

Kuveyt Türk Katılım Bankası Anonim Şirketi

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

*(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)

REPORT ON UNCONSOLIDATED FINANCIAL INFORMATION

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

A) Audit of Unconsolidated Financial Statements

1) Opinion

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

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Group as at December 31, 2019 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

2) Basis for Opinion

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

3) Key Audit Matter

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

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

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

4) *Other Matter*

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

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

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

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

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

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



Emre Çelik, SMMM
Associate Partner

February 12, 2020
Istanbul, Turkey

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

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The unconsolidated Year-End Financial Report prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE 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' REVIEW REPORT

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

Hamad Abdulmohsen AL-MARZOUQ
Chairman of the Board of Directors

Ahmad S A A AL KHARJI
Chairman of the Audit
Committee

Nadir ALPASLAN
Member of the Audit Committee

Mohamad AL-MIDANI
Member of the Audit
Committee

Ufuk UYAN
CEO

Ahmet KARACA
Chef Financial Officer

İsmail Hakkı YEŞİLYURT
Budget and Management
Reporting

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

Name-Surname/Position: İsmail Hakkı YEŞİLYURT/ Budget and Management Reporting

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SECTION ONE

GENERAL INFORMATION

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

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

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

As of 31 December 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 Audit Committee Assignments		Audit Committee End Date	Educational Degree	Ownership Percentage
		Date of the Assignment	Committee Assignments			
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD	10/10/2002	19/10/2010	24/12/2019	Doctorate	-
Nadir ALPASLAN	Member of BOD and Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	0.01%
Fawaz KH E AL SALEH	Member of BOD	20/10/2006			Bachelor	-
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015			Bachelor	-
Mohamad Al-MİDANİ	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S A A AL KHARJİ (*)	Member of BOD and Audit Committee	26/03/2014	24/09/2014		Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	0.06%
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006			Master	0.00%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.00%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.02%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005			Doctorate	0.01%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.00%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.01%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.00%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.01%

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

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

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

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

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

As of 31 December 2019, the Bank is operating through 431 domestic branches (31 December 2018 – 414) with 5,955 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
- VII. Statement of Profit Distribution Table

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

		Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
ASSETS	Note	TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		4,803,455	37,903,612	42,707,067	3,647,527	19,934,154	23,581,681
1.1. Cash and Cash Equivalents		1,781,590	24,099,321	25,880,911	1,160,217	15,594,242	16,754,459
1.1.1. Cash and Balances with Central Bank	(5.1.1.)	1,768,747	17,124,339	18,893,086	1,183,109	9,252,979	10,436,088
1.1.2. Banks	(5.1.3.)	12,983	6,977,847	6,990,830	14,736	6,404,912	6,419,648
1.1.3. Money Markets		-	-	-	-	-	-
1.1.4. Expected Credit Loss (-)		140	2,865	3,005	37,628	63,649	101,277
1.2. Financial Assets at Fair Value Through Profit or Loss		104,688	3,907,054	4,011,742	292,978	96,168	389,146
1.2.1. Government Debt Securities		77,977	3,863,617	3,941,594	18,327	11,770	30,097
1.2.2. Equity Instruments		-	-	-	-	-	-
1.2.3. Other Financial Assets		26,711	43,437	70,148	274,651	84,398	359,049
1.3. Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	2,898,407	9,732,060	12,630,467	2,164,849	4,231,216	6,396,065
1.3.1. Government Debt Securities		2,792,631	9,313,887	12,106,518	2,065,421	3,804,519	5,869,940
1.3.2. Equity Instruments		11,237	27,346	38,583	10,502	17,046	27,548
1.3.3. Other Financial Assets		94,539	390,827	485,366	88,926	409,651	498,577
1.4. Derivative Financial Assets	(5.1.2.)	18,770	165,177	183,947	29,483	12,528	42,011
1.4.1. Derivative Financial Assets at Fair Value Through Profit or Loss		18,770	165,177	183,947	29,483	12,528	42,011
1.4.2. Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	32,535,710	25,009,784	57,545,494	31,029,723	14,804,843	45,834,566
2.1. Loans		33,532,383	21,686,066	55,218,449	31,238,479	14,109,856	45,348,335
2.2. Leasing Receivables	(5.1.10.)	1,406,165	1,301,355	2,707,520	1,439,955	1,010,744	2,450,699
2.3. Other Financial Assets Measured At Amortized Cost	(5.1.6.)	-	2,630,914	2,630,914	-	-	-
2.3.1. Government Debt Securities		-	2,630,914	2,630,914	-	-	-
2.3.2. Other Financial Assets		-	-	-	-	-	-
2.4. Expected Credit Loss (-)		2,402,838	608,551	3,011,389	1,648,711	315,757	1,964,468
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)		473,326	-	473,326	270,382	-	270,382
3.1. Held For Sale		473,326	-	473,326	270,382	-	270,382
3.2. Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		564,853	-	564,853	547,950	-	547,950
4.1. Investments in Associates (Net)	(5.1.7.)	-	-	-	-	-	-
4.1.1. Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2. Unconsolidated Associates		-	-	-	-	-	-
4.2. Investment in Subsidiaries (Net)	(5.1.8.)	544,853	-	544,853	522,950	-	522,950
4.2.1. Unconsolidated Financial Subsidiaries		521,173	-	521,173	499,270	-	499,270
4.2.2. Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
4.3. Investment in Joint Ventures (Net)	(5.1.9.)	20,000	-	20,000	25,000	-	25,000
4.3.1. Joint Ventures Valued Based on Equity Method		20,000	-	20,000	25,000	-	25,000
4.3.2. Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		1,033,995	957	1,034,952	688,685	203	688,888
VI. INTANGIBLE ASSETS (Net)		133,955	25	133,980	136,931	48	136,979
6.1. Goodwill		-	-	-	-	-	-
6.2. Other		133,955	25	133,980	136,931	48	136,979
VII. INVESTMENT PROPERTIES (Net)		25,146	-	25,146	25,305	-	25,305
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(5.1.12.)	358,097	-	358,097	346,640	-	346,640
X. OTHER ASSETS	(5.1.13.)	658,556	937,874	1,596,430	817,583	1,982,351	2,799,934
TOTAL ASSETS		40,587,093	63,852,252	104,439,345	37,510,726	36,721,599	74,232,325

