)	(1.40%)
5	EURO	(+) 200bp	(116,502)	(1.13%)
6	EURO	(-) 200bp	124,232	1.20%
	Total (For Negative Shocks)		396,490	3.84%
	Total (For Positive Shocks)		(431,819)	(4.18%)

(*) Parent Bank

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Prior Period	Currency(*)	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's equity-Losses/shareholder's equity
1	TL	(+) 500bp	(371,506)	(4.99%)
2	TL	(-) 400bp	338,537	4.54%
3	USD	(+) 200bp	281,553	3.78%
4	USD	(-) 200bp	(309,884)	(4.16%)
5	EURO	(+) 200bp	(2,917)	(0.04%)
6	EURO	(-) 200bp	6,691	0.09%
	Total (For Negative Shocks)		35,344	0.47%
	Total (For Positive Shocks)		(92,869)	(1.25%)

(*) Parent Bank

13.7. Risk management objectives and policies:

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

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

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

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

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

Level 2: Financial instruments valued by applying methods that are based on observable market prices, directly or indirectly, on data that has significant effect on the fair value reflected in the inputs

Level 3: Financial instruments valued by applying methods that are not based on observable market prices, directly or indirectly, on data that has significant effect on the fair value reflected in the inputs.

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of 31 December 2018 and 31 December 2019 are given in the table below:

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Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	4,001,504	182,006	-	4,183,510
Forward transactions	-	17,994	-	17,994
Swap transactions	-	164,012	-	164,012
Government debt securities	3,941,594	-	-	3,941,594
Other marketable securities	59,910	-	-	59,910
Financial assets at FVOCI	12,460,760	-	-	12,460,760
Equity securities	38,583	-	-	38,583
Government debt securities	12,106,518	-	-	12,106,518
Other marketable securities	315,659	-	-	315,659
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	294,409	-	294,409
Forward transactions	-	14,165	-	14,165
Swap transactions	-	280,244	-	280,244
Financial liabilities for hedging purposes	-	129,728	-	129,728
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	103,094	42,011	-	145,105
Forward transactions	-	30,919	-	30,919
Swap transactions	-	11,092	-	11,092
Government debt securities	30,097	-	-	30,097
Other marketable securities	72,997	-	-	72,997
Financial assets at FVOCI	6,204,420	-	-	6,204,420
Equity securities	27,548	-	-	27,548
Government debt securities	5,869,940	-	-	5,869,940
Other marketable securities	306,932	-	-	306,932
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	63,811	-	63,811
Forward transactions	-	22,126	-	22,126
Swap transactions	-	41,685	-	41,685
Financial liabilities for hedging purposes	-	106,352	-	106,352

No transfers have taken place between Level 1 and Level 2 in the current year.

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14. Explanations on consolidated business segments

The Parent 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 group. Besides supplying syndicated loans and issue the Sukuk for the Group, 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 Group, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (forward, swap) with Group 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.

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Selected balance sheet and income statement items according to segments:

Current Period 1 January 2019-31 December 2019	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	5,289,973	3,985,612	1,140,496	-	10,416,081
Operating expenses (-)	3,675,469	3,257,173	9,783	2,065,685	9,008,110
Transfers between segments	2,319,478	(462,292)	(1,857,186)	-	-
Net operating income(loss)	3,933,982	266,147	(726,473)	(2,065,685)	1,407,971
Income from associates	-	-	-	13,727	13,727
Income (loss) before tax	3,933,982	266,147	(726,473)	(2,051,958)	1,421,698
Provision for taxation (-)	-	-	-	300,733	300,733
Net income for the period	3,933,982	266,147	(726,473)	(2,352,691)	1,120,965
Current Period 31 December 2019					
Segment assets	19,680,015	35,203,430	48,746,686	-	103,630,131
Associates, subsidiaries and joint ventures	-	-	-	64,061	64,061
Undistributed assets	-	-	-	3,170,958	3,170,958
Total assets	19,680,015	35,203,430	48,746,686	3,235,019	106,865,150
Segment liabilities	74,163,535	14,083,077	9,248,625	-	97,495,237
Undistributed liabilities	-	-	-	2,582,977	2,582,977
Shareholders' equity	-	-	-	6,786,936	6,786,936
Total liabilities	74,163,535	14,083,077	9,248,625	9,369,913	106,865,150
Prior Period 1 January 2018 – 31 December 2018					
Operating income	4,352,694	2,843,746	499,772	-	7,696,212
Operating expenses (-)	3,186,982	1,367,772	490,173	1,604,594	6,649,521
Transfers between segments	2,305,206	(305,654)	(1,999,552)	-	-
Net operating income(loss)	3,470,918	1,170,320	(1,989,953)	(1,604,594)	1,046,691
Income from associates	-	-	-	7,715	7,715
Income (loss) before tax	3,470,918	1,170,320	(1,989,953)	(1,596,879)	1,054,406
Provision for taxation (-)	-	-	-	243,699	243,699
Net income for the period	3,470,918	1,170,320	(1,989,953)	(1,840,578)	810,707
Prior Period 31 December 2018					
Segment assets	18,471,406	27,461,414	25,069,232	-	71,002,052
Associates, subsidiaries and joint ventures	-	-	-	52,200	52,200
Undistributed assets	-	-	-	3,958,734	3,958,734
Total assets	18,471,406	27,461,414	25,069,232	4,010,934	75,012,986
Prior Period 31 December 2018					
Segment liabilities	43,086,534	11,972,999	12,218,027	-	67,277,560
Undistributed liabilities	-	-	-	2,315,892	2,315,892
Shareholders' equity	-	-	-	5,419,534	5,419,534
Total liabilities	43,086,534	11,972,999	12,218,027	7,735,426	75,012,986

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to consolidated 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	613,156	1,838,246	491,059	1,524,450
The Central Bank of Republic of Turkey	1,155,591	14,498,131	692,050	6,947,252
Other (*)	-	1,111,168	-	957,110
Total	1,768,747	17,447,545	1,183,109	9,428,812

(*) As of 31 December 2019, precious metal account amounting to TL 1,111,144 (31 December 2018 - TL 957,110 and money in transit amounting to TL 24 (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	730,347	3,201,221	677,230	53
Restricted time deposit	425,000	-	-	-
Unrestricted time deposit	244	11,296,910	14,820	6,947,199
Total	1,155,591	14,498,131	692,050	6,947,252

