

Kuveyt Türk Katılım Bankası Anonim Şirketi

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

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

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

REVIEW REPORT ON UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

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

Scope of Review

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

Conclusion

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

Report on Other Legal and Regulatory Requirements

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

Other Matter

The unconsolidated financial statements of the Bank as at 31 December 2018 and 30 June 2018 were audited and reviewed by another audit firm, which expressed an unqualified opinion and an unqualified conclusion in their reports issued on 26 February 2019 and 9 August 2018, respectively.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with “BRSA Accounting and Financial Reporting Legislation” and the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Emre Çelik, SMMM
Associate Partner

31 July 2019
İstanbul, Turkey

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**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2019**

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL
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The unconsolidated interim financial report for the three-month period 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

Adnan ERTEM
Vice Chairman of BOD and Head of the
Audit Committee

Ahmad S A A AL KHARJI
Member of the Audit Committee

Mohamad AL-MIDANI
Member of the Audit Committee

Ufuk UYAN
General Manager

Ahmet KARACA
Chief Financial Officer

İsmail Hakkı YEŞİLYURT
Budget and Management Reporting

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

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

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

SECTION ONE

GENERAL INFORMATION

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

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

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

As of 30 June 2019, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

3. Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the bank :

Name	Title	Date of the assignment	Date of Audit Committee assignment	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006			-
Fawaz KHE AL SALEH	Member of BOD	20/10/2006		Bachelor	%0.0105
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmad S. A.A. AL KHARJI	Member of BOD and Audit Committee	26/03/2014	24/09/2014	Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	%0.0556
Ahmet KARACA	Assistant General Manager, Chief Financial Officer	12/07/2006		Master	%0.0002
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	%0.0035
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005		Bachelor	%0.0156
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005		Doctorate	%0.0091
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010		Bachelor	%0.0007
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012		Bachelor	%0.0047
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012		Bachelor	%0.0029
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015		Bachelor	%0.0028

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

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

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

4. Information on qualified shareholders

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

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

5. Explanations of the Bank’s services and field of operations

The Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 30 June 2019, the Bank is operating through 419 domestic branches (31 December 2018 – 414) with 5,861 employees (31 December 2018 – 5,871). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

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

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

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2019

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

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

		Reviewed Current Period 30.06.2019			Audited Prior Period 31.12.2018		
ASSETS	Note	TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		3,084,590	27,547,826	30,632,416	3,647,527	19,934,154	23,581,681
1.1 Cash and Cash Equivalents		732,589	15,970,914	16,703,503	1,160,217	15,594,242	16,754,459
1.1.1 Cash and Balances with Central Bank	(5.1.1.)	723,912	11,400,482	12,124,394	1,183,109	9,252,979	10,436,088
1.1.2 Banks	(5.1.3.)	8,837	4,593,622	4,602,459	14,736	6,404,912	6,419,648
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Credit Loss (-)		160	23,190	23,350	37,628	63,649	101,277
1.2 Financial Assets at Fair Value Through Profit or Loss		171,202	2,390,565	2,561,767	292,978	96,168	389,146
1.2.1 Government Debt Securities		63,516	2,390,194	2,453,710	18,327	11,770	30,097
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		107,686	371	108,057	274,651	84,398	359,049
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	2,148,057	9,130,642	11,278,699	2,164,849	4,231,216	6,396,065
1.3.1 Government Debt Securities		2,041,483	8,754,965	10,796,448	2,065,421	3,804,519	5,869,940
1.3.2 Equity Instruments		16,272	24,452	40,724	10,502	17,046	27,548
1.3.3 Other Financial Assets		90,302	351,225	441,527	88,926	409,651	498,577
1.4 Derivative Financial Assets	(5.1.2.)	32,742	55,705	88,447	29,483	12,528	42,011
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		32,742	55,705	88,447	29,483	12,528	42,011
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
2. FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	31,124,772	21,481,253	52,606,025	31,029,723	14,804,843	45,834,566
2.1 Loans		32,123,634	18,164,933	50,288,567	31,238,479	14,109,856	45,348,335
2.2 Leasing Receivables	(5.1.10.)	1,381,321	1,196,426	2,577,747	1,439,955	1,010,744	2,450,699
2.3 Other Financial Assets Measured At Amortized Cost	(5.1.6.)	-	2,576,038	2,576,038	-	-	-
2.3.1 Government Debt Securities		-	2,576,038	2,576,038	-	-	-
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Loss (-)		2,380,183	456,144	2,836,327	1,648,711	315,757	1,964,468
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)		437,354	-	437,354	270,382	-	270,382
3.1 Held For Sale		437,354	-	437,354	270,382	-	270,382
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		578,751	-	578,751	547,950	-	547,950
4.1 Investments in Associates (Net)	(5.1.7.)	-	-	-	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Investment in Subsidiaries (Net)	(5.1.8.)	558,751	-	558,751	522,950	-	522,950
4.2.1 Unconsolidated Financial Subsidiaries		521,171	-	521,171	499,270	-	499,270
4.2.2 Unconsolidated Non-Financial Subsidiaries		37,580	-	37,580	23,680	-	23,680
4.3 Investment in Joint Ventures (Net)	(5.1.9.)	20,000	-	20,000	25,000	-	25,000
4.3.1 Joint Ventures Valued Based on Equity Method		20,000	-	20,000	25,000	-	25,000
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		970,631	1,056	971,687	688,685	203	688,888
VI. INTANGIBLE ASSETS (Net)		137,878	38	137,916	136,931	48	136,979
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		137,878	38	137,916	136,931	48	136,979
VII. INVESTMENT PROPERTIES (Net)		25,226	-	25,226	25,305	-	25,305
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(5.1.12.)	374,615	-	374,615	346,640	-	346,640
X. OTHER ASSETS	(5.1.13.)	290,896	924,879	1,215,775	817,583	1,982,351	2,799,934
TOTAL ASSETS		37,024,713	49,955,052	86,979,765	37,510,726	36,721,599	74,232,325

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2019

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

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

				Reviewed Current Period 30.06.2019		Audited Prior Period 31.12.2018		
LIABILITIES		Note	TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1.)	25,005,822	44,175,461	69,181,283	22,520,320	31,465,958	53,986,278
II.	FUNDS BORROWED	(5.2.3.)	1,939,445	5,520,505	7,459,950	2,038,900	8,103,989	10,142,889
III.	MONEY MARKETS	-	-	-	-	188,003	-	188,003
IV.	SECURITIES ISSUED (Net)	-	-	-	-	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	-	15,341	199,576	214,917	21,045	148,288	169,333
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	15,341	68,831	84,172	21,045	41,936	62,981
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.6.)	-	130,745	130,745	-	106,352	106,352
VII.	LEASE PAYABLES	(5.2.5.)	274,700	18,695	293,395	-	-	-
VIII.	PROVISIONS	(5.2.7.)	631,599	166,999	798,598	615,510	180,385	795,895
8.1	Restructuring Provision	-	-	-	-	-	-	-
8.2	Reserves For Employee Benefits	-	221,405	347	221,752	228,323	318	228,641
8.3	Insurance For Technical Provision (Net)	-	-	-	-	-	-	-
8.4	Other Provisions	-	410,194	166,652	576,846	387,187	180,067	567,254
IX.	CURRENT TAX LIABILITIES	(5.2.8.1.)	131,228	-	131,228	175,685	-	175,685
X.	DEFERRED TAX LIABILITIES	-	-	-	-	-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.9.)	-	-	-	-	-	-
11.1	Held For Sale	-	-	-	-	-	-	-
11.2	Related to Discontinued Operations	-	-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.10.)	-	2,072,793	2,072,793	-	1,901,210	1,901,210
12.1	Loans	-	-	-	-	-	-	-
12.2	Other Debt Instruments	-	-	2,072,793	2,072,793	-	1,901,210	1,901,210
XIII.	OTHER LIABILITIES	(5.2.4.)	619,169	165,855	785,024	1,282,540	151,939	1,434,479
XIV.	SHAREHOLDERS` EQUITY	(5.2.11.)	6,081,179	(38,602)	6,042,577	5,489,985	(51,432)	5,438,553
14.1	Paid-in Capital	-	3,995,766	-	3,995,766	3,497,322	-	3,497,322
14.2	Capital Reserves	-	24,489	-	24,489	22,933	-	22,933
14.2.1	Share Premiums	-	23,250	-	23,250	22,933	-	22,933
14.2.2	Share Cancellation Profits	-	1,239	-	1,239	-	-	-
14.2.3	Other Capital Reserves	-	-	-	-	-	-	-
14.3	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss	-	(13,296)	-	(13,296)	(13,296)	-	(13,296)
14.4	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss	-	(32,531)	(38,602)	(71,133)	(29,522)	(51,432)	(80,954)
14.5	Profit Reserves	-	1,469,744	-	1,469,744	1,107,196	-	1,107,196
14.5.1	Legal Reserves	-	228,723	-	228,723	184,578	-	184,578
14.5.2	Statutory Reserves	-	-	-	-	-	-	-
14.5.3	Extraordinary Reserves	-	1,170,797	-	1,170,797	923,536	-	923,536
14.5.4	Other Profit Reserves	-	70,224	-	70,224	(918)	-	(918)
14.6	Profit or Loss	-	637,007	-	637,007	905,352	-	905,352
14.6.1	Prior Years' Profits or Losses	-	35,540	-	35,540	35,540	-	35,540
14.6.2	Current Period Net Profit or Loss	-	601,467	-	601,467	869,812	-	869,812
14.7	Minority Shares	(5.2.12.)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY			34,698,483	52,281,282	86,979,765	32,331,988	41,900,337	74,232,325