1.1.3 Explanations on mandatory provisions :

Banks established in Turkey or operating in Turkey by opening branches T.C. They are subject to the Central Bank's communiqué on mandatory provisions no.2013/15. The amount to be obtained from the total of the domestic liabilities of the banks as a result of the reduction of the items to be deducted as stated in the communiqué and the deposits they accept from Turkey on behalf of their branches abroad constitute their obligations subject to mandatory provision. Mandatory reserves can be kept in the CBRT in Turkish Lira, us and/or Euro and standard gold. As of the date of 31 December 2019, the current rate for Turkish lira reserve requirements according to maturity structure of 1% and in the range of 7 (31 December 2018: % to 1.5% in the range of 8), the required reserve rate for foreign currency deposits according to maturity structure current by 15% and 19% (December 31, 2018: 8% to 12% range), other liabilities to foreign currencies by 5% to 21% range (31 December 2018: 4% to 20% range). The reference values determined by the communiqué into force on 9 August 2019 2019/15 Turkish lira reserve requirements for banks with credit growth rates of between 1 year and 1-year long-term deposits/participation funds (foreign banks deposits/participation funds are excluded), and 3 years for other long term liabilities (foreign banks deposits/participation funds, including all maturities except 2 percent will be applied. For other banks, Turkish lira required reserve ratios in Article 6 of the Communiqué are applied. For banks that meet the conditions set by the Communiqué No: 2019/19, real loan growth required for foreign currency required reserve ratios, up to 1 year deposit / participation fund (excluding foreign banks deposits / participation fund) and 17 year maturity for borrower's funds liabilities. 13 percent for deposit / participation fund (excluding foreign banks deposit / participation fund). For other banks, foreign currency required reserve ratios in Article 6 of the Communiqué are applied.

Banks with real loan growth meeting the conditions set by the CBRT Communiqué on Required Reserves No. 2019/19 have a 10% Turkish Lira Required Reserve interest rate applied to other banks.

No interest is paid on mandatory provisions held by CBRT in US dollars as of September 19, 2019

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

As of 31 December 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:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	14,949	3,045	29,120	1,799
Swap transactions	3,821	160,191	363	10,729
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	18,770	163,236	29,483	12,528

1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	12,921	7,503,851	12,858	6,884,069
Domestic	12,892	3,767,297	12,858	3,608,271
Foreign	29	3,736,554	-	3,275,798
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	12,921	7,503,851	12,858	6,884,069

1.3.2 Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,550,026	1,639,665	-	-
USA and Canada	1,742,814	1,344,351	-	-
OECD Countries (*)	15,558	13,458	-	-
Off-shore Banking Regions	633	567	-	-
Other	427,552	277,757	-	-
Total	3,736,583	3,275,798	-	-

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

	Current period	Prior Period
Debt Securities	12,288,314	6,240,372
Quoted on stock exchange	12,288,314	6,240,372
Not quoted on stock exchange	-	-
Share certificates	185,732	128,489
Quoted on stock exchange	94,539	60,764
Not quoted on stock exchange	91,193	67,725
Impairment provision	(13,286)	(164,441)
Total	12,460,760	6,204,420

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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 Group:

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	1,868	7,206	1,034	398
Corporate shareholders	-	7,190	-	398
Real person shareholders	1,868	16	1,034	-
Indirect loans granted to shareholders	780,512	723	204,988	520
Loans granted to employees	19,920	619	16,311	6
Total	802,300	8,548	222,333	924

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

Current Period	Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
			Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
				Loans and Receivables with Revised Contract Terms	Refinance
Loans		49,298,335	3,556,702	2,264,742	-
Export Loans		4,531,667	319,767	-	-
Import Loans		951,591	42,549	-	-
Corporation Loans		20,627,346	2,652,310	2,194,384	-
Consumer Loans		7,717,979	304,840	47,325	-
Credit Cards		950,450	117,001	23,033	-
Loans given to financial sector		8,820,174	-	-	-
Other		5,699,128	120,235	-	-
Other Receivables		2,697	15,292	11,199	-
Total		49,301,032	3,571,994	2,275,941	-

Prior Period	Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
			Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
				Loans and Receivables with Revised Contract Terms	Refinance
Loans		40,891,315	3,533,527	731,716	-
Export Loans		26,872	506	2	-
Import Loans		1,867,353	81,466	-	-
Corporation Loans		22,876,217	3,034,533	710,335	-
Consumer Loans		6,603,831	225,107	3,883	-
Credit Cards		746,845	46,666	16,975	-
Loans given to financial sector		5,314,217	-	-	-
Other		3,455,980	145,249	521	-
Other Receivables		5,432	110,414	807	-
Total		40,896,747	3,643,941	732,523	-

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

	Standard Loans Current Period(*)	Loans under close monitoring Current Period*)	Standard Loans Prior Period	Loans under close monitoring Prior Period
12 Month Expected Credit Losses	488,598	-	444,191	-
Significant Increase in Credit Risk	-	996,886	-	655,489
Total	488,598	996,886	444,191	655,489

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 767.

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

		Loans under close monitoring	
Current Period	Standard Loans	Loans and Receivables Not Subject to Restructuring	Restructured
Short term loans	16,023,772	456,639	83,858
Medium and long term loans	33,277,260	3,115,355	2,192,083
Total	49,301,032	3,571,994	2,275,941

		Loans under close monitoring	
Prior Period	Standard Loans	Loans and Receivables Not Subject to Restructuring	Restructured
Short term loans	12,899,953	785,032	56,300
Medium and long term loans	27,996,794	2,858,909	676,223
Total	40,896,747	3,643,941	732,523

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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	75,033	7,726,981	7,802,014
Housing Loans	22,116	6,470,571	6,492,687
Vehicle Loans	31,568	963,169	994,737
Consumer Loans	20,214	219,628	239,842
Other	1,135	73,613	74,748
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	249,220	249,220
Housing Loans	-	216,395	216,395
Vehicle Loans	-	373	373
Consumer Loans	-	28,626	28,626
Other	-	3,826	3,826
Retail Credit Cards-TL	456,724	73	456,797
With Installment	98,257	73	98,330
Without Installment	358,467	-	358,467
Retail Credit Cards-FC	1,650	-	1,650
With Installment	1,650	-	1,650
Without Installment	-	-	-
Personnel Loans-TL	1,912	16,998	18,910
Housing Loans	-	1,410	1,410
Vehicle Loans	596	12,096	12,692
Consumer Loans	1,315	3,492	4,807
Other	1	-	1
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	11,025	60	11,085
With Installment	4,229	60	4,289
Without Installment	6,796	-	6,796
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	546,344	7,993,332	8,539,676

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1.5.4 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	-	237,380	237,380
Housing Loans	-	169,628	169,628
Vehicle Loans	-	118	118
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	273	-	273
With Installment	273	-	273
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	429,317	6,758,550	7,187,867

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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	248,040	4,929,680	5,177,720
Business Loans	18,447	1,248,841	1,267,288
Vehicle Loans	194,640	2,385,462	2,580,102
Consumer Loans	34,953	1,295,377	1,330,330
Other	-	-	-
Commercial Installment Loans-FC Indexed	3,221	844,575	847,796
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
Commercial Installment Loans-FC	127,905	2,043,461	2,171,366
Business Loans	31,456	686,563	718,019
Vehicle Loans	96,449	81,449	177,898
Consumer Loans	-	-	-
Other	-	1,275,449	1,275,449
Corporate Credit Cards-TL	620,612	-	620,612
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
Corporate Credit Cards-FC	340	-	340
With Installment	340	-	340
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1,000,118	7,817,716	8,817,834