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

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

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

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Reviewed Current Period 30.06.2019			Audited Prior Period 31.12.2018		
	Note	TL	FC	Total	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	60,835,179	35,793,770	96,628,949	57,546,517	29,226,698	86,773,215
I.	GUARANTEES AND WARRANTIES	6,808,513	5,640,961	12,449,474	6,416,633	5,451,457	11,868,090
1.1.	Letters of Guarantee	6,550,866	4,171,874	10,722,740	6,206,886	4,182,512	10,389,398
1.1.1	Guarantees Subject to State Tender Law	232,156	62,808	294,964	217,252	174,971	392,223
1.1.2	Guarantees Given For Foreign Trade Operations	378,034	158,720	536,754	371,535	167,020	538,555
1.1.3	Other Letters of Guarantee	5,940,676	3,950,346	9,891,022	5,618,099	3,840,521	9,458,620
1.2	Bank Loans	15,660	47,027	62,687	17,516	56,582	74,098
1.2.1	Import Letter of Acceptances	15,660	47,027	62,687	17,516	56,582	74,098
1.2.2	Other Bank Acceptances	-	-	-	-	-	-
1.3	Letters of Credit	15,350	1,275,673	1,291,023	11,512	1,068,364	1,079,876
1.3.1	Documentary Letters of Credit	164	272,166	272,330	367	215,062	215,429
1.3.2	Other Letters of Credit	15,186	1,003,507	1,018,693	11,145	853,302	864,447
1.4	Guaranteed Refinancing	-	-	-	-	-	-
1.5	Endorsements	-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2	Other Endorsements	-	-	-	-	-	-
1.6	Other Guarantees	226,637	146,387	373,024	180,719	143,999	324,718
1.7	Other Warranties	-	-	-	-	-	-
II.	COMMITMENTS	51,630,485	1,581,393	53,211,878	50,194,084	1,327,223	51,521,307
2.1	Irrevocable Commitments	4,334,139	1,581,393	5,915,532	3,572,418	1,327,223	4,899,641
2.1.1	Forward Asset Purchase and Sales Commitments	336,715	1,556,629	1,893,344	345,756	1,327,223	1,672,979
2.1.2	Share Capital Commitment to Associates and Subsidiaries	-	-	-	-	-	-
2.1.3	Loan Granting Commitments	265,537	-	265,537	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	1,428,184	-	1,428,184	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	2,283,948	-	2,283,948	1,858,018	-	1,858,018
2.1.9	Commitments For Credit Cards and Banking Services Promotions	1,998	-	1,998	-	-	-
2.1.10	Receivables From Short Sale Commitments	-	-	-	-	-	-
2.1.11	Payables For Short Sale Commitments	-	-	-	-	-	-
2.1.12	Other Irrevocable Commitments	17,757	24,764	42,521	17,757	-	17,757
2.2	Revocable Commitments	47,296,346	-	47,296,346	46,621,666	-	46,621,666
2.2.1	Revocable Loan Granting Commitments	47,296,346	-	47,296,346	46,621,666	-	46,621,666
2.2.2	Other Revocable Commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	2,396,181	28,571,416	30,967,597	935,800	22,448,018	23,383,818
3.1	Derivative Financial Instruments Held For Risk Management	-	2,362,292	2,362,292	-	2,165,533	2,165,533
3.1.1	Fair Value Hedges	-	-	-	-	-	-
3.1.2	Cash Flow Hedges	-	2,362,292	2,362,292	-	2,165,533	2,165,533
3.1.3	Hedge of Net Investment in Foreign Operations	-	-	-	-	-	-
3.2	Held For Trading Transactions	2,396,181	26,209,124	28,605,305	935,800	20,282,485	21,218,285
3.2.1	Forward Foreign Currency Buy/Sell Transactions	618,591	1,665,522	2,284,113	652,622	1,755,501	2,408,123
3.2.1.1	Forward Foreign Currency Buy Transactions	359,148	787,997	1,147,145	347,631	862,093	1,209,724
3.2.1.2	Forward Foreign Currency Sell Transactions	259,443	877,525	1,136,968	304,991	893,408	1,198,399
3.2.2	Other Forward Buy/Sell Transactions	1,777,590	24,543,602	26,321,192	283,178	18,526,984	18,810,162
3.3	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)	353,397,066	159,684,231	513,081,297	316,497,679	142,487,425	458,985,104
IV.	ITEMS HELD IN CUSTODY	11,891,997	13,064,796	24,956,793	10,816,866	5,644,771	16,461,637
4.1	Customers' Securities Held	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	2,374,369	313,568	2,687,937	2,159,381	156,528	2,315,909
4.3	Checks Received for Collection	7,822,839	997,273	8,820,112	7,157,340	906,367	8,063,707
4.4	Commercial Notes Received for Collection	1,694,789	265,373	1,960,162	1,500,145	242,668	1,742,813
4.5	Other Assets Received for Collection	-	-	-	-	-	-
4.6	Assets Received for Public Offering	-	-	-	-	-	-
4.7	Other Items Under Custody	-	-	-	-	-	-
4.8	Custodians	-	11,488,582	11,488,582	-	4,339,208	4,339,208
V.	PLEDGED ITEMS	341,493,430	146,551,888	488,045,318	305,669,174	136,780,695	442,449,869
5.1	Marketable Securities	186,568	108,559	295,127	185,945	99,786	285,731
5.2	Guarantee Notes	101,741	2,326,582	2,428,323	101,681	2,133,522	2,235,203
5.3	Commodity	7,354,947	711,308	8,066,255	6,094,405	633,381	6,727,786
5.4	Warranty	-	-	-	-	-	-
5.5	Properties	119,554,918	2,940,942	122,495,860	112,015,122	2,715,023	114,730,145
5.6	Other Pledged Items	214,295,256	140,464,497	354,759,753	187,272,021	131,198,983	318,471,004
5.7	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES	11,639	67,547	79,186	11,639	61,959	73,598
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		414,232,245	195,478,001	609,710,246	374,044,196	171,714,123	545,758,319

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

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

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

3. INCOME STATEMENT

		Reviewed Current Period 01.01.2019- 30.06.2019	Reviewed Current Period 01.04.2019- 30.06.2019	Reviewed Prior Period 01.01.2018- 30.06.2018	Reviewed Prior Period 01.04.2018- 30.06.2018
	Note				
I.	PROFIT SHARE INCOME	(5.4.1.)	3,669,052	1,905,764	2,585,851
1.1	Profit Share on Loans		3,008,752	1,543,253	2,223,157
1.2	Profit Share on Reserve Deposits		59,563	32,596	40,312
1.3	Profit Share on Banks		115,297	57,815	46,258
1.4	Profit Share on Money Market Placements		-	-	-
1.5	Profit Share on Marketable Securities Portfolio		322,873	191,090	157,611
1.5.1	Fair Value Through Profit or Loss		21,728	14,861	5,016
1.5.2	Fair Value Through Other Comprehensive Income		266,772	153,255	152,595
1.5.3	Measured at Amortised Cost		34,373	22,974	-
1.6	Finance Lease Income		127,798	66,144	103,677
1.7	Other Profit Share Income		34,769	14,866	14,836
II.	PROFIT SHARE EXPENSE		2,032,252	1,049,578	1,149,279
2.1	Expense on Profit Sharing Accounts	(5.4.4.)	1,517,229	788,595	786,469
2.2	Profit Share Expense on Funds Borrowed	(5.4.2.)	483,616	246,457	335,479
2.3	Profit Share Expense on Money Market Borrowings		2,514	-	23,604
2.4	Expense on Securities Issued		-	-	-
2.5	Profit Share Expense on Lease		28,893	14,526	3,727
2.6	Other Profit Share Expense		-	-	-
III.	NET PROFIT SHARE INCOME (I - II)		1,636,800	856,186	1,436,572
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		229,912	117,514	168,885
4.1	Fees And Commissions Received		376,214	192,170	252,085
4.1.1	Non-Cash Loans		72,022	36,281	60,212
4.1.2	Other		304,192	155,889	191,873
4.2	Fees And Commissions Paid		146,302	74,656	83,200
4.2.1	Non-Cash Loans		11	5	14
4.2.2	Other		146,291	74,651	83,186
V.	DIVIDEND INCOME	(5.4.13.)	19,584	18,781	1,227
VI.	NET TRADING INCOME / LOSS	(5.4.3.)	565,027	329,405	89,449
6.1	Capital Market Transaction Gains/Losses	(5.4.5.)	19,315	6,302	2,982
6.2	Gains/Losses From Derivative Financial Instruments		159,133	(52,964)	292,931
6.3	Foreign Exchange Gains/Losses		386,579	376,067	(206,464)
VII.	OTHER OPERATING INCOME		609,962	248,618	210,055
VIII.	NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)	(5.4.6.)	3,061,285	1,570,504	1,906,188
IX.	EXPECTED LOSS PROVISIONS (-)		1,372,181	724,046	563,801
X.	OTHER PROVISIONS (-)	(5.4.7.)	35,377	(11,762)	11,648
XI.	PERSONNEL EXPENSES (-)	(5.4.8.)	524,088	241,513	399,303
XII.	OTHER OPERATING EXPENSES (-)		385,386	191,082	320,153
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		744,253	425,625	611,283
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-
XV.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)		744,253	425,625	611,283
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.9.)	(142,786)	(78,161)	(131,979)
18.1	Current Tax Provision	(5.4.10.)	(176,756)	(131,346)	(144,664)
18.2	Deferred Tax Income Effect (+)		194,309	-	16,012
18.3	Deferred Tax Expense Effect (-)		228,279	53,185	28,697
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		601,467	347,464	479,304
XX.	INCOME FROM DISCONTINUED OPERATIONS	(5.4.11.)	-	-	-
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)		601,467	347,464	479,304
25.1	Group's Income/Loss	(5.4.12.)	601,467	347,464	479,304
25.2	Minority Interest Income/Loss (-)		-	-	-
2	Earnings Per Share Income/Loss		-	-	-

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

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

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

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

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

	Reviewed Current Period 30.06.2019	Reviewed Prior Period 30.06.2018
I. CURRENT PROFIT (LOSS)	601,467	479,304
II. OTHER COMPREHENSIVE INCOME	9,821	(60,328)
2.1 Other Comprehensive Income Not Reclassified Through Profit Or Loss	-	-
2.1.1 Property And Equipment Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-	-
2.1.5 Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2 Other Comprehensive Income Reclassified Through Profit Or Loss	9,821	(60,328)
2.2.1 Foreign Currency Translation Difference	-	-
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	30,395	(137,231)
2.2.3 Cash Flow Hedge Income/Loss	(14,579)	59,887
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss	(5,995)	17,016
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	611,288	418,976

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

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

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

5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

					Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss											
	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Net Prfit/Loss for the Period	Shareholders'Equity Less Minority Shares	Minority Shares)	Total Shareholders' Equity		
Prior Period (01/01/2018 – 30/06/2018)																			
I.	Prior Period Ending Balance	3,097,322	22,933	-	-	-	(26,947)	-	-	(10,583)	(4,582)	839,017	673,991	-	4,591,151	-	4,591,151		
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540		
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540		
III.	Adjusted Beginning Balance (I+II)	3,097,322	22,933	-	-	-	(26,947)	-	-	(10,583)	(4,582)	839,017	709,531	-	4,626,691	-	4,626,691		
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	(107,040)	46,712	-	-	479,304	418,976	-	418,976		
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	669,097	(673,991)	-	(4,894)	-	(4,894)		
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)		
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	669,097	(669,097)	-	-	-	-		
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Balances at end of the period (III+IV+.....+X+XI)		3,497,322	22,933	-	-	-	(26,947)	-	-	(117,623)	42,130	1,108,114	35,540	479,304	5,040,773	-	5,040,773		
Current Period (01/01/2019 – 30/06/2019)																			
I.	Prior Period Ending Balance	3,497,322	22,933	-	-	-	(13,296)	-	-	(117,150)	36,196	1,107,196	905,352	-	5,438,553	-	5,438,553		
II.	Corrections and Accounting Policy Changes Made According to TAS 8(*)	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-		
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-		
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
III.	Adjusted Beginning Balance (I+II)	3,497,322	22,933	-	-	-	(13,296)	-	-	(88,537)	7,583	1,107,196	905,352	-	5,438,553	-	5,438,553		
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	21,193	(11,372)	-	-	601,467	611,288	-	611,288		
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI.	Capital Increase by Internal Reserves	499,681	-	-	-	-	-	-	-	-	-	(499,681)	-	-	-	-	-		
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X.	Increase / Decrease by Other Changes	(1,237)	317	1,239	-	-	-	-	-	-	-	(1,037)	-	-	(718)	-	(718)		
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	863,266	(869,812)	-	(6,546)	-	(6,546)		
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(6,546)	-	(6,546)	-	(6,546)		
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	863,266	(863,266)	-	-	-	-		
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Balances at end of the period (III+IV+.....+X+XI)		(5.2.11.) 3,995,766	23,250	1,239	-	-	(13,296)	-	-	(67,344)	(3,789)	1,469,744	35,540	601,467	6,042,577	-	6,042,577		

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

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

2.Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan

3.Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)