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	49,128	1,207,390	1,256,518
Business Loans	44,911	832,342	877,253
Vehicle Loans	4,217	111,545	115,762
Consumer Loans	-	-	-
Other	-	263,503	263,503
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	774,594	7,162,592	7,937,186

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1.5.6. Allocation of loans by customers:

	Current period	Prior period
Public	560,472	75,479
Private	54,588,495	45,197,732
Total	55,148,967	45,273,211

1.5.7 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	46,697,875	44,934,188
Foreign loans	8,451,092	339,023
Total	55,148,967	45,273,211

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	182	35
Loans granted indirectly to subsidiaries and associates	-	-
Total	182	35

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

	Current period	Prior period
Loans and receivables with limited collectability	209,492	89,643
Loans and receivables with doubtful collectability	228,439	243,531
Uncollectible loans and receivables	1,119,658	508,753
Total	1,557,589	841,927

1.5.10 Information on non-performing loans (Net):

1.5.10.1 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)	-	65,699	-
Restructured Loans and Receivables	-	-	-
Prior Period			
(Gross Amount Before Specific Provisions)	-	58,870	-
Restructured Loans and Receivables	-	-	-

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1.5.10.2 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	732,691
Additions in the current period (+)	806,015	991,658	532,018
Transfers from other categories of non-performing loans (+)	100,972	677,421	1,374,788
Transfers to other categories of non-performing loans (-)	676,683	1,374,976	101,522
Collections in the current period (-)	112,153	129,774	189,767
Write offs (-)	10,373	156,716	807,067
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	250,407	318,133	1,541,141
Specific provisions (-)	209,492	228,439	1,119,658
Net balances on balance sheet	40,915	89,694	421,483

(*) The BRSA published in the official gazette on the date of 27 November 2019 of banks 'Loan classification and allowances the Regulation amending the regulation on principles and procedures for these to be allocated under the principal balance and the corresponding balance in 2019 they will get dull 974,156 follow TL deleted from the records. This process had a decreasing effect on the conversion rate by 1.59% in points.

	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	439,237
Additions in the current period (+)	322,009	271,152	291,716
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	193,128
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	732,691
Specific provisions (-)	89,643	243,531	508,753
Net balance at the balance sheet	52,986	66,989	223,938

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

	Group III	Group IV	Group V
Current Period			
Ending balance of the current period	79,247	5,454	127,323
Provision amount (-)	75,386	969	46,084
Net balance at the balance sheet	3,861	4,485	81,239
Prior Period			
Ending balance of the current period	19,793	-	6,073
Provision amount (-)	2,547	-	871
Net balance at the balance sheet	17,246	-	5,202

1.5.10.4 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)	40,915	89,694	421,483
Loans granted to real persons and legal entities (Gross)	250,407	318,133	1,541,141
Specific provision (-)	209,492	228,439	1,119,658
Loans to real persons and legal entities (Net)	40,915	89,694	421,483
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2018			
Loans to real persons and legal entities (Gross)	52,986	66,989	223,938
Specific provision (-)	142,629	310,520	732,691
Loans to real persons and legal entities (Net)	89,643	243,531	508,753
Banks (Gross)	52,986	66,989	223,938
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

Current Period	Less than 30 days	31-60 days	61-90 Days	More than 91 days	Total
Loans and receivables					
Corporate loans	4,471,573	540,320	343,866	-	5,355,759
Retail loans	153,578	127,256	71,308	-	352,142
Credit cards	123,659	10,880	5,495	-	140,034
Total	4,748,810	678,456	420,669	-	5,847,935
Prior Period	Less than 30 days	31-60 days	61-90 Days	More than 91 days	Total
Loans and receivables					
Corporate loans	2,835,639	639,881	608,330	-	4,083,850
Retail loans	16,015	129,499	83,459	-	228,973
Credit cards	40,369	14,395	8,877	-	63,641
Total	2,892,023	783,775	700,666	-	4,376,464

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

Parent Bank	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)	7,824	8,150	43,927
Profit share accruals, rediscount and valuation differences	18,748	25,908	207,675
Provision (-)	10,924	17,758	163,748

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

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written off as per the decision of the Parent Bank top management. Within 2018, non-performing loans amounting to TL 974,156 have been written-off (31 December 2018 – TL 103,142).

1.5.10.8 Information on the write-off policy:

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

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	2,859,381	37,156
Quoted on a Stock Exchange	2,859,381	37,156
Not Quoted	-	-
Impairment Provision (-)	767	-
Total	2,858,614	37,156

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

	Current Period	Prior Period
Opening Balance	37,156	-
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	2,822,225	37,156
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	767	-
Ending Balance	2,858,614	37,156

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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 11,254 (31 December 2018 – TL 7,055), 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 Parent 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 in the order presented in the above table:

	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. (**)	Istanbul/Tukey	99.99	99.99
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Tukey	75.00	97.61
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Tukey	100.00	100.00
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Tukey	100.00	100.00
KT Bank AG (*)	Frankfurt/Germany	100.00	100.00
Architech Bilşim Sistemleri ve Pazarlama Tic A.Ş. (**)	Istanbul/Tukey	100.00	100.00
KT Sukuk Company Limited (***)	George Town/Cayman Islands	100.00	100.00
KT Portföy Yönetimi A.Ş.	Istanbul/Tukey	100.00	100.00

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
31,076	30,107	-	-	-	2,711	(4,710)	-
152,842	149,095	1,638	-	-	2,688	(3,094)	-
25,926	638	-	-	-	139	284	-
4,944,185	292	-	-	-	113	72	-
-	-	-	-	-	-	-	-
67,352	36,747	3,633	-	-	13,018	9,886	-
2,141,802	1	-	-	-	-	-	-
14,977	13,518	211	-	-	6,734	431	-

(*) As of 31 December 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 31 December 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.

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Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	23,680	23,680
Movements during the year	-	-
Purchases	-	-
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	23,680	23,680
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

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	75,419	53,516
Total	521,173	499,270

Subsidiaries that are quoted on the stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,416
Quoted in Foreign Stock Exchange	-	-
Total	53,418	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 December 31, 2019 is EUR 85,935,747 and the capital adequacy ratio are %25.7.

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%	2,613,177	75,341	16,557	27,514	14,497

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

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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	1,227,784	886,869	1,674,227	1,307,276
1 to 4 years	1,572,914	1,445,267	910,320	854,221
More than 4 years	384,461	375,384	297,345	289,202
Total	3,185,159	2,707,520	2,881,892	2,450,699

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	3,185,159	2,881,892
Unearned finance lease income (-)	(477,639)	(431,193)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	2,707,520	2,450,699

1.10.3 Information on finance lease contracts:

The Parent 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 48,391 are included in the non-performing loans in the balance sheet (31 December 2018 – TL 9,493).