4.Foreign Currency Transition Differences

5.Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income

6.Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS AS OF 30 JUNE 2019

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

6. STATEMENT OF CASH FLOWS

		Reviewed Current Period	Reviewed Prior Period
	Note	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Assets And Liabilities From Banking Operations	1,813,760	(116,149)
1.1.1	Profit Share Income Received	4,112,042	979,942
1.1.2	Profit Share Expense Paid	(1,940,865)	(984,580)
1.1.3	Dividends Received	12,953	1,050
1.1.4	Fees And Commissions Received	379,925	255,764
1.1.5	Other Income	935,290	633,064
1.1.6	Collections From Previously Written Off Loans	67,416	135,113
1.1.7	Payments to Personnel And Service Suppliers	(565,020)	(389,256)
1.1.8	Taxes Paid	(266,806)	(138,339)
1.1.9	Others	(921,175)	(608,907)
1.2	Changes in Assets And Liabilities From Banking Operations	4,120,657	(1,010,954)
1.2.1	Net (Increase) Decrease Held For Trading Financial Assets	(2,250,548)	(19,053)
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(1,398,309)	-
1.2.3	Net (Increase) Decrease in Due From Banks And Other Financial Institutions	(5,634,691)	(2,674,358)
1.2.4	Net (Increase) Decrease in Loans	2,115,037	(7,110,918)
1.2.5	Net (Increase) Decrease in Other Assets	(235,612)	(332,998)
1.2.6	Net Increase (Decrease) in Bank Deposits	15,361,477	3,749
1.2.7	Net Increase (Decrease) in Other Deposits	-	8,354,689
1.2.8	Net Increase (Decrease) in Funds Borrowed	(2,705,186)	1,240,971
1.2.9	Net Increase (Decrease) in Due Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	(1,131,511)	(473,036)
I.	Net Cash Provided From / (Used in) Banking Operations	5,934,417	(1,127,103)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided From / (Used in) Investing Activities	(7,604,295)	676,696
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	(30,801)	-
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries	-	-
2.3	Fixed Assets Purchases	(61,115)	(9,859)
2.4	Fixed Assets Sales	9,868	7,274
2.5	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(6,541,359)	(1,424,303)
2.6	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income	1,596,229	2,135,304
2.7	Cash Paid For Purchase of Investment Securities	(2,576,038)	-
2.8	Cash Obtained From Sale of Investment Securities	-	-
2.9	Other	(1,079)	(31,720)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided From / (Used in) Financing Activities	(35,672)	231,606
3.1	Cash Obtained From Funds Borrowed And Securities Issued	-	-
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued	-	-
3.3	Capital Increase	-	-
3.4	Dividends Paid	(8,814)	(4,894)
3.5	Payments For Finance Leases	(26,858)	-
3.6	Other	-	236,500
IV.	Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.5.4)	178,358
V.	Net Increase (Decrease) in Cash And Cash Equivalents	(1,527,192)	(282,280)
VI.	Cash And Cash Equivalents at The Beginning of The Period	(5.5.1)	6,680,124
VII.	Cash And Cash Equivalents at The End of The Period	(5.5.1)	5,152,932
			5,313,375

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

1. Explanations on Basis of Presentation

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

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

Additional paragraph for convenience translation

The differences between the standards set out by BRSA Accounting and Financial Reporting Legislation and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

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

1.3. Changes in accounting estimates, errors and classifications

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

1.4. Preparation of the financial statements as regards to the current purchasing power of money:

Until 31 December 2004, the financial statements of the Bank were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”). As per the BRSA decision numbered 1623 and dated 21 April 2005 and the BRSA circular dated 28 April 2005 it was stated that the indicators for the application of inflation accounting were no longer applicable. Consequently as of 1 January 2005, the inflation accounting has not been applied.

1.5. Disclosures Regarding TFRS 9 Financial Instruments:

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

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

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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 FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

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

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

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

Classification And Measurement of Financial Instruments:

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

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

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

Explanations on Expected Credit Loss :

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

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

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

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

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

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

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

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

The rating of the rating is calculated by using the Bank's rating ratings based on the internal rating of the Bank by using the rating of the credit rating. For the loan, the rating rating calculated on the reporting date exceeds the determined threshold values and is considered as a distortion in the rating.

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

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

1.6 Revenue from TFRS 15 Customer Contracts:

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

1.7 Explanations on IFRS 16 Leases Standard

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

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

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

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

2. Explanations on Strategy of Using Financial Instruments And Foreign Currency Transactions

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

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

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

3. Investments in Associates And Subsidiaries

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

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

The Bank enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. In accordance with TFRS 9, derivative instruments are classified as ‘hedging derivative financial asset’ and ‘derivative financial assets/liabilities at fair value profit or loss’. The Bank classifies its derivative instruments as “Derivative Financial Instruments Held for Hedging Purposes” and “Derivative Financial Instruments Held for Trading” in accordance with TAS 39. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as “held for trading” within the framework of TAS 39, and are reflected in the “Derivative Financial Assets/liabilities at fair value profit or loss” account in the balance sheet. The Bank has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

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

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

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

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

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

While discontinuing cash flow hedge accounting, the cumulative gains/losses recognised in shareholders’ equity and presented under hedging reserves are continued to be kept in the account of “Hedge Funds”. When the cash flows of hedged item are recognised in income statement, the gain/losses accounted for under shareholders’ equity, are recognised in income statement.

5. Explanations on Profit Share Income And Expense

Profit share income is recognized in the income statement on an accrual basis by using the method of internal rate of return and is accounted under profit share income account in the financial statements. While applying the internal rate of return method, the Bank amortizes the fees included in the account of the effective profit rate over the expected life of the financial instrument. If the financial asset is impaired and classified as a non-performing loan, profit accruals and rediscount calculations for these customers are continued within the scope of TFRS 9 Financial Instruments Standard.

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

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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 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. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

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

7. Explanations on Financial Assets

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

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

7.1 Financial assets at fair value through profit or loss:

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

7.2 Financial assets at fair value through other comprehensive income:

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

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

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

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

7.3 Financial assets measured at amortized cost:

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

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

7.4 Derivative financial assets:

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

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

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

7.5 Loans:

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

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8. Explanations on Offsetting of Financial Assets And Liabilities

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

9. Explanations on Sale And Repurchase Agreements And Lending of Securities

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

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

10. Explanations on Assets Held For Sale And Discontinued Operations And Related Liabilities

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

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

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

11. Explanations on Goodwill And Other Intangible Assets

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

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

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

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12. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

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

13. Explanations on Leasing Transactions

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

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

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

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

Therefore, there is no need to revise the consolidated financial statements of previous years. Financial statements are presented in accordance with TAS 17 and TFRIC 4.

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

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

Facilitator Applications

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

Leases

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

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

The right of the use asset

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

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

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

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

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

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

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

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Lease Obligation

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

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

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

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

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

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

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

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

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

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

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

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14. Explanations on Provisions And Contingent Liabilities

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

Provisions are recognized when the Bank has a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

As per the “Matching Principle,” a provision is provided for the liabilities arising as a result of past events in the period they arise, if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

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

15. Explanations on Liabilities Relating to Employee Benefits

15.1 Defined benefit plans:

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

Liabilities amount which is related to “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm.

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

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

15.2 Defined contribution plans:

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

15.3 Short term benefits to employees:

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

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

16. Explanations on Taxation

Current Tax

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

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

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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 20% for each quarter over tax base and shall be paid, then the advance taxes paid within the year shall be offset from the corporate tax calculated over the yearly corporate tax return for that year.

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

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

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

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

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

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

Deferred Tax

For taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, as per the provisions of "Turkish Accounting Standard on Income Taxes" ("TAS 12"), the Bank calculates deferred tax liability over all taxable temporary differences and deferred tax asset over taxable temporary differences, apart from the provisions for Expected Credit Losses for 12-Months (Stage 1) and for Lifetime Credit Losses (Stage 2) with significant increase in the credit risk after initial recognition, to the extent that is probable that taxable profit will be available in subsequent periods. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. The tax effect regarding the items directly accounted in equity are also reflected in equity. The rate is used in the calculation of deferred tax assets and liabilities was 22% over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and 20% over temporary timing differences expected to be reversed in 2021 and the following years (2017: 22%-20%).

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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 Bank does not apply hedging techniques on related borrowings.

The Bank has not issued convertible bonds.

18. Explanations on Share Certificates Issued

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

19. Explanations on Acceptances And Aailed Drafts

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

20. Explanations on Government Grants

There are no government grants received by the Bank.

21. Explanations on Segment Reporting

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

Segment reporting is disclosed in Section Four, Note 10.

22. Explanations on Other Matters

The Bank has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

1. Explanations on Equity Items

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 June 2019 Bank’s total capital has been calculated as TL 8,287,337 (31 December 2018: TL 7,463,883), capital adequacy ratio is 16.95% (31 December 2018: 17.68%).

1.1. Components of 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	23,250	22,933
Reserves	1,469,744	1,107,196
Other Comprehensive Income According to TAS	-	-
Profit	637,007	905,352
Current Period Profit	601,467	869,812
Prior Period Profit	35,540	35,540
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	6,130,001	5,535,481
Deductions From Common Equity Tier I Capital		
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	-
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS (-)	71,133	88,537
Leasehold Improvements On Operational Leases (-)	58,051	54,010
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	130,396	129,685
Net Deferred Tax Asset/Liability (-)	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	7,583
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	-
Net Amount Of Defined Benefit Plans	13,296	13,296
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	4,234	2,678
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
Total Deductions From Common Equity Tier I Capital	277,110	295,789
Total Common Equity Tier I Capital	5,852,891	5,239,692

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Additional Tier I Capital Before Deductions		
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		
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	-	-
Tier II Capital	-	-
Debt Instruments And The Related Issuance Premiums Defined By The BRSA		-
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)		-
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)		-
Total Deductions From Tier II Capital	5,852,891	5,239,692
Deductions From Tier II Capital		
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	2,015,052	1,847,727
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 (-)	509,679	460,610
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 (-)	2,524,731	2,308,337
Other Items To Be Defined By The BRSA (-)		
Total Deductions From Tier II Capital	-	-
Total Tier II Capital	2,524,731	2,308,337
Total Equity (Total Tier I And Tier II Capital)	8,377,622	7,548,029

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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 (-)	3,170	-
Other Items To Be Defined By The BRSA (-)	87,115	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)	8,287,337	7,463,883
Total Risk Weighted Assets	48,907,199	42,206,862
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	11.97	12.41
Tier I Capital Ratio (%)	11.97	12.41
Capital Adequacy Ratio (%)	16.95	17.68
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.50	1.88
Capital Conservation Buffer Ratio (%)	2.50	1.88
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	5.97	6.41
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital	-	-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising From Temporary Differences	-	-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	509,679	460,610
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	509,679	460,610
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)	-	-
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1 , 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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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 Banks' growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Banks' risk profile and risk appetite.

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

2. Explanations on currency risk

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

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

As of 30 June 2019, the Bank carries a net foreign currency short position of TL 1,937,834 (31 December 2018 – TL 655,043 long position) comprising of TL 1,995,947 balance sheet short position (31 December 2018 - TL 692,847 long position) and TL 58,113 off balance sheet short position (31 December 2018 – TL 37,804 long position).

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

	24/06/2019	25/06/2019	26/06/2019	27/06/2019	28/06/2019	Bilanço değerleme kuru
USD	5.76328	5.79311	5.76719	5.77029	5.75729	5.75729
EURO	6.56333	6.59793	6.55276	6.55976	6.55312	6.55312
GBP	7.34249	7.38587	7.31272	7.32826	7.30307	7.30307
CHF	5.90658	5.9431	5.90472	5.89575	5.90367	5.90367
JPY	0.05368	0.05412	0.0536	0.05346	0.05346	0.05346

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

	Monthly average FC purchase rate
USD	5.8198
EURO	6.5637
GBP	7.3722
CHF	5.8808
JPY	0.0538

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Currency risk of the Bank:

	Euro	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	2,685,262	5,326,605	3,388,615	11,400,482
Banks(****)	2,827,155	820,953	922,324	4,570,432
Financial assets at fair value through profit and loss	-	44,978	2,345,587	2,390,565
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,848,956	4,281,686	-	9,130,642
Loans and finance lease receivables (*)	8,363,374	14,259,912	75,579	22,698,865
Subsidiaries, associates and joint ventures (**)	445,754	-	-	445,754
Financial assets at amortized cost	1,988,299	587,739	-	2,576,038
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	1,056	-	1,056
Intangible assets	-	38	-	38
Other assets	845,810	72,345	5,364	923,519
Total assets	22,004,610	25,395,312	6,737,469	54,137,391
Liabilities				
Current account and funds collected from Banks via participation accounts	118,632	155,459	152,254	426,345
Current and profit sharing accounts FC (****)	9,186,418	27,957,088	6,605,610	43,749,116
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	243,640	6,235,098	1,133,255	7,611,993
Marketable securities issued	-	-	-	-
Miscellaneous payables	47,413	43,532	2,559	93,504
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	76,292	204,663	37,644	318,599
Total liabilities	9,672,395	34,595,840	7,931,322	52,199,557
Net balance sheet position	12,332,215	(9,200,528)	(1,193,853)	1,937,834
Net off-balance sheet position	(12,435,522)	9,267,697	1,171,878	(1,995,947)
Financial derivative assets	389,130	12,135,691	1,541,228	14,066,049
Financial derivative liabilities	12,824,652	2,867,994	369,350	16,061,996
Non-cash loans (***)	1,915,864	3,040,242	684,855	5,640,961
Prior period				
Total assets	16,533,817	21,029,390	5,016,721	42,579,928
Total liabilities	7,468,581	27,940,303	6,516,001	41,924,885
Net balance sheet position	9,065,236	(6,910,913)	(1,499,280)	655,043
Net off-balance sheet position	(9,093,399)	6,923,802	1,476,750	(692,847)
Financial derivative assets	418,581	9,417,560	1,705,056	11,541,197
Financial derivative liabilities	9,511,980	2,493,758	228,306	12,234,044
Non-cash loans (***)	1,720,497	3,064,977	665,983	5,451,457

(*) Includes foreign currency indexed loans amounting to TL 3,793,650 (31 December 2018 – TL 5,425,809) followed as TL on the balance sheet

(**) TL 445,754 (31 December 2018 - TL 445,754) of the subsidiaries amounting to TL 558,751 in the balance sheet includes foreign currency subsidiary and subsidiary.

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

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

(*****) Other liabilities at fair value through TL 597 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 79,846

(*****) Includes provisions for expected losses amounting to TL 23,190 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 55,705 (31 December 2018 – TL 12,528)
- Prepaid expenses : TL 1,201 (31 December 2018 - 706 TL)
- Derivative financial liabilities held for trading : TL 68,831 (31 December 2018 – TL 41,936)
- Marketable securities of FC revaluation reverse: (39,765) (31 December 2018 - TL (51,432))
- Derivative financial liabilities held for hedging : TL 130,745 (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 691,835 (31 December 2018 – TL 538,844)
- Forward foreign currency sale transactions: TL 864,794 (31 December 2018 – TL 788,379)

3. Explanations related to stock position risk

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

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

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

Current Period		Comparison		
	Equity Securities (shares) investments (*)	Carrying Value	Fair Value	Market Value
1	Securities at Fair Value Through Other Comprehensive Income	40,724	-	-
	Quoted Securities	-	-	-
2	Investments in Associates	-	-	-
	Quoted Securities	-	-	-
3	Investment in Subsidiaries	558,751	-	110,880
	Quoted Securities	53,416	-	110,880
4	Other	20,000	-	-
	Quoted Securities	-	-	-
Prior Period		Comparison		
	Equity Securities (shares) investments (*)	Carrying Value	Fair Value	Market Value
1	Securities Available-for-Sale	27,548	-	-
	Quoted Securities	-	-	-
2	Investments in Associates	-	-	-
	Quoted Securities	-	-	-
3	Investment in Subsidiaries	522,950	-	80,520
	Quoted Securities	53,416	-	80,520
4	Other	25,000	-	-
	Quoted Securities	-	-	-

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

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

None.

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4. Liquidity risk management and liquidity coverage ratio

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

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

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

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

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

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

Indicators regarding the liquidity position are analyzed and liquidity risk is evaluated at the ALCO meetings attended by the senior management. Furthermore, the Board of Directors are informed through the Audit Committee.

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

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

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

4.3 Information on the Bank's funding strategy including the policies on funding types and variety of maturities:

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

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

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

4.5. Information on liquidity risk mitigation techniques:

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

4.6. Information on the use of stress tests:

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

4.7. General information on urgent and unexpected liquidity situation plans:

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

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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)	18,393,186	16,516,697	18,201,040	16,324,550
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	48,413,596	29,387,848	4,288,819	2,938,785
3	Stable deposits	11,050,817	-	552,541	-
4	Less stable deposits	37,362,779	29,387,848	3,736,278	2,938,785
5	Unsecured wholesale funding, of which:	14,027,327	9,653,849	6,992,601	4,591,411
6	Operational deposits	-	-	-	-
7	Non-operational deposits	12,745,614	9,192,139	5,710,888	4,129,701
8	Unsecured funding	1,281,713	461,710	1,281,713	461,710
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	10,992,944	10,141,282	10,992,944	10,141,282
11	Outflows related to derivative exposures and other collateral requirements	9,478,736	9,189,012	9,478,736	9,189,012
12	Outflows related to restructured financial Instruments	1,514,208	952,270	1,514,208	952,270
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	16,498,999	5,868,310	1,099,500	320,507
16	TOTAL CASH OUTFLOWS			23,373,864	17,991,985
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	13,869,469	10,539,427	12,042,150	10,074,687
19	Other cash inflows	9,602,241	7,488,020	9,602,241	7,488,020
20	TOTAL CASH INFLOWS	23,471,710	18,027,447	21,644,391	17,562,707
				Üst Sınır Uygulanmış Değer	
21	TOTAL HQLA			18,201,040	16,324,550
22	TOTAL NET CASH OUTFLOWS			5,843,466	4,497,996
23	LIQUIDITY COVERAGE RATIO (%)			311.48	362.93

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

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

	Highest	Date	Lowest	Date	Average
TL+FC	376.78	24/05/2019	244.26	11/01/2019	288.86
FC	452.20	24/05/2019	273.42	11/01/2019	334.91

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

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

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

Prior Period:

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

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

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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	3,219,508	8,904,886	-	-	-	-	-	12,124,394
Banks	4,579,109	-	-	-	-	-	-	4,579,109
Financial assets at fair value through profit and loss	-	44,152	67,511	-	2,444,078	6,026	-	2,561,767
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	231,195	119,301	2,033,529	8,284,757	482,714	127,203	11,278,699
Loans (*)	-	11,879,611	5,558,924	15,628,303	15,886,032	2,189,632	(1,112,515)	50,029,987
Loans measured at amortised cost	-	-	-	-	2,576,038	-	-	2,576,038
Other assets (**)	116,329	1,079,360	13,885	-	374,615	-	2,245,582	3,829,771
Total assets	7,914,946	22,139,204	5,759,621	17,661,832	29,565,520	2,678,372	1,260,270	86,979,765
Liabilities								
Current account and funds collected from banks via participation accounts	362,083	73,033	-	-	-	-	-	435,116
Current and profit sharing accounts	27,802,790	34,222,863	4,931,141	1,725,381	63,992	-	-	68,746,167
Funds provided from other financial institutions	-	584,131	2,206,346	1,293,759	3,633,568	2,108,334	-	9,826,138
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	200,521	128,427	-	-	-	-	-	328,948
Other Liabilities (***)	-	523,158	140,932	101,871	36,260	-	6,841,175	7,643,396
Total Liabilities	28,365,394	35,531,612	7,278,419	3,121,011	3,733,820	2,108,334	6,841,175	86,979,765
Net liquidity gap	(20,450,448)	(13,392,408)	(1,518,798)	14,540,821	25,831,700	570,038	(5,580,905)	-
Prior period								
Total assets	10,418,405	20,761,571	6,307,308	14,845,579	18,515,472	2,689,247	694,743	74,232,325
Total liabilities	22,289,365	28,792,696	5,243,863	5,780,662	3,990,081	1,901,210	6,234,448	74,232,325
Net liquidity gap	(11,870,960)	(8,031,125)	1,063,445	9,064,917	14,525,391	788,037	(5,539,705)	-

(*) 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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5. Explanations on leverage ratio

Disclosure of leverage ratio template

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

On-balance sheet assets ^(*)		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	88,542,189	73,486,996
2	(Assets deducted in determining Tier I Capital)	(324,337)	(250,604)
3	Total on-balance sheet risks (sum of lines 1 and 2)	88,217,852	73,236,392
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	157,630	125,968
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	437,411	134,811
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	595,041	260,779
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	597,510	863,204
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	597,510	863,204
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	65,381,224	61,704,440
11	(Adjustments for conversion to credit equivalent amounts)	(42,419,745)	(40,649,139)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	22,961,479	21,055,301
Capital and total risks			
13	Tier I Capital	5,730,566	5,313,980
14	Total risks (sum of lines 3, 6, 9 and 12)	112,371,882	95,415,676
Leverage ratio			
15	Leverage ratio	5.10	5.57

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was %5.1 % (31 December 2018 - 5.57%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital decreased by 8% due to the profit for the period, balance-sheet risks increased by 20%, and off balance sheet items decreased by 9%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 47 basis points.

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6. Explanations on hedge accounting practices

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

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

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

	Current Period			Prior Period		
	Principal*	Asset	Liability	Principal*	Asset	Liability
Derivative Financial Instruments	-	-	-	-	-	-
Cross currency swap transactions (CFH)	1,248,196	-	130,745	1,144,549	-	106,352
Total	1,248,196	-	130,745	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 1,114,096 (December 31, 2018: TL 1,020,984) the total notional of derivative financial assets amounting to TL 2,362,292 (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.

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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 (*)
			Asset	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1,114,096	(4,858)

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 1,069.

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

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

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

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

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

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

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7. Explanations On Risk Management

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

7.1. Explanations on Risk Management and Risk Weighted Amounts:

7.1.1. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/06/2019	Prior Period 31/12/2018	Current Period 30/06/2019
1	Credit risk (excluding counterparty credit risk) (CCR)	40,586,753	36,698,184	3,246,940
2	Standardised approach (SA)	40,609,129	36,757,533	3,248,730
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	165,230	91,242	13,128
5	Standardised approach for counterparty credit risk (SA-CCR)	165,230	91,242	13,128
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	22,376	59,345	1,790
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	2,547,494	1,070,340	203,800
17	Standardised approach (SA)	2,547,494	1,070,340	203,800
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	5,585,346	4,287,751	446,828
20	Basic indicator approach	5,585,346	4,287,751	446,828
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	48,907,199	42,206,862	3,912,576

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Credit Risk Explanations

7.2.1. Credit Quality of Assets

	Current Period	Gross carrying values of (according to TAS)		Allowances/impairments	Net Values
		Default exposures	Non-Default exposures		
1	Loans	1,871,869	50,994,445	1,413,564	51,452,749
2	Debt Instruments	-	13,994,700	139,963	13,854,737
3	Off-balance sheet exposures	-	17,767,634	0	17,767,634
4	Total	1,871,869	82,756,779	1,553,527	83,075,120

	Prior Period	Gross carrying values of (according to TAS)		Allowances/impairments	Net Values
		Default exposures	Non-Default exposures		
1	Loans	1,179,767	46,619,267	841,056	46,957,978
2	Debt Instruments	-	6,560,506	164,441	6,396,065
3	Off-balance sheet exposures(*)	-	14,249,831	239,316	14,010,515
4	Total	1,179,767	67,429,605	1,244,813	67,364,559

7.2.2 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	1,179,767	714,130
2	Loans and debt securities that have defaulted since the last reporting period	1,047,855	879,420
3	Returned to non-defaulted status	-	-
4	Amounts written off	(121,365)	(103,142)
5	Other changes	(477,118)	(310,641)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1,871,869	1,179,767

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7.2.3 Credit Risk Mitigation Techniques - Overview:

		Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	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	35,712,515	15,740,234	3,520,146	-	-	-	-
2	Debt Instruments	13,854,737	-	-	-	-	-	-
3	Total	49,567,252	15,740,234	3,520,146	-	-	-	-
4	Of which defaulted	100,892	357,413	76,828	-	-	-	-