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

1.12. Explanations on Tangible Assets

Current Period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2018					
Cost	235,182	7,957	47,229	449,014	739,382
Accumulated Depreciation (-)	22,323	3,616	1,121	255,135	282,195
Net Book Value	212,859	4,341	46,108	193,879	457,187
Current Period: 31 December 2019					
Net book value at beginning of period	212,859	4,341	46,108	193,879	457,187
Additions	6,696	429,060	9,118	135,469	580,343
Disposals (-)	48	15,684	-	1,534	17,266
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment Losses (-)	-	-	-	-	-
Depreciation Expense (-)	7,677	98,347	10,002	70,137	186,163
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of period	241,830	421,333	56,347	582,949	1,302,459
Accumulated depreciation at the end of period (-)	30,000	101,963	11,123	325,272	468,358
Closing net book value	211,830	319,370	45,224	257,677	834,101

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Prior Period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2017					
Cost	234,653	7,957	1,819	390,255	634,684
Accumulated Depreciation (-)	32,575	2,812	788	182,460	218,635
Net Book Value	202,078	5,145	1,031	207,795	416,049
Current Period: 31 December 2018					
Net book value at beginning of period	202,078	5,145	1,031	207,795	416,049
Additions	529	-	45,410	19,797	65,736
Disposals (-)	-	-	-	-	-
Transfers to assets held for sale (-)	-	-	-	1,208	1,208
Transfer from assets held for sale	-	-	-	40,170	40,170
Impairment Losses (-)	-	-	-	-	-
Depreciation Expense (-)	(10,252)	804	333	72,675	63,560
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of period	235,182	7,957	47,229	449,014	739,382
Accumulated depreciation at the end of period (-)	22,323	3,616	1,121	255,135	282,195
Closing net book value	212,859	4,341	46,108	193,879	457,187

1.13. Explanations on Intangible Assets:

1.13.1. Gross carrying value and accumulated amortization balances at the beginning and at the end of the period:

	Current Period	Prior Period
Cost	370,328	342,421
Accumulated Amortization	(171,568)	(141,656)
Total (net)	198,760	200,765

1.13.2. Movements of intangible assets between the beginning and the end of the period:

	Current Period	Prior Period
Opening balance	200,765	168,965
Additions	105,731	118,036
Disposals (-), net	59,679	22,648
Depreciation amount (-)	48,057	63,588
Closing net book value	198,760	200,765

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

1.14. Explanations on investment property:

	Current Period	Prior Period
Opening balance	29,671	25,419
Additions	9,277	4,410
Disposals (-), net	-	-
Depreciation amount (-)	1,302	158
Closing net book value	37,646	29,671

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1.15 Information on deferred tax asset

As of 31 December 2019, deferred tax is offset as TL 401,782 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 December 2019 is TL 443,645 (31 December 2018 – TL 396,139) and deferred tax liability is TL 41,863 (31 December 2018 – TL 15,456 TL).

	Current period	Prior period
Reserve for employee benefits	41,047	31,297
Retirement pay liability	23,220	17,412
Deferred income	56,469	55,507
Impairment provision for subsidiaries, fixed assets and assets held for sale	2,523	30,080
Rediscounts for derivative instruments held for trading (net)	52,909	2,395
TFRS 9 Provisions	214,057	192,935
Precious metals valuation difference	1,454	2,031
Financial Loss From Decommissioning	43,503	34,043
Other	8,463	30,439
Deferred tax asset	443,645	396,139
The difference between the registered value of tangible assets and tax value	(9,665)	(7,293)
Revaluation difference of financial assets at fair value through profit or loss	(28,833)	(3,691)
Other	(3,365)	(4,472)
Deferred tax liability	(41,863)	(15,456)
Deferred tax asset (net)	401,782	380,683

Table of deferred tax asset movement:

	31 December 2019	31 December 2018
As of January 1	380,683	138,710
Deferred tax (expense)/income	100,846	210,534
Deferred tax accounted under other comprehensive income	(79,747)	40,426
TFRS 9 opening effect	-	(8,987)
Deferred tax asset	401,782	380,683

1.16. Assets held for sale and assets of discontinued operations:

	Current Period	Prior Period
Opening balance	270,382	117,006
Additions	270,818	203,974
Transfer from tangible assets	-	1,208
Disposals (-), net	65,597	11,636
Transfer to tangible assets	-	40,170
Depreciation amount (-)	2,277	-
Impairment losses provision (-)	-	-
Closing net book value	473,326	270,382

1.17 Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 1,689,669 (31 December 2018 – TL 2,890,428). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and notes related to consolidated 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	7,951,114	-	-	-	-	-	-	-	7,951,114
II. Real persons profit sharing accounts TL	-	7,232,001	1,223,102	725,113	-	610,209	911,230	22,190	20,723,845
III. Other current accounts-TL	4,391,455	-	-	-	-	-	-	-	4,391,455
Public sector	200,309	-	-	-	-	-	-	-	200,309
Commercial sector	4,147,380	-	-	-	-	-	-	-	4,147,380
Other institutions	32,529	-	-	-	-	-	-	-	32,529
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	11,237	-	-	-	-	-	-	-	11,237
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,913	-	-	-	-	-	-	-	10,913
Participation banks	324	-	-	-	-	-	-	-	324
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	592,927	1,309,698	103,271	-	268,254	60,845	-	2,334,995
Public sector	-	373	68	611	-	3,046	-	-	4,098
Commercial sector	-	546,923	1,208,358	79,737	-	257,856	59,133	-	2,152,007
Other institutions	-	44,940	100,133	22,873	-	7,312	457	-	175,715
Commercial and other institutions	-	691	1,121	50	-	40	1,255	-	3,157
Banks and participation banks	-	-	18	-	-	-	-	-	18
V. Real persons current accounts-FC	12,896,518	-	-	-	-	-	-	-	12,896,518
VI. Real persons profit sharing accounts-FC	-	5,792,299	9,758,724	1,405,912	-	1,516,213	1,822,399	1,803	20,297,350
VII. Other current accounts-FC	6,033,944	-	-	-	-	-	-	-	6,033,944
Commercial residents in Turkey	4,549,440	-	-	-	-	-	-	-	4,549,440
Commercial residents in Abroad	1,216,989	-	-	-	-	-	-	-	1,216,989
Banks and participation banks	267,515	-	-	-	-	-	-	-	267,515
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	267,170	-	-	-	-	-	-	-	267,170
Participation banks	345	-	-	-	-	-	-	-	345
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	593,559	2,356,951	115,375	-	114,694	66,878	-	3,247,457
Public sector	-	10	-	-	-	-	-	-	10
Commercial sector	-	520,552	2,112,990	53,458	-	45,383	50,331	-	2,782,714
Other institutions	-	41,158	152,018	61,908	-	68,914	16,461	-	340,459
Commercial and other institutions	-	31,831	84,336	9	-	397	-	-	116,573
Banks and participation banks	-	8	7,607	-	-	-	86	-	7,701
IX. Precious metal funds	5,757,301	2,444,094	1,846,409	207,182	-	113,344	4,703	61	10,373,094
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	37,030,332	6,654,880	6,494,884	2,556,853	-	2,622,714	2,866,055	24,054	88,249,772

There are no 7 day notification accounts of the Group.