7.2.4. Standard Approach - Exposure to credit risk and credit risk mitigation effects:

		Exposures before CCF and		Exposures post-CCF and		RWA and RWA density	
	Risk Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Density of risk weighted amount
1	Exposures to central governments or central banks	22,728,932	-	25,551,093	-	6,139,555	24
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	10,215,668	1,251,800	10,215,668	303,918	5,804,313	55
7	Exposures to corporates	10,657,924	6,727,084	9,579,778	3,256,175	12,620,181	98
8	Retail exposures	7,584,413	7,059,376	6,573,101	2,150,930	6,394,200	73
9	Exposures secured by residential property	6,382,961	817,098	6,216,998	351,497	2,282,581	35
10	Exposures secured by commercial real estate	7,411,293	1,324,798	6,920,995	625,546	4,684,761	62
11	Past-due loans	280,998	-	248,851	-	193,609	78
12	Higher-risk categories by the Agency Board	84,262	-	39,967	-	59,891	150
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	86,607	-	86,607	22,377	26
16	Other assets	-	4,678,080	-	4,678,080	1,828,909	39
17	Investments in equities	-	578,751	-	578,751	578,751	100
18	Total	65,346,451	22,523,594	65,346,451	12,031,504	40,609,128	52

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7.2.5. Standardised Approach – Exposures by Asset Classes and Risk Weights:

	Risk Classes / Risk Weight *	%0	%10	%20	%50	%75	%100	%150	%200	Diğerleri	Total risk amount (**)
1	Exposures to central governments or central banks	13,271,983	-	-	12,279,110	-	-	-	-	-	6,139,555
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	24,719	-	1,840,473	6,436,351	-	2,218,043	-	-	-	5,804,313
7	Exposures to corporates	117,809	-	122,453	-	-	12,595,691	-	-	-	12,620,181
8	Retail exposures	85,698	-	153,728	-	8,484,605	-	-	-	-	6,394,200
9	Exposures secured by residential property	31,297	-	36,253	-	-	-	-	-	6,500,945	2,282,581
10	Exposures secured by commercial real estate	70,689	-	79,673	5,454,706	-	1,941,473	-	-	-	4,684,761
11	Past-due loans	206	-	137	109,852	-	138,656	-	-	-	193,609
12	Higher-risk categories by the Agency Board	16	-	27	-	-	-	39,924	-	-	59,891
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	43,584	-	4,920	33,421	-	4,682	-	-	-	22,377
16	Other assets	-	-	-	-	-	578,751	-	-	-	578,751
17	Investments in equities	2,486,523	-	453,310	-	-	1,738,247	-	-	-	1,828,909
18	Total	16,132,524	-	2,690,974	24,313,440	8,484,605	19,215,543	39,924	-	6,500,945	40,609,128

* 35% Risk Weight Classified under Others.

** Amount after credit conversion rate ("KDO") and credit risk mitigation ("KRA").

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7.3. Counterparty Credit Risk (CCR) Approach Analysis

7.3.1. Evaluation of counterparty credit risk according to measurement methods:

		Revaluation Cost	Potential Credit Risk Exposure	EBPRT	Alpha	Exposure after credit risk mitigation	Risk weighted amounts
1	Standardised Approach (for derivatives)	88,451	614,638		1.4	703,089	129,121
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
5	VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	-	-
6	Total	-	-	-	-	-	129,121

7.3.2 Credit Valuation Adjustment (CVA) Capital Charge:

		Exposure (After credit risk mitigation methods)	Risk weighted amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (3*multiplier included)		
2	(ii) Stressed Value at Risk (3*multiplier included)		
3	Total portfolio value with simplified approach CVA capital adequacy	703,089	36,109
4	Total amount of CVA capital adequacy	703,089	36,109

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7.3.3 Standardised Approach of CCR exposures by regulatory portfolio and risk weights

Risk Weights:

	Risk Classes / Risk Weights *	%0	%10	%20	%50	%75	%100	%150	%200	Others***	Total credit risk *
1	Central governments and central banks receivables	-	-	-	-	-	-	-	-	-	-
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	International Organisations receivables	-	-	-	-	-	-	-	-	-	-
6	Banks and Intermediary Institutions receivables	-	-	251,179	130,169	-	-	-	-	-	115,320
7	Corporate receivables	-	-	-	-	-	5,019	-	-	-	5,019
8	Retail receivables	-	-	-	-	10,519	-	-	-	-	7,889
9	Receivables secured by mortgage for residential real estate	-	-	-	-	-	-	-	-	1,670	585
10	Receivables secured by commercial real estate mortgage	-	-	-	410	-	103	-	-	-	308
11	Overdue receivables	-	-	-	-	-	-	-	-	-	-
12	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
13	Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16	Equity investments	-	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-	-
17	Other Assets **	-	-	-	-	-	-	-	-	-	-
18	Total	-	-	251,179	130,579	10,519	5,122	-	-	1,670	129,121

* Total credit risk: 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 KKR8.

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

7.3.4. Guarantees used for counterparty credit risk:

None.

7.3.5. Credit derivatives:

None.

7.3.6. Risks to the central counterparty ("CCT):

None.

7.4. Securitization Disclosures:

The Bank has no securitization transactions.

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7.5. Market Risk Disclosures:

7.5.1. Standard approach:

		Risk Weighted Amount (RWA)
	Outright products	2,438,742
1	Interest rate risk (general and specific)	1,908,722
2	Equity risk (general and specific)	-
3	Foreign exchange risk	525,840
4	Commodity risk	4,180
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
9	Total	2,438,742

8. Securitization Positions

None.

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

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

10. Explanations on business segments

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

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

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

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

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Selected balance sheet and income statement items according to segments:

Current Period 1 January 2019-30 June 2019	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	2,728,279	1,598,327	877,856	-	5,204,462
Operating expenses (-)	2,226,393	664,456	723,562	845,798	4,460,209
Transfers between segments	1,500,511	(376,653)	(1,123,858)	-	-
Net operating income(loss)	2,002,397	557,218	(969,564)	(845,798)	744,253
Income from associates	-	-	-	-	-
Income (loss) before tax	2,002,397	557,218	(969,564)	(845,798)	744,253
Provision for taxation (-)	-	-	-	(744,253)	142,786
Net income for the period	2,002,397	557,218	(969,564)	(101,545)	601,467
Current Period 30 June 2019					
Segment assets	18,428,860	31,693,799	33,553,136	-	83,675,795
Associates, subsidiaries and joint ventures	-	-	-	578,751	578,751
Undistributed assets	-	-	-	2,725,219	2,725,219
Total assets	18,428,860	31,693,799	33,553,136	3,303,970	86,979,765
Segment liabilities	55,045,048	14,135,964	10,041,326	-	79,222,338
Undistributed liabilities	-	-	-	1,714,850	1,714,850
Shareholders' equity	-	-	-	6,042,577	6,042,577
Total liabilities	55,045,048	14,135,964	10,041,326	7,757,427	86,979,765
Prior Period 1 January 2018 – 30 June 2018					
Operating income	2,673,052	809,403	56,129	-	3,138,667
Operating expenses (-)	1,311,493	589,309	354,806	671,693	2,527,384
Transfers between segments	857,236	(143,722)	(713,514)	-	-
Net operating income(loss)	2,218,795	76,372	(1,012,191)	(671,693)	611,283
Income from associates	-	-	-	-	-
Income (loss) before tax	2,218,795	76,372	(1,012,191)	(671,693)	611,283
Provision for taxation (-)	-	-	-	131,979	131,979
Net income for the period	2,218,795	76,372	(1,012,191)	(803,672)	479,304
Prior Period 31 December 2018					
Segment assets	18,471,406	27,461,414	23,753,809	-	69,686,629
Associates, subsidiaries and joint ventures	-	-	-	547,950	547,950
Undistributed assets	-	-	-	3,997,746	3,997,746
Total assets	18,471,406	27,461,414	23,753,809	4,545,696	74,232,325
Prior Period 31 December 2018					
Segment liabilities	42,407,218	11,578,738	12,401,757	-	66,387,713
Undistributed liabilities	-	-	-	2,406,059	2,406,059
Shareholders' equity	-	-	-	5,438,553	5,438,553
Total liabilities	42,407,218	11,578,738	12,401,757	7,844,612	74,232,325

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets:

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	319,419	1,053,845	491,059	1,348,617
The Central Bank of Republic of Turkey	351,925	8,923,989	692,050	6,947,252
Other (*)	52,568	1,422,648	-	957,110
Total	723,912	11,400,482	1,183,109	9,252,979

(*) As of 30 June 2019, precious metal account amounting to TL 1,137,873 (31 December 2018 - TL 957,110 and money in transit amounting to TL 337,343 (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	338,376	56	677,230	53
Restricted time deposit	-	-	-	-
Unrestricted time deposit	13,549	8,923,933	14,820	6,947,199
Total	351,925	8,923,989	692,050	6,947,252

In accordance with the “Communiqué no. 2013/15 on Reserve Requirements”, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 1 % and 7 % for TL deposits and other liabilities according to their maturities as of 30 June 2019 (31 December 2018: %1.5 ile % 8 for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 21% for deposit and other foreign currency liabilities according to their maturities as of 30 June 2018 (31 December 2017: 4% and 20% for all foreign currency liabilities).

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

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

Positive differences related to marketable derivative financial assets:

Financial assets at financial assets at fair value through profit or loss	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	18,281	2,869	29,120	1,799
Swap transactions	14,461	52,836	363	10,729
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	32,742	55,705	29,483	12,528

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1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	8,837	4,593,622	14,736	6,404,912
Domestic	8,705	2,778,975	14,631	3,608,271
Foreign	132	1,814,647	105	2,796,641
Branches and head office abroad	-	-	-	-
Total	8,837	4,593,622	14,736	6,404,912

1.3.2 Information on foreign banks account:

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

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

	Current period	Prior Period
Debt Securities	11,304,888	6,432,017
Quoted on stock exchange	11,304,888	6,432,017
Not quoted on stock exchange	-	-
Share certificates	113,807	128,489
Quoted on stock exchange	86,607	60,764
Not quoted on stock exchange	27,200	67,725
Impairment provision	(139,996)	(164,441)
Total	11,278,699	6,396,065

1.5 Explanations on financial assets measured at amortized cost:

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	1,624	2,242	1,034	398
Corporate shareholders	-	2,226	-	398
Real person shareholders	1,624	16	1,034	-
Indirect loans granted to shareholders	101,591	309	204,988	520
Loans granted to employees	18,292	672	16,311	6
Total	121,507	3,223	222,333	924

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

Current Period		Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
Cash Loans	Standard Loans and Other Receivables		Loans and Receivables with Revised Contract Terms	Refinance
Loans	43,123,790	3,353,300	1,881,955	-
Export Loans	23,177	8,727	-	-
Import Loans	1,855,894	48,999	-	-
Corporation Loans	23,381,945	2,800,943	1,840,954	-
Consumer Loans	6,541,449	280,483	12,846	-
Credit Cards	908,053	71,421	28,155	-
Loans given to financial sector	5,935,232	-	-	-
Other	4,478,040	142,727	-	-
Other Receivables	13,282	32,917	11,454	-
Total	43,137,072	3,386,217	1,893,409	-

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

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

Current Period (*)	Standard Loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	381,190	-
Significant Increase in Credit Risk	-	1,041,572

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 6,363.

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

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

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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	74,725	6,648,029	6,722,754
Housing Loans	18,746	5,661,042	5,679,788
Vehicle Loans	39,080	695,003	734,083
Consumer Loans	16,273	198,773	215,046
Other	626	93,211	93,837
Consumer Loans-FC Indexed	-	10	10
Housing Loans	-	10	10
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	97,223	97,223
Housing Loans	-	54,610	54,610
Vehicle Loans	-	6	6
Consumer Loans	-	35,309	35,309
Other	-	7,298	7,298
Retail Credit Cards-TL	432,650	121	432,771
With Installment	83,927	121	84,048
Without Installment	348,723	-	348,723
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,244	13,547	14,791
Housing Loans	-	846	846
Vehicle Loans	532	8,876	9,408
Consumer Loans	710	3,825	4,535
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	10,786	81	10,867
With Installment	3,684	81	3,765
Without Installment	7,102	-	7,102
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	519,405	6,759,011	7,278,416

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

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

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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	259,671	4,286,620	4,546,291
Business Loans	33,013	1,100,432	1,133,445
Vehicle Loans	187,192	1,840,140	2,027,332
Consumer Loans	39,466	1,346,048	1,385,514
Other	-	-	-
Commercial Installment Loans-FC Indexed	3,581	1,245,345	1,248,926
Business Loans	3,574	268,642	272,216
Vehicle Loans	7	144,461	144,468
Consumer Loans	-	832,242	832,242
Other	-	-	-
Commercial Installment Loans-FC	1,479	102,842	104,321
Business Loans	-	67,027	67,027
Vehicle Loans	1,479	35,815	37,294
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	563,991	-	563,991
With Installment	182,013	-	182,013
Without Installment	381,978	-	381,978
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	828,722	5,634,807	6,463,529
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	255,142	4,395,428	4,650,570
Business Loans	19,741	1,226,572	1,246,313
Vehicle Loans	191,863	1,615,884	1,807,747
Consumer Loans	43,538	1,552,971	1,596,509
Other	-	1	1
Commercial Installment Loans-FC Indexed	14,884	1,559,774	1,574,658
Business Loans	11,441	372,631	384,072
Vehicle Loans	3,112	245,751	248,863
Consumer Loans	331	941,392	941,723
Other	-	-	-
Commercial Installment Loans-FC	3,827	149,701	153,528
Business Loans	-	110,540	110,540
Vehicle Loans	3,827	39,161	42,988
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	455,440	-	455,440
With Installment	160,745	-	160,745
Without Installment	294,695	-	294,695
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	729,293	6,104,903	6,834,196

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1.5.6 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	48,051,356	43,830,656
Foreign loans	365,342	337,912
Total	48,416,698	44,168,568

1.5.7 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	115,808	121,040
Loans granted indirectly to subsidiaries and associates	-	-
Total	115,808	121,040

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

	Current period	Prior period
Loans and receivables with limited collectability	242,656	89,643
Loans and receivables with doubtful collectability	465,488	243,531
Uncollectible loans and receivables	705,421	507,882
Total	1,413,565	841,056

1.5.9 Information on non-performing loans (Net):

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

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

Current Period:

(Gross Amount Before Specific Provisions)

Restructured Loans and Receivables

-

54,300

-

Prior Period:

(Gross Amount Before Specific Provisions)

Restructured Loans and Receivables

-

58,870

-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2018	142,629	310,520	726,618
Additions in the current period (+)	321,489	580,422	145,944
Transfers from other categories of non-performing loans(+)	71,801	162,108	241,669
Transfers to other categories of non-performing loans (-)	162,198	288,946	24,434
Collections in the current period (-)	58,976	87,899	87,513
Write offs (-)	-	8,713	112,652
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	314,745	667,492	889,632
Specific provisions (-)	242,656	465,488	705,421
Net balances on balance sheet	72,089	202,004	184,211

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

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

	Group III	Group IV	Group V
Current period:			
Ending balance of the current period	19,261	34,006	3,735
Provision amount (-)	9,822	17,341	1,905
Net balance at the balance sheet	9,439	16,665	1,830
Prior period:			
Ending balance of the current period	19,793	-	-
Provision amount (-)	2,547	-	-
Net balance at the balance sheet	17,246	-	-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	72,089	202,004	184,211
Loans granted to real persons and legal entities (Gross)	314,745	667,492	889,632
Specific provision (-)	242,656	465,488	705,421
Loans to real persons and legal entities (Net)	72,089	202,004	184,211
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2018	52,986	66,989	218,736
Loans to real persons and legal entities (Gross)	142,629	310,520	726,618
Specific provision (-)	89,643	243,531	507,882
Loans to real persons and legal entities (Net)	52,986	66,989	218,736
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	2,192	6,596	5,514
Profit share accruals, rediscount and valuation differences	3,378	25,894	22,057
Provision (-)	1,186	19,298	16,543

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

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

1.5.11 Information on the write-off policy:

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

1.6 Information on other financial assets measured at amortised cost:

1.6.1 Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	2,576,038	-
Quoted on a Stock Exchange	2,576,038	-
Not Quoted	-	-
Impairment Provision (-)	363	-
Total	2,575,675	-

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

	Current Period	Prior Period
Opening Balance	-	-
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	2,576,038	-
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	363	-
Ending Balance	2,575,675	-

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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 10,895 (31 December 2018 – TL 7,055), 4.55% ownership of the shares of Ulusal Derecelendirme A.Ş. amounting to TL 2,273 (31 December 2018 – TL 0), are classified as financial assets at fair value through other comprehensive income since the Bank's ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

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

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

1.8 Information on subsidiaries (Net):

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

1.8.2 Information on subsidiaries:

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

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
28,975	27,162	-	-	-	(234)	(2,829)	-
147,730	145,506	1,639	-	-	(901)	(4,524)	-
25,905	635	-	-	-	136	193	-
5,854,596	270	-	-	-	91	88	-
3,344,114	753,609	8,344	-	-	(5,669)	5	-
61,070	19,145	2,041	-	-	3,426	3,818	-
2,072,795	1	-	-	-	-	-	-
8,096	7,615	211	-	-	831	(100)	-

(*) As of 30 June 2019, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These figures are shown per Turkish Commercial Law financial statements as at 30 June 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	522,950	377,647
Movements during the year	-	145,303
Purchases (*)	13,900	152,061
Transfers from subsidiaries (**)	21,901	(5,000)
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	(5,000)
Revaluation increase (***)	-	3,242
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	558,751	522,950
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) Represents the payment of TL 13,900 to Architech Information Systems and Marketing Co. (Subsidiary) (31 December 2018 - represents the capital payment of 152,061 to KT Bank AG).

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

(***) It expresses reversal of impairment loss.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	445,754	445,754
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	89,317	53,516
Subsidiaries that are quoted on the stock exchange		

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,416	53,416
Quoted in Foreign Stock Exchange	-	-
Total	53,416	53,416

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of June 30, 2019 is EUR 83,177,916 and the capital adequacy ratio is %24.93.

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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%	2,049,114	64,694	11,598	14,146	6,795

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

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

1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1,150,067	811,554	1,674,227	1,307,276
1 to 4 years	1,508,216	1,393,498	910,320	854,221
More than 4 years	382,290	372,695	297,345	289,202
Total	3,040,573	2,577,747	2,881,892	2,450,699

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	3,040,573	2,881,892
Unearned finance lease income (-)	(462,826)	(431,193)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	2,577,747	2,450,699

1.10.3 Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 43,940 are included in the non-performing loans in the balance sheet (31 December 2018 – TL 9,493).

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

1.12 Information on deferred tax asset

As of 30 June 2019, deferred tax is offset as TL 374,615 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 30 June 2019 is TL 391,635 (31 December 2018 – TL 362,096) and deferred tax liability is TL 17,020 (31 December 2018 – TL 15,456 TL).

	Current period	Prior period
	26,809	31,297
Reserve for employee benefits	20,114	17,412
Retirement pay liability	57,416	55,507
Deferred income	3,653	
Impairment provision for subsidiaries, fixed assets and assets held for sale	26,635	30,080
Rediscounts for derivative instruments held for trading (net)	221,992	192,935
TFRS 9 Provisions	1,239	2,031
Precious metals valuation difference	33,777	32,834
Other	26,809	31,297
Deferred tax asset	391,635	362,096
The difference between the registered value of tangible assets and tax value	(7,520)	(7,293)
Revaluation difference of financial assets at fair value through profit or loss	(5,952)	(3,691)
Other	(3,548)	(4,472)
Deferred tax liability	(17,020)	(15,456)
Deferred tax asset, (net)	374,615	346,640

Table of deferred tax asset movement:

	30 June 2019	30 June 2018
As of January 1	346,640	138,710
Deferred tax (expense)/income	33,970	(3,653)
Deferred tax accounted under other comprehensive income	(5,995)	(4,066)
Other	-	3,221
TFRS 9 opening effect	-	(8,986)
Deferred tax asset	374,615	162,646

1.13 Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 1,215,775 (31 December 2018 – TL 2,799,934). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and notes related to liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	5,402,154	-	-	-	-	-	-	-	5,402,154
II. Real persons profit sharing accounts TL	-	5,618,361	8,293,403	470,555	-	285,475	302,424	19,336	14,989,554
III. Other current accounts-TL	2,861,031	-	-	-	-	-	-	-	2,861,031
Public sector	96,460	-	-	-	-	-	-	-	96,460
Commercial sector	2,731,527	-	-	-	-	-	-	-	2,731,527
Other institutions	24,243	-	-	-	-	-	-	-	24,243
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	8,801	-	-	-	-	-	-	-	8,801
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	8,632	-	-	-	-	-	-	-	8,632
Participation banks	169	-	-	-	-	-	-	-	169
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	426,749	860,227	86,014	-	309,659	70,433	1	1,753,083
Public sector	-	187	249	-	-	1,596	-	-	2,032
Commercial sector	-	384,930	790,807	76,082	-	296,591	69,725	1	1,618,136
Other institutions	-	41,460	68,228	9,877	-	11,431	478	-	131,474
Commercial and other institutions	-	172	926	55	-	41	230	-	1,424
Banks and participation banks	-	-	17	-	-	-	-	-	17
V. Real persons current accounts-FC	11,907,706	-	-	-	-	-	-	-	11,907,706
VI. Real persons profit sharing accounts-FC	-	5,346,266	8,925,690	1,151,520	-	771,696	631,102	1,688	16,827,962
VII. Other current accounts-FC	4,922,219	-	-	-	-	-	-	-	4,922,219
Commercial residents in Turkey	4,497,396	-	-	-	-	-	-	-	4,497,396
Commercial residents in Abroad	202,739	-	-	-	-	-	-	-	202,739
Banks and participation banks	222,084	-	-	-	-	-	-	-	222,084
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	221,968	-	-	-	-	-	-	-	221,968
Participation banks	116	-	-	-	-	-	-	-	116
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	506,030	3,504,980	152,871	-	34,158	36,611	-	4,234,650
Public sector	-	21	-	-	-	-	-	-	21
Commercial sector	-	477,202	3,009,725	148,402	-	25,335	36,525	-	3,697,189
Other institutions	-	17,923	357,249	3,816	-	8,810	-	-	387,798
Commercial and other institutions	-	10,877	65,043	653	-	13	-	-	76,586
Banks and participation banks	-	7	72,963	-	-	-	86	-	73,056
IX. Precious metal funds	3,071,763	1,558,491	1,434,627	143,925	-	70,890	3,184	44	6,282,924
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	28,164,873	3,455,897	3,018,927	2,004,885	-	1,471,878	1,043,754	21,069	69,181,283

There are no 7 day notification accounts of the Bank.

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

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

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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	12,141,081	10,848,810	8,099,909	6,836,543
FC accounts	11,725,146	8,572,475	22,659,311	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 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

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

The headquarters of the Bank is in Turkey.

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

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

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	8,532	5,677
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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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	13,939	2,359	20,764	1,362
Swap transactions	1,402	66,472	281	40,574
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	15,341	68,831	21,045	41,936

2.3. Information on funds borrowed:

2.3.1 Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	1,939,445	4,293,235	2,038,900	6,657,758
From Foreign Banks, Institutions and Funds	-	1,227,270	-	1,446,231
Total	1,939,445	5,520,505	2,038,900	8,103,989

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,939,445	2,067,998	2,038,900	4,254,863
Medium and Long-Term	-	3,452,507	-	3,849,126
Total	1,939,445	5,520,505	2,038,900	8,103,989

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

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

2.4 Information on other liabilities and miscellaneous payables:

As of 30 June 2019, other liabilities amount to TL 456,076 (31 December 2018 – TL 1,172,585), sundry creditors amount to TL 328,948 (31 December 2018 - TL 261,894), both of them do not exceed 10% of the balance sheet total.