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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	3,088,382	-	-	-	-	-	-	-	3,088,382
Public sector	186,809	-	-	-	-	-	-	-	186,809
Commercial sector	2,847,456	-	-	-	-	-	-	-	2,847,456
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	8,316,910	-	-	-	-	-	-	-	8,316,910
VI. Real persons profit sharing accounts-FC	-	3,932,410	6,126,127	1,066,450	-	699,639	467,103	993	12,292,722
VII. Other current accounts-FC	3,986,544	-	-	-	-	-	-	-	3,986,544
Commercial residents in Turkey	3,254,669	-	-	-	-	-	-	-	3,254,669
Commercial residents in Abroad	635,513	-	-	-	-	-	-	-	635,513
Banks and participation banks	96,362	-	-	-	-	-	-	-	96,362
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	96,257	-	-	-	-	-	-	-	96,257
Participation banks	105	-	-	-	-	-	-	-	105
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	443,390	2,185,823	237,578	-	86,543	73,106	363	3,026,803
Public sector	-	39	3	-	-	-	-	-	42
Commercial sector	-	409,203	2,018,221	232,632	-	86,417	73,020	363	2,819,856
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	27,757	-	-	-	86	-	27,850
IX. Precious metal funds	2,588,233	1,020,239	1,205,711	212,397	-	61,746	2,174	19	5,090,519
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	22,733,901	10,622,526	17,595,455	2,053,129	-	1,323,687	882,943	18,377	55,230,018

There are no 7 day notification accounts of the Group.

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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	17,752,145	10,848,810	10,782,495	6,836,543
FC accounts	16,294,727	8,572,475	24,484,448	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 Parent 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 Parent 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	9,044	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	-	-

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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	13,191	974	20,764	1,362
Swap transactions	116,499	163,745	281	41,404
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	129,690	164,719	21,045	42,766

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	160,847	172,998	93,394	315,352
From Foreign Banks, Institutions and Funds	-	113,380	-	1,586,550
Total	160,847	286,378	93,394	1,901,902

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	160,847	286,378	93,394	1,753,713
Medium and Long-Term	-	-	-	148,189
Total	160,847	286,378	93,394	1,901,902

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

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

2.4. Information on securities issued

The Group has issued sukuks, detailed below. The average return on securities issued is 11% for Turkish Lira, 5% for USD and 6% for Malaysian Ringgit. The maturity of sukuk issued in Turkish Lira is between January 2019 and February 2020; Maturity of sukuk issued in US dollars is November 2021 and maturities issued in Malaysian Ringgit are between March 2020 and July 2020.

Current Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	750,000	-	-	4,046,277
Remaining income distribution	17,808	-	-	894,662
Fair value	735,743	-	-	3,906,422

Prior Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	1,229,428	345,000	-	6,115,734
Remaining income distribution	100,514	-	-	574,318
Fair value	1,287,131	347,803	-	6,157,936

2.5 Information on other liabilities and miscellaneous payables:

As of 31 December 2019, other liabilities amount to TL 869,323 (31 December 2018 – TL 1,075,824), miscellaneous payable amount to TL 388,179 (31 December 2018 - TL 261,894), both of them do not exceed 10% of the balance sheet total.

2.6 Information on finance lease payables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	124,506	87,233	-	-
1 to 4 years	294,798	166,124	-	-
More than 4 years	139,376	97,598	-	-
Total	558,680	350,955	-	-

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.

2.6.1. Information on the changes in agreements and new obligations originating from these changes:

None (31 December 2018 – None).

2.6.1.1. Information on Financial Lease Obligations

None (31 December 2018 – None).

2.6.1.2 Information on Operational Leases:

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

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

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

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2.7 Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	129,728	-	106,352
Hedge of net investment in foreign operations	-	-	-	-
Total	-	129,728	-	106,352

2.8 Information on provisions:

2.8.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2019, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 5 (31 December 2018 – TL 4,654) and TL 192 for leasing receivables (31 December 2018 – TL 1,266) is offset against loans and receivables.

2.8.2 Information on other provisions:

	Current Period	Prior Period
Non-Cash Loans That Are Not Converted Into Cash	422,274	240,372
Special Provisions for non-cash loans	127,145	145,911
General Provisions for non-cash loans	150,934	129,152
Provision for Profits will be Allocated to Participation Accounts	2,332	1,778
Other (*)	93,749	54,231
Total	796,434	571,444

(*) The other item is the amounting regarding TL 27,573 (December 31, 2018 - TL 13,780) for litigation, TL 6,500 (31 December 2018 - TL 6,500) for the expense provision and TL 59,676 (31 December 2018 - TL 33,951) is the amount for impairment loss.

2.8.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 116,242 (31 December 2018 – TL 86,818), vacation pay liability amounting to TL 712 (31 December 2018 – TL 585), performance premium amounting to TL 109,912 (31 December 2018 – TL 86,617), retirement bonuses on payment of TL 63,437 (31 December 2018 – TL 44,014), committee fee amounting to TL 12,321 (31 December 2018 – TL 10,869) and other fees amounting to TL 196 (31 December 2018 – TL 175).

Under the Turkish Labor Law, the parent 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 Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	12.10	16.30
Inflation rate (%)	8.00	12.00
Salary increase rate (%)	25.00	13.00

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

	Current Period	Prior Period
Balance at the beginning of the period	86,818	84,286
Provisions recognized during the period	30,957	23,455
Paid during the period	(7,319)	(7,272)
Actuarial loss	5,786	(13,651)
Balances at the end of the period	116,242	86,818

2.9 Explanations on tax liability:

2.9.1 Explanations on current tax liability:

2.9.1.1 Information on tax provisions: TL 226,221 (31 December 2018-TL 177,652)

2.9.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	39,489	21,252
Taxation of immovable property	1,796	1,569
Banking Insurance Transaction Tax (BITT)	29,327	32,461
Foreign Exchange Transaction Tax	4,532	-
Value Added Tax Payable	2,663	1,904
Income tax deducted from wages	12,624	9,675
Other	4,059	1,131
Total	94,490	67,992

2.9.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Insurance Premiums-Employee	7,430	5,640
Social Insurance Premiums-Employer	8,000	6,075
Unemployment insurance-Employee	532	404
Unemployment insurance-Employer	1,263	952
Other	-	-
Total	17,225	13,071

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

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

2.10 Information on payables related to assets held for sale:

None (31 December 2018 – None).

2.11 Information on subordinated loans:

	Current Period		Prior Period	
	TP	YP	TP	YP
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	3,380,983	-	1,901,210
Toplam	-	3,380,983	-	1,901,210

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2.12 Information on shareholders' equity:

2.12.1 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 Parent 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.

2.12.2 Amount of Paid-in Capital, Disclosure on whether the parent 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.

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

Date for Increase	Increased Amount	Cash	Retained Earnings for Increased
03-April-19	500,000	-	500,000

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

2.12.5 Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

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

2.12.6 Summary of privileges given to shares representing the capital:

None. (31 December 2018- None)

2.12.7 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 (*)	136,954	82,154	(37,105)	(51,432)
Foreign Exchange Difference	-	-	-	-
Total	136,954	82,154	(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.

2.13 Information on minority shares:

31 December 2019; 28,461 TL. (31 December 2018; 25,112TL)

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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 31 December 2019 amounts to TL 2,656,398 (31 December 2018 – TL 1,858,018); payment commitments for cheque books amounts to TL 1,305,235 (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 31 December 2019, the Group has guarantees and surety ships constituting of TL 10,007,571 (31 December 2018 – TL 10,391,279) of letters of guarantee; TL 55,035 (31 December 2018 – TL 74,098) of acceptances and TL 1,374,009 (31 December 2018 – TL 1,079,876) of letters of credit. Also, banks has other acceptances amounting to TL 465,592 (31 December 2018 – TL 329,036).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 3.1.2.1

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	11,902,354	11,876,080
Total	11,902,354	11,876,080

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3.1.4. Sectorial risk concentration of non-cash loans:

	Current Period			
	TP	%	YP	%
Agriculture	68,479	0.99	51,421	1.04
Farming and stockbreeding	38,634	0.56	35,958	0.72
Forestry	29,622	0.43	15,463	0.31
Fishery	223	0.00	-	0.00
Manufacturing	1,270,772	18.31	1,171,799	23.61
Mining and quarrying	297,536	4.29	328,922	6.63
Production	658,204	9.49	809,325	16.30
Electricity, Gas, Water	315,032	4.54	33,552	0.68
Construction	2,694,124	38.83	1,231,633	24.81
Services	2,174,574	31.34	1,624,067	32.72
Wholesale and Retail Trade	1,137,190	16.39	733,830	14.78
Hotel, Food and Beverage Services	117,951	1.70	19,622	0.40
Transportation and Telecom.	482,266	6.95	529,429	10.67
Financial Institutions	19,270	0.28	248,354	5.00
Real Estate and Renting Services	22,379	0.32	9,874	0.20
Self-Employment Type Services	267	0.00	-	0.00
Educational Services	37,913	0.55	2,523	0.05
Health and Social Services	357,338	5.15	80,435	1.62
Other	730,490	10.53	884,995	17.83
Total	6,938,439	100.00	4,963,915	100.00

	Prior Period			
	TP	%	YP	%
Agriculture	59,926	0.93	5,316	0.10
Farming and stockbreeding	33,396	0.52	2,812	0.05
Forestry	26,530	0.41	2,504	0.05
Fishery	-	0.00	-	0.00
Manufacturing	1,217,028	18.97	843,763	15.46
Mining and quarrying	259,085	4.04	258,253	4.73
Production	551,993	8.60	560,254	10.26
Electricity, Gas, Water	405,950	6.33	25,256	0.46
Construction	2,661,157	41.47	1,225,516	22.45
Services	1,798,834	28.03	2,241,769	41.06
Wholesale and Retail Trade	862,869	13.45	602,006	11.03
Hotel, Food and Beverage Services	96,061	1.50	80,239	1.47
Transportation and Telecom.	454,742	7.09	1,157,055	21.19
Financial Institutions	19,596	0.31	274,267	5.02
Real Estate and Renting Services	24,755	0.39	7,644	0.14
Self-Employment Type Services	107	0.00	-	0.00
Educational Services	34,881	0.54	8,732	0.16
Health and Social Services	305,823	4.77	111,826	2.05
Other	679,688	10.59	1,143,083	20.94
Total	6,416,633	100.00	5,459,447	100.00

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3.1.5. Non-cash loans classified under Group I and II :

Current Period	Group I		Group II	
	TP	YP	TP	YP
Letters of Guarantee	6,301,493	3,383,830	290,549	31,699
Bills of Exchange and Bank Acceptances	8,296	46,489	250	-
Letters of Credit	7,481	1,327,653	3,086	35,789
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	326,920	138,455	364	-
Toplam	6,644,190	4,896,427	294,249	67,488

Prior Period	Group I		Group II	
	TP	YP	TP	YP
Letters of Guarantee	5,976,533	4,164,743	230,353	19,650
Bills of Exchange and Bank Acceptances	17,516	56,582	-	-
Letters of Credit	10,720	1,044,004	792	24,360
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	180,196	150,108	523	-
Toplam	6,184,965	5,415,437	231,668	44,010

3.2. Financial derivative instruments:

Trading Derivatives	
Current Period	
Foreign Currency Related Derivative Transactions (I):	55,226,604
Currency Forwards-Purchases, sales	1,754,813
Currency Swaps-Purchases, sales	53,471,791
Currency Futures	-
Currency Options-Purchases, sales	-
Interest Rate Related Derivative Transactions (II):	-
Interest rates forwards-Purchase, sales	-
Interest rates swaps-Purchases, sales	-
Interest rates options-Purchases, sales	-
Interest rates futures-Purchases, sales	-
Other Trading Derivatives (III)	30,797
A.Total Trading Derivatives (I+II+III)	55,257,401
Hedging Derivatives	-
Fair value hedges	-
Cash flow hedges	2,451,906
Foreign currency investment hedges	-
B. Total Hedging Derivatives	2,451,906
Total Derivatives Transactions (A+B)	57,709,307

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	Trading Derivatives
	Prior Period
Foreign Currency Related Derivative	
Foreign Currency Related Derivative Transactions (I):	21,215,164
Currency Forwards-Purchases, sales	2,408,123
Currency Swaps-Purchases, sales	18,807,041
Currency Futures	-
Currency Options-Purchases, sales	-
Interest Rate Related Derivative Transactions(II):	-
Interest rates forwards-Purchase, sales	-
Interest rates swaps-Purchases, sales	-
Interest rates options-Purchases, sales	-
Interest rates futures-Purchases, sales	-
Other Trading Derivatives (III)	3,121
A.Total Trading Derivatives (I+II+III)	21,218,285
	-
Hedging Derivatives	-
Fair value hedges	-
Cash flow hedges	2,165,533
Foreign currency investment hedges	-
B. Total Hedging Derivatives	2,165,533
Total Derivatives Transactions (A+B)	23,383,818

The Group enters into short-term swap transactions based on its market expectations and cash flow. These transactions are generally short-term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2019, the Bank has commitments to buy TL 8,040,623, USD 3,247,425,000, EUR 44,093,000, GBP 500,000 and MYR 800,000,000 in return of selling commitments of TL 235,975, USD 1,361,961,000, EUR 3,031,284,000, GBP 515,000 and RUB 25,360,000 (As of 31 December 2018, the Bank has commitments to buy TL 633,559, USD 1,709,657,000, EUR 57,831,000, GBP 10,039,000 and 800,000,000 MYR in return of selling commitments of TL 304,995, USD 399,261,000, EUR 1,545,406,000 and GBP 89,000).