2.5 Information on finance lease payables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	120,246	176,793	-	-
1 to 4 years	230,459	136,686	-	-
More than 4 years	116,267	79,916	-	-
Total	466,972	293,395	-	-

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

2.6 Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	130,745	-	106,352
Hedge of net investment in foreign operations	-	-	-	-
Total	-	130,745	-	106,352

2.7 Information on provisions:

2.7.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans:
As of 30 June 2019, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 11,031 (31 December 2018 – TL 4,654) and TL 492 for leasing receivables (31 December 2018 – TL 1,266) is offset against loans and receivables.

2.7.2 Information on other provisions:

	Current Period	Prior Period
Non Cash Loans That Are Not Converted Into Cash	284,008	240,373
Special Provisions for non-cash loans	73,541	145,911
General Provisions for non-cash loans	158,468	129,152
Provision for Profits will be Allocated to Participation Accounts	1,998	1,778
Other (*)	58,831	50,040
Total	576,846	567,254

(*) The other part of the main period amounting to TL 17,565 (December 31, 2018 - TL 13,780) is TL 4,330 (31 December 2018 - TL 6,500) for the expense of TL 36,118 (31 December 2018 - TL 29,761) is the amount for impairment loss.

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2.7.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 99,892 (31 December 2018 – TL 86,381), vacation pay liability amounting to TL 17,599 (31 December 2018 – TL 585), performance premium amounting to TL 47,680 (31 December 2018 – TL 86,617), retirement bonuses on payment of TL 48,485 (31 December 2018 – TL 44,014), committee fee amounting to TL 7,906 (31 December 2018 – TL 10,869) and other fees amounting to TL 190 (31 December 2018 – TL 175).

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

The amount payable consists of one month's salary limited to a maximum of TL 6,017.60 (full amount) (31 December 2017 – TL 5,434.42 (full amount)) for each year of service. The liability is not funded, as there is no funding requirement.

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

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

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

	Current Period	Prior Period
Balance at the beginning of the period	86,381	83,942
Provisions recognized during the period	17,568	23,362
Paid during the period	(4,057)	(3,859)
Actuarial loss	-	(17,064)
Balances at the end of the period	99,892	86,381

2.8 Explanations on tax liability:

2.8.1 Explanations on current tax liability:

2.8.1.1 Information on tax provisions: As of 30 June 2019, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 131,228.

	Current Period	Prior Period
Provision for corporate income tax (*)	176,756	454,141
Prepaid taxes	(45,528)	(278,456)
Total (*)	131,228	175,685

(*) Related amount is presented in the current tax liability line, under liabilities.

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2.8.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	47,408	21,252
Taxation of immovable property	1,885	1,569
Banking Insurance Transaction Tax (BITT)	28,650	32,461
Foreign Exchange Transaction Tax	4,067	
Value Added Tax Payable	1,163	1,904
Income tax deducted from wages	10,723	9,675
Other	1,203	1,130
Total	95,099	67,991

2.8.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Security Premiums-Employee	14,389	5,640
Social Security Premiums-Employer	15,501	6,075
Unemployment insurance-Employee	1,030	404
Unemployment insurance-Employer	2,408	952
Total	33,328	13,071

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

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

2.9 Information on payables related to assets held for sale:

None (31 December 2018 – None).

2.10 Information on subordinated loans:

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2.11 Information on shareholders' equity:

2.11.1 Presentation of paid-in capital:

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

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

2.11.2 Amount of Paid-in Capital, Disclosure on whether the Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital: Registered capital system is not applied in the Bank.

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

None.

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

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

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

2.11.6 Summary of privileges given to shares representing the capital:

None. (31 December 2018- None)

2.11.7 Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	(29,054)	(39,765)	(29,522)	(51,432)
Foreign Exchange Difference	-	-	-	-
Total	(29,054)	(39,765)	(29,522)	(51,432)

(*) Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under financial assets at fair value through other comprehensive income in the balance sheet.

2.12 Information on minority shares:

None (31 December 2018 – None).

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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 30 June 2019 amounts to TL 2,283,948 (31 December 2018 – TL 1,858,018); payment commitments for cheque books amounts to TL 1,428,184 (31 December 2018 – TL 1,136,474).

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

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

As of 30 June 2019, the Bank has guarantees and surety ships constituting of TL 10,722,740 (31 December 2018 – TL 10,389,398) of letters of guarantee; TL 62,687 (31 December 2018 – TL 74,098) of acceptances and TL 1,291,023 (31 December 2018 – TL 1,079,876) of letters of credit. Also, banks has other acceptances amounting to TL 373,024 (31 December 2018 – TL 324,718).

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

3.1.3 Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	12,449,474	11,868,090
Total	12,449,474	11,868,090

4. Explanations and notes related to the statement of income

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	2,665,658	343,094	2,068,642	154,515
Short term loans	820,242	60,987	545,825	17,760
Medium and long term loans	1,832,332	282,107	1,515,588	136,755
Profit share on non-performing loans	13,084	-	7,229	-
Premiums received from resource utilization support fund	-	-	-	-

4.1.2 Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	149	-	-	-
Foreign Banks	12,068	102,396	8	46,250
Branches and head office abroad	-	684	-	-
Total	12,217	103,080	8	46,250

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4.1.3 Information on profit share income from securities portfolio:

The Bank has received TL 322,873 of profit share income from rent certificates (sukuk) which is given the details in information of financial assets at fair value through other comprehensive income (1 January – 30 June 2018 - TL 157,611).

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	438	146

4.2 Information on profit share expenses:

	Current period		Prior period	
	TL	FC	TL	FC
Banks				
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	6,372	5,499	1,659	4,594
Foreign banks	-	6,799	2,896	10,883
Branches and head office abroad	-	-	-	-
Other Institutions	186,584	278,362	84,256	231,191
Total	192,956	290,660	88,811	246,668

4.2.1 Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	244,214	92,475

4.2.2 Profit share expense paid to securities issued:

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

4.3 Information on dividend income:

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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	-	-	-	-	-	-	-	-
Real person’s non-trading profit sharing account	408,764	637,007	37,391	-	20,199	23,152	1,419	1,127,932
Public sector profit sharing account	12	93	-	-	2	-	-	107
Commercial sector profit sharing account	30,634	65,190	8,213	-	1,211	890	-	106,138
Other institutions profit sharing account	4,082	5,586	842	-	326	116	-	10,952
Total	443,492	707,876	46,446	-	21,738	24,158	1,419	1,245,129
FC								
Banks	60	1,324	-	-	-	-	-	1,384
Real person’s non-trading profit sharing account	60,405	103,927	15,575	-	9,124	7,636	32	196,699
Public sector profit sharing account	-	14	-	-	-	-	-	14
Commercial sector profit sharing account	5,598	39,835	2,006	-	138	134	-	47,711
Other institutions profit sharing account	460	6,893	38	-	10	-	-	7,401
Precious metal accounts	8,633	8,730	1,069	-	459	-	-	18,891
Total	75,156	160,723	18,688	-	9,731	7,770	32	272,100
Grand Total	518,648	868,599	65,134	-	31,469	31,928	1,451	1,517,229

Prior period		Profit Sharing Accounts						
Account name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	Accumulated profit sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person’s non-trading profit sharing account	196,524	318,435	21,932	-	11,758	11,189	-	559,838
Public sector profit sharing account	648	1,567	-	-	-	-	-	2,215
Commercial sector profit sharing account	19,963	47,322	8,441	-	715	578	-	77,019
Other institutions profit sharing account	1,995	4,886	588	-	205	101	-	7,775
Total	219,130	372,210	30,961	-	12,678	11,868	-	646,847
FC								
Banks	8	124	-	-	-	-	-	132
Real person’s non-trading profit sharing account	28,044	52,712	11,236	-	5,550	3,136	-	100,678
Public sector profit sharing account.	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	3,747	17,801	1,098	-	2,131	53	-	24,830
Other institutions profit sharing account	900	2,614	381	-	12	-	-	3,907
Precious metal accounts	2,197	6,933	603	-	342	-	-	10,075
Total	34,896	80,184	13,318	-	8,035	3,189	-	139,622
Grand Total	254,026	452,394	44,279	-	20,713	15,057	-	786,469

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4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	565,027	89,449
Income	22,264,121	10,596,791
Gain on capital market transactions	28,063	8,309
Gain on derivative financial instruments	1,065,981	1,030,980
Foreign exchange profit	21,170,077	9,557,502
Losses (-)	(21,699,094)	(10,507,342)
Losses on capital market transactions	(8,748)	(5,327)
Losses on derivative financial instruments	(906,848)	(738,049)
Foreign exchange losses	(20,783,498)	(9,763,966)

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	582,258	180,398
Income from sale of assets	23,348	11,963
Revenues from real estates sold under the lease certificate.	-	13,463
Income from the real estate sales' gains by rent certificates	1,465	1,296
Other Income	2,891	2,935
Total	609,962	210,055

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

	Current Period(*)	Prior Period
Expected Credit Loss	1,372,181	563,801
12 month expected credit loss (Stage 1)	20,994	45,970
Significant increase in credit risk (Stage 2)	409,060	121,550
Non-performing loans (Stage 3)	942,127	396,281
Marketable Securities Impairment Expense	956	1,486
Financial Assets at Fair Value through Profit or Loss	956	1,478
Financial Assets at Fair Value Through Other Comprehensive Income	-	8
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other(**)	34,421	10,162
Total	1,407,558	575,449

(*)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	510,577	386,009
Provision for retirement pay liability	13,511	13,294
Depreciation expenses of fixed assets	88,780	30,429
Impairment expenses of tangible assets	-	13,463
Depreciation expenses of intangible assets	20,143	13,821
Depreciation expenses of assets held for sale	-	-
Other operating expenses	143,721	165,826
Rent expenses	1,804	61,689
Maintenance expenses	28,374	17,819
Advertisement expenses	18,090	14,540
Communication expenses	23,859	18,270
Heating, electricity and water expenses	11,746	7,338
Cleaning expenses	3,390	2,901
Vehicle expenses	4,530	3,718
Stationery expenses	4,306	3,658
Other expenses	47,622	35,893
Losses on sales of assets	218	10
Deposit insurance fund expenses	63,676	47,762
Other	68,848	48,842
Total	909,474	719,456

(*)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:

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4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 176,756 (1 January-30 June 2018 - TL 144,664), deferred tax expense of TL 194,309 (1 January-30 June 2018 - TL 16,012) and TL 228,279 (1 January-30 June 2018 - TL 28,697) deferred tax income is recognized.

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

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4.12 Information on net income/loss:

4.12.1 The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of 30 June 2019, net profit share income is TL 1,636,800 (1 January-30 June 2018 - TL 1,436,572), net fees and commission income is TL 229,912 (1 January-30 June 2018 - TL 168,885).

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

None (1 January - 30 June 2018 - None).

4.12.3 Profit/Loss attributable to minority interest:

None (1 January - 30 June 2018 - None).

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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 30 June 2019, other fees and commissions received is TL 304,192 (1 January - 30 June 2018 – TL 191,873), TL 96,613 of this amount is related with credit card fees and commissions (1 January - 30 June 2018 – TL 47,019) and TL 74,351 of this amount is related with POS machine commissions (1 January - 30 June 2018 – TL 36,043).

As of 30 June 2019, other fees and commissions given is TL 146,291 (1 January - 30 June 2018 – TL 83,186), TL 88,267 (1 January - 30 June 2018 – TL 40,401) of this amount is related with POS clearing commissions and installation expenses, TL 11,405 (1 January - 30 June 2018 – TL 7,751) of this amount is related with fees and commissions paid for credit cards.