3.3. Credit derivatives and risk exposures on credit derivatives:

None.

3.4. Contingent liabilities and assets:

In accordance with decision of the Bank's Board of Directors numbered 1117 and dated 21 June 2011, recoverable foreign currency loan granting commitments to real and legal persons and who do not have the unconditional right to utilize these commitment has been translated into Turkish Lira and no longer followed as foreign currency commitments.

3.5. Explanations on custodian and intermediary services:

None.

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3.6. Summary Information on the Parent Bank's Rating by the International Rating Institutions

Fitch Rating's Ekim 2019	Notes
Long-Term Issuer Default Rating	B+
Short-Term Issuer Default Rating	B
Local Currency Long-Term Issuer Default Rating	BB-
Local Currency Short-Term Issuer Default Rating	B
Support Rating	4

4. Explanations and notes related to the statement of consolidated 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	1,466,189	185,252	1,405,131	101,091
Short term loans	3,763,974	627,302	3,204,900	353,075
Medium and long-term loans	34,483	384	27,211	-
Profit share on non-performing loans	-	-	-	-
Premiums received from resource utilization support fund	-	-	-	-
Toplam	5,264,646	812,938	4,637,242	454,166

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	300	-	-	-
Foreign Banks	78,818	177,591	21,392	150,816
Branches and head office abroad	-	1,245	-	746
Total	79,118	178,836	21,392	151,562

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4.1.3 Information on profit share income from securities portfolio:

The Group has received TL 810,359 of profit share income from securities. (1 January – 31 December 2018 - TL 418,770).

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	-	116

4.2 Information on profit share expenses:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	16,893	27,333	9,620	36,242
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	16,893	9,997	5,128	10,449
Foreign banks	-	17,336	4,492	25,793
Branches and head office abroad	-	-	-	-
Other Institutions	-	227,877	-	214,853
Total	16,893	255,210	9,620	251,095

4.2.2 Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	4,913	1,353

4.2.3 Profit share expense paid to securities issued:

31 December 2019; 604,045 TL (1 January – 31 December 2018: 560,283).

4.3 Information on dividend income:

	Cari Dönem	Önceki Dönem
Held for Trading Financial Assets	-	-
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other	2,841	1,273
Total	2,841	1,273

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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	-	219	-	-	-	-	-	219	
Real person’s non-trading profit sharing account	825,585	1,288,963	75,265	-	46,544	54,866	2,676	2,293,899	
Public sector profit sharing account	29	107	44	-	8	-	-	188	
Commercial sector profit sharing account	58,721	145,072	14,944	-	2,063	1,719	-	222,519	
Other institutions profit sharing account	6,951	13,437	1,748	-	409	194	-	22,739	
Total	891,286	1,447,798	92,001	-	49,024	56,779	2,676	2,539,564	
FC									
Banks	60	2,352	-	-	-	-	-	2,412	
Real person’s non-trading profit sharing account	113,282	206,442	28,191	-	17,894	17,748	61	383,618	
Public sector profit sharing account	-	14	-	-	-	-	-	14	
Commercial sector profit sharing account	10,126	61,996	2,902	-	299	269	-	75,592	
Other institutions profit sharing account	876	9,161	88	-	135	-	-	10,260	
Precious metal accounts	18,747	17,513	2,005	-	933	-	-	39,198	
Total	143,091	297,478	33,186	-	19,261	18,017	61	511,094	
Grand Total	1,034,377	1,745,276	125,187	-	68,285	74,796	2,737	3,050,658	
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	-	1	-	-	-	-	-	1	
Real person’s non-trading profit sharing account	514,291	814,287	52,342	-	27,382	28,968	1,665	1,438,935	
Public sector profit sharing account	652	2,303	-	-	2	-	-	2,957	
Commercial sector profit sharing account	48,623	106,154	16,872	-	1,615	1,256	4	174,524	
Other institutions profit sharing account	6,079	12,536	1,442	-	568	249	-	20,874	
Total	569,645	935,281	70,656	-	29,567	30,473	1,669	1,637,291	
FC									
Banks	58	1,361	-	-	-	-	-	1,419	
Real person’s non-trading profit sharing account	77,496	143,945	26,884	-	13,454	8,576	23	270,378	
Public sector profit sharing account.	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	9,697	43,151	3,587	-	4,473	91	4	61,003	
Other institutions profit sharing account	1,932	4,848	398	-	4	-	-	7,182	
Precious metal accounts	6,658	14,552	1,682	-	743	-	-	23,635	
Total	95,841	207,857	32,551	-	18,674	8,667	27	363,617	
Grand Total	665,486	1,143,138	103,207	-	48,241	39,140	1,696	2,000,908	

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4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	1,324,855	539,144
Income	37,496,086	36,464,911
Gain on capital market transactions	46,127	21,919
Gain on derivative financial instruments	2,782,732	1,902,772
Foreign exchange profit	34,667,227	34,540,220
Losses (-)	(36,171,231)	(35,925,767)
Losses on capital market transactions	(14,011)	(11,678)
Losses on derivative financial instruments	(2,317,929)	(1,765,998)
Foreign exchange losses	(33,839,291)	(34,148,091)

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	654,950	494,061
Income from sale of assets	70,497	38,166
Revenues from real estates sold under the lease certificate.	-	-
Income from the real estate sales' gains by rent certificates	3,050	2,587
Other Income	61,081	6,120
Total	789,578	540,934

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

	Current Period(*)	Prior Period
Expected Credit Loss	2,640,410	1,949,975
12 month expected credit loss (Stage 1)	166,823	591,962
Significant increase in credit risk (Stage 2)	387,889	699,199
Non-performing loans (Stage 3)	2,085,698	658,814
Marketable Securities Impairment Expense	611	1,042
Financial Assets at Fair Value through Profit or Loss	611	979
Financial Assets at Fair Value Through Other Comprehensive Income	-	63
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	59,100	28,547
Total	2,700,121	1,979,564

(*) 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.

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4.8 Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	1,063,252	825,999
Provision for retirement pay liability	23,638	16,183
Depreciation expenses of tangible assets	186,163	63,560
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	48,057	63,588
Depreciation expenses of assets held for sale	-	-
Other operating expenses	378,165	385,837
Rent expenses	10,542	140,164
Maintenance expenses	94,752	42,987
Advertisement expenses	48,513	35,069
Communication expenses	53,015	41,129
Heating, electricity and water expenses	27,123	18,751
Cleaning expenses	7,509	6,407
Vehicle expenses	10,081	8,362
Stationery expenses	9,800	9,037
Other expenses	116,830	83,931
Losses on sales of assets	1,125	3,829
Deposit insurance fund expenses	179,892	102,283
Other	186,518	147,144
Total	2,066,810	1,608,423

(*) 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:

Income before tax amounting to TL 1,421,698 increased by 34,83% as compared to the prior period (1 January - 31 December 2018 – TL 1,054,406). Income before tax includes TL 3,566,760 (1 January - 31 December 2018 – TL 3,185,456) net profit share income and TL 490,868 (1 January - 31 December 2018 – TL 367,871) net fees and commission income. Other operating expense amount is TL 979,920 (1 January - 31 December 2018 – TL 766,241).