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

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6. Explanations and Disclosures Related to Statement of Cash Flows

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

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

Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	121,040	19,092	1,034	398	204,988	520
Balance at end of period	115,808	20,790	1,624	2,242	101,591	309
Profit share and commission income	394	44	28	12	3,131	-

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

Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	19	1,253	1,030	786	150,924	917
Balance at end of period	121,040	19,092	1,034	398	204,988	520
Profit share and commission income	67	79	50	6	6,920	2

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Current and profit sharing accounts						
Balance at beginning of period	62,800	33,887	35,032	60,187	255,239	417,813
Balance at end of period	163,556	62,800	46,680	35,032	343,543	255,239
Profit share expense	435	559	983	2,387	3,671	11,590

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period		Current Period	Current period
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	259,035	40,710	287,483	-	-	-
Balance at end of period	176,896	259,035	133,384	287,483	-	-
Total Profit / Loss	1,690	-	1	-	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Borrowings						
Balance at beginning of period	5,646,443	7,063,526	802,108	2,175,759	-	-
Balance at end of period	7,927,017	5,646,443	889,998	802,108	-	-
Profit share expense	243,779	91,916	25,335	40,283	-	-

7.5 Information on remunerations provided to top management:

As of 1 January - 30 June 2019, the Bank has paid TL 28,750 to top management (1 January - 30 June 2018 TL 21,985).

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

On 16 July 2019, the Bank has issued lease certificate (sukuk) on KT One Company Ltd, amounting to US \$ 200 million, which can be subject to additional capital in accordance with Regulation on the Equity of Banks with an expected annual income of 9.13%, with repurchase option 5 years later.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 210,000 thousand on 2 July 2019 and a maturity of 100 days with a cost of 21.11%

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. issued sukuk on July 9, 2019 with a nominal value of TL 230,000 thousand and a maturity of 101 days with a cost of 19.97%.

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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

LIMITED REVIEW REPORT

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

The unconsolidated financial statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 31 July 2019 is presented preceding the financial statements.

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

SECTION EIGHT

INTERIM REPORT

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

1.1 About Kuveyt Türk

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

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

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1.2 Financial Informations Summary:

CONSOLIDATED BALANCE SHEET	30 June 2019	31 December 2018
CASH BALANCES AND CENTRAL BANK	12,124,394	10,436,088
BANKS	4,602,459	6,419,648
LOANS	50,288,567	45,348,335
FINANCE LEASE RECEIVABLES (Net)	2,577,747	2,450,699
TANGIBLE ASSETS (Net)	971,687	688,888
OTHER ASSETS	16,414,911	8,888,667
TOTAL ASSETS	86,979,765	74,232,325
FUND COLLECTED	69,181,283	53,986,278
FUNDS BORROWED	7,459,950	10,142,889
MARKETABLE SECURITIES ISSUED (Net)	0	-
FINANCE LEASE PAYABLES (Net)	293,395	-
SUBORDINATED LOANS	2,072,793	1,901,210
OTHER LIABILITIES	1,929,767	2,763,395
EQUITY	6,042,577	5,438,553
TOTAL LIABILITIES	86,979,765	74,232,325

UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 June 2019	30 June 2018
PROFIT SHARE INCOME	3,669,052	1,197,046
PROFIT SHARE EXPENSE	2,032,252	523,543
NET PROFIT SHARE INCOME/EXPENSE	1,636,800	673,503
NET FEES AND COMMISSION INCOME/EXPENSE	229,912	77,095
PERSONNEL EXPENSES	524,088	213,283
DIVIDEND INCOME	19,584	-
NET TRADING INCOME / LOSS	565,027	28,682
OTHER OPERATING INCOME	609,962	161,571
EXPECTED LOSS PROVISIONS (-)	1,372,181	314,347
OTHER OPERATING EXPENSES (-)	35,377	11,413
INCOME/ LOSS BEFORE TAX	385,386	143,645
TAX CHARGE	744,253	258,163
PROFIT SHARE INCOME	(142,786)	(55,075)
CURRENT PERIOD INCOME/LOSSES	601,467	203,088

	30 June 2019	31 December 2018
Total Loans/Total Assets*	60.78%	64.39%
Total Loans/Fund Collected*	76.42%	88.54%
Average Equity Profit **	20.95%	17.34%
Average Assets Profit **	1.49%	1.32%
Capital Adequacy Ratio	16.95%	17.68%

* Finance Lease Receivables is included in total loans.

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

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1.3 Message from the Chairman

The developments closely followed by the financial markets in the second quarter of 2019 were the ongoing trade negotiations between the US and China, the results of the Brexit referendum, and upward movements in oil prices as a result of the tension between the US and Iran. Due to the increasing geopolitical tensions and the trade war towards the end of the second quarter, the talks between the leaders at the G20 summit in Japan at the end of June were closely monitored by global markets. At the summit, it was noted that the leaders reached an agreement to continue the trade negotiations.

In the April “World Economic Outlook” Report, the International Monetary Fund (IMF) foresees that global economic activity will recover gradually in the second half of the year after moderately slowing in the first half of 2019 and revised the global growth forecast for 2019 down 0.2 percentage points to 3.3 percent and kept its 2020 forecast at 3.6 percent. IMF, expects recovery for Turkey with growth of domestic demand in the medium term, the rise was 3.5 per cent in 2020 also expects a positive return. Authority, Turkey 2.5 percent contraction of the economy in 2019, expects growth of 2.5 percent in 2020.

In the second quarter of 2019, leading indicators that economic activity has slowed down, especially in Europe and China, continued to point out that global economic growth will slow down. In addition, the adoption of Brexit in the UK parliamentary vote in June did not provide the final clarity of the Brexit process, and uncertainty continues, particularly in the European economy. On the other hand, the US economy registered a growth rate of 3.2 percent year-on-year in the first quarter of the year due to the positive performance in foreign trade.

The Fed and the European Central Bank remained unchanged in their current policies in the second quarter of the year, maintaining their verbal guidance that interest rates will remain the same throughout 2019.

Turkey’s economic growth in the first quarter of 2019 increased 1.3 percent compared to the previous quarter. Thus, Turkey’s economy has emerged from technical recession. The annual inflation rate, which peaked at 25.24 percent in October last year, declined sharply from 18.71 percent to 15.72 percent in June. This significant 3-point decrease in the inflation rate indicated a rapid start to the expected disinflation process. The normalization in financial markets is expected to be more concrete in economic indicators in the second half of 2019 as well. Perception of stability in terms of Turkey’s economy will show in reaching their target YEP will be an important anchor.

The strong capital structure of the banking sector, which is one of the most important sectors of the Turkish economy, reduces the vulnerability to economic fluctuations. In the first five months of 2019, banking sector assets grew by 10.4 percent compared to the end of 2018, while the funds extended increased by 7 percent to TL 2,801 billion. It is noteworthy that the recovery in the demand for financing, which has been decreasing since September of last year, has started. In the same period, participation banks continued to grow in order to reinforce their position in the sector and increased their total assets by 17.8 percent and funds extended by 13.3 percent. With the recovery in the economy in the upcoming period, the increase in the banking sector financing volume is expected to accelerate especially due to the recovery in commercial finance demand.

1.4 Message from the General Manager

In the first half of 2019, as well as global developments, the Turkey-US relations, and the completion of the CBT’s recent decision has been observed to be effective in Turkey’s domestic sector. In the overall downward trend since May, Turkey has completed the 5-year CDS premiums 384.5’t the lowest level in three months to June. At the G20 summit after easing concerns about relations with the US it has been observed to improve the risk perception towards Turkey. In addition, economic data from the New Economic Program (NEP) shows that within the framework of Turkey’s economy has entered a recovery process.

Celebrating its 30th anniversary, Kuveyt Türk continued to grow steadily by increasing its profitability in the first half of 2019 and increased its net profit by 25.5 percent to TL 601 million compared to the same period of the previous year. Kuveyt Türk’s total funds collected increased by 28.2 percent to TL 69.1 billion compared to the end of 2018, while the amount of funds extended increased by 10.6 percent to TL 52.9 billion. Kuveyt Türk, which increased its equity capital to TL 6 billion and its asset size to TL 87 billion, maintained its leading position among participation banks in terms of asset size.

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Kuveyt Türk continued its efforts to support the real economy and sustainability of its operating activities with its products and services developed in line with participation banking principles. In 2019, Kuveyt Türk entered the Export Support Package, which will be valid for export-contracted transactions to support exports and increase foreign exchange inflow to the country. In addition, in order to contribute to the 2019 targets of the tourism sector, it has created a privileged package for tourism enterprises before the start of the summer season, which is called the high season. In this context, the tourism sector began to offer paid tourism financing and flexible payment credit card services. In addition, with the Online Supplier Finance product, a first in the participation banking field, suppliers were provided with the opportunity to collect before the invoice term and flexible payment facility to the buyer. Thus, both parties were able to regulate their cash flows and continue their operations in a stable manner without being in a difficult situation.

Kuwait's many firsts in the Turkish banking gold, the Shanghai Gold Exchange accepted from Turkey has taken an important achievement as the first institution of its signature. Kuveyt Türk, one of the 74 international members of the Shanghai Gold Exchange, aims to increase the volume of its international transactions, which constitute 20 percent of its annual gold transaction volume, to a higher level with this membership.

In 2018, Kuveyt Türk issued 27 sukuk issuances totaling TL 5.1 billion with an increase of approximately 120 percent compared to the previous year and reached TL 2.6 billion in the first 5 months of 2019. Kuveyt Türk increases its diversity of resources through issuance of lease certificates in the domestic and foreign capital markets. In addition to its exports, Kuveyt Türk attaches importance to secondary market transactions in order to deepen the market.

With its mobile application TradePlus, Kuveyt Türk is able to monitor all investment products such as mutual funds, stocks, foreign exchange, gold, silver easily and make transactions at instant prices within the framework of 24-hour international interest-free finance principles every weekday. - sales orders.

Kuveyt Türk continued to add new awards to its international awards and received two awards at the IFN Awards organized by Islamic Finance News, one of the leading publications in the financial markets. Together with its main partner KFH (Kuwait Finance House), the 15 Project and Infrastructure Financing of the Year "award was awarded to Turkcell Superonline with the financing of the 1915 Çanakkale Bridge with a participation of € 200 million, which corresponds to 8.8 percent of its total financing. also the first corporate sukuk issuance "Deal of the Year in Turkey" took the prize. In addition, the Great Place to Work, organized by the Institute and one of the world's most prestigious organization in the field of human resources "Turkey's Best Employers 2019" also awarded with several awards in two categories, the Bank this year as it was last year "2000+ Employees" category "Turkey's best Employers" and "best Employer of Finance" was awarded the prize.

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

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

As of 30 June 2019, unconsolidated financial statements asset size is TL 86 million 980 thousand, amount of the utilization of funds is TL 52 million 866 thousand and funds collected amount is TL 69 million 181 thousand. Due to the effect of the first six months' profit of TL 601 thousand, the ratio of shareholder equity increased 11.11% by reaching TL 6 million 43 thousand. As of 30 June 2019, unconsolidated capital adequacy ratio has been realized as 16,95%.

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

1.6 Announcement regarding important developments during the period

The Bank has issued sukuk with a total nominal value of TL 1,756,000 thousand with seven separate transactions over KT Kira Sertifikaları Varlık Kiralama A.Ş. with a minimum 19.73% and maximum 22.69% cost in different maturity periods.

At the ordinary general assembly meeting registered on April 3, 2019, the Bank's first legal reserve amounting to TL 43.491, TL 71,861 of real estate profit obtained from the sale of real estate was not distributed, transferred to other reserves, no dividend payment was made to shareholders, TL 6,546 was paid to the management and the remaining TL 499,681 was paid. to support the research and development activities numbered 5746, to allocate the second legal reserve fund amounting to TL 655 and to allocate the remaining TL 247,261 as extraordinary reserve. In accordance with Article 3, TL 319 for the development activities has been decided not to be distributed to other reserves.

The Bank has signed a contract with KFH Capital Investment Company on 5 October 2017 for the transfer of 50% shares of KT Portföy Yönetimi A.Ş. It was decided that the transferred 50% shares would be repaid at the same price on 27 January 2019 and a contract was signed on 27 March 2019 with KFH Capital Investment Company. The transfer was completed on 2 April 2019.

1.7 Assessment of the expectations related to the subsequent interim period

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