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 401,579 (1 January-31 December 2018 - TL 454,233), deferred tax income of TL 205,627 (1 January-31 December 2018 - TL 46,249) and TL 306,473 (1 January-31 December 2018 - TL 256,783) deferred tax income is recognized.

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

There is no income or loss for discontinued operation in net operating income after tax.

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 Group's performance for the period: As of 31 December 2019, net profit share income is TL 3,566,760 (1 January-31 December 2018 – TL 3,185,456), net fees and commission income is TL 490,868 (1 January-31 December 2018 – TL 367,871).

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

None (1 January – 31 December 2018 – None).

4.12.3 Profit/Loss attributable to minority interest:

	Current Period	Prior Period
Profit/(Loss) attributable to minority interest	3,328	1,164

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

As of 31 December 2019, other fees and commissions received is TL 625,196 (1 January - 31 December 2018 – TL 426,031), TL 197,886 of this amount is related with credit card fees and commissions (1 January - 31 December 2018 – TL 123,244) and TL 142,735 of this amount is related with POS machine commissions (1 January – 31 December 2018 – TL 91,787).

As of 31 December 2019, other fees and commissions given is TL 300,791 (1 January - 31 December 2018 – TL 203,798), TL 167,123 (1 January - 31 December 2018 – TL 107,446) of this amount is related with POS clearing commissions and installation expenses, TL 26,590 (1 January - 31 December 2018 – TL 18,792) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and Disclosures Related to Statement of Consolidated Equity

5.1 There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements. Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

5.2 In the current year, the Parent Bank made dividend payments amounting to TL 6,546 to members of Board of Directors. In the General Assembly meeting held in 29 March 2019 it has been decided that TL 44,145 would be transferred to legal reserves, TL 247,260 would be transferred to extraordinary reserve, TL 72,180 would be transferred to other reserves and TL 500,000 would be transferred to paid up capital.

6. Explanations and Disclosures Related to Statement of Cash Flows

6.1. Information on consolidated cash and cash equivalents:

6.1.1. Components of cash and cash equivalents and accounting policy applied in their determination:

“Cash” is defined as cash in vault and foreign currency cash, cash in transit, checks purchased, unrestricted amount in the Central Bank and demand deposits in Banks. “Cash equivalents” is defined as money market placements, investments in securities and time deposits in banks with original maturity less than three months.

6.1.1.1. Cash and cash equivalents at the beginning of the period:

	Current Period
Cash	6,710,455
Cash in TL/foreign currency, others	1,058,399
Demand deposits at banks	5,652,056
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	6,710,455
	Prior Period
Cash	3,472,726
Cash in TL/foreign currency, others	698,688
Demand deposits at banks	2,774,038
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	3,472,726

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6.1.1.2. Cash and cash equivalents at the end of the period:

	Current Period
Cash	19,216,292
Cash in TL/foreign currency, others	19,216,292
Demand deposits at banks (up to 3 months)	-
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	19,216,292
	Prior Period
Cash	6,710,455
Cash in TL/foreign currency, others	1,058,399
Demand deposits at banks (up to 3 months)	5,652,056
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	6,710,455

6.2. Cash and cash equivalent items which are restricted for the usage of the Parent Bank by legal or other limitations:

None (31 December 2018 – None).

6.3. Explanations on other items in the cash flow statement:

“Other items” amounting to TL (2,815,989) (1 January-31 December 2018: TL (1,083,433)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 4,910,001 (1 January-31 December 2018: TL 901,761) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL 294,016 (1 January-31 December 2018: TL (2,846,285)) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

6.4. Effects of the change in foreign currency rates on cash and cash equivalents:

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 1,701,154 as of 31 December 2019 (31 December 2018 – TL (66,621)). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

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

7.1 The volume of transactions related to the risk group of the Parent 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 Group (*)	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	35	13,666	1,034	398	204,988	520
Balance at end of period	182	18,527	1,868	7,206	780,512	723
Profit share and commission income	-	-	145	-	10,066	1,531

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

Prior period:

Risk group of the Group (*)	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	447	1,030	786	150,924	917
Balance at end of period	35	13,666	1,034	398	204,988	520
Profit share and commission income	-	116	73	11	18,440	4

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

7.1.1 Information on current and profit sharing accounts of the Parent Bank's risk group:

Risk group of the Group (*)	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	34,808	30,010	35,032	60,187	255,239	417,813
Balance at end of period	54,178	34,808	151,321	35,032	390,698	255,239
Profit share expense	4,913	1,353	2,281	3,682	38,300	30,709

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

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

Risk group of the Group (*)	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
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	-	-	287,483	-	-	-
Balance at end of period	-	-	528,933	287,483	-	-
Total Profit / Loss	-	-	(35)	-	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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7.1.2 Information on loans received from the Parent Bank's risk group:

Risk group of the Group	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	-	-	802,108	2,175,759	-	-
Balance at end of period	-	-	68,696	802,108	-	-
Profit share expense	-	-	41,221	84,426	-	-

7.2 Information on remunerations provided to top management:

As of 1 January - 31 December 2019, the Group has paid TL 48,678 to top management (1 January - 31 December 2018 TL 32,458).

8. Domestic, foreign and off-shore branches or equity investments and foreign representative offices

8.1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	430	4,120			
			Country		
Foreign representative offices				Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign bank	1	108	Germany	3,675,185	74,954,179
Off-shore branches	1	3	Bahrain(**)	7,323,517	
Foreign branches					

(*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number.

(**) Bahrain Branch is controlled by the Central Bank of Bahrain and the total of Assets is 7,323,517 Turkish lira as of 31 December 2019.

8.2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

In 2019, 16 new domestic branches (2018-17 branches) were opened and 1 domestic branch was closed (2018-1 branch).

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

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 400,000 thousand on 15 January 2020 and a maturity of 91 days with a cost of 9.12%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. issued sukuk on January 29, 2020 with a nominal value of TL 75,000 thousand and a maturity of 91 days with a cost of 8.38%.

The Parent bank is a subsidiary of Neova Sigorta Anonim Şirketi under the board of directors decision dated October 10, 2019; Turkapital Holding B.S.C.C.53% of First Takaful Insurance Company K.S.C.35% of KFH Takaful Insurance Company (K.S.C.C.) signed share transfer agreements for the transfer of 5% Shares as of February 5, 2020. Share transfer transactions will be carried out after the completion of the permit processes before the relevant public institutions.

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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

INDEPENDENT AUDITORS' REPORT

- 1. Explanations audit report:**

The consolidated financial statements have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated 28 February 2020 is presented preceding the financial statements.

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