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

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

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

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

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

		Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
LIABILITIES	Note	TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(5.2.1.)	35,410,329	50,084,058	85,494,387	22,520,320	31,465,958	53,986,278
II. FUNDS BORROWED	(5.2.3.)	923,177	4,468,500	5,391,677	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		129,690	294,447	424,137	21,045	148,288	169,333
6.1. Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	129,690	164,719	294,409	21,045	41,936	62,981
6.2. Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.6.)	-	129,728	129,728	-	106,352	106,352
VII. LEASE PAYABLES	(5.2.5.)	315,732	10,446	326,178	-	-	-
VIII. PROVISIONS	(5.2.7.)	850,649	240,346	1,090,995	615,510	180,385	795,895
8.1. Restructuring Provision		-	-	-	-	-	-
8.2. Reserves For Employee Benefits		301,593	446	302,039	228,323	318	228,641
8.3. Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4. Other Provisions		549,056	239,900	788,956	387,187	180,067	567,254
IX. CURRENT TAX LIABILITIES	(5.2.8.1.)	224,425	-	224,425	175,685	-	175,685
X. DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.9.)	-	-	-	-	-	-
11.1. Held For Sale		-	-	-	-	-	-
11.2. Related to Discontinued Operations		-	-	-	-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(5.2.10.)	-	3,380,983	3,380,983	-	1,901,210	1,901,210
12.1. Loans		-	-	-	-	-	-
12.2. Other Debt Instruments		-	3,380,983	3,380,983	-	1,901,210	1,901,210
XIII. OTHER LIABILITIES	(5.2.4.)	1,023,193	262,080	1,285,273	1,282,540	151,939	1,434,479
XIV. SHAREHOLDERS' EQUITY	(5.2.11.)	6,742,813	78,477	6,821,290	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		(19,082)	-	(19,082)	(13,296)	-	(13,296)
14.4. Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		127,237	78,477	205,714	(29,522)	(51,432)	(80,954)
14.5. Profit Reserves		1,469,025	-	1,469,025	1,107,196	-	1,107,196
14.5.1. Legal Reserves		228,723	-	228,723	184,578	-	184,578
14.5.2. Statutory Reserves		-	-	-	-	-	-
14.5.3. Extraordinary Reserves		1,170,797	-	1,170,797	923,536	-	923,536
14.5.4. Other Profit Reserves		69,505	-	69,505	(918)	-	(918)
14.6. Profit or Loss		1,145,378	-	1,145,378	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		1,109,838	-	1,109,838	869,812	-	869,812
14.7. Minority Shares	(5.2.12.)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		45,620,008	58,819,337	104,439,345	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 31 DECEMBER 2019

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
	Note	TL	FC	Total	TL	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		67,365,973	56,289,772	123,655,745	57,546,517	29,226,698	86,773,215
I. GUARANTEES AND WARRANTIES	(5.3.1.)	6,938,439	4,962,863	11,901,302	6,416,633	5,451,457	11,868,090
1.1. Letters of Guarantee		6,592,042	3,414,624	10,006,666	6,206,886	4,182,512	10,389,398
1.1.1. Guarantees Subject to State Tender Law		218,286	62,740	281,026	217,252	174,971	392,223
1.1.2. Guarantees Given For Foreign Trade Operations		375,091	79,315	454,406	371,535	167,020	538,555
1.1.3. Other Letters of Guarantee		5,998,665	3,272,569	9,271,234	5,618,099	3,840,521	9,458,620
1.2. Bank Loans		8,546	46,489	55,035	17,516	56,582	74,098
1.2.1. Import Letter of Acceptances		8,546	46,489	55,035	17,516	56,582	74,098
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		10,567	1,363,442	1,374,009	11,512	1,068,364	1,079,876
1.3.1. Documentary Letters of Credit		86	371,829	371,915	367	215,062	215,429
1.3.2. Other Letters of Credit		10,481	991,613	1,002,094	11,145	853,302	864,447
1.4. Guaranteed Refinancing		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		327,284	138,308	465,592	180,719	143,999	324,718
1.7. Other Warranties		-	-	-	-	-	-
II. COMMITMENTS	(5.3.1.)	52,151,025	1,894,212	54,045,237	50,194,084	1,327,223	51,521,307
2.1. Irrevocable Commitments		4,795,885	1,894,212	6,690,097	3,572,418	1,327,223	4,899,641
2.1.1. Forward Asset Purchase and Sales Commitments		455,887	1,891,166	2,347,053	345,756	1,327,223	1,672,979
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3. Loan Granting Commitments		358,094	-	358,094	214,413	-	214,413
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments For Reserve Deposits Requirements		-	-	-	-	-	-
2.1.6. Payment Commitments For Checks		1,305,235	-	1,305,235	1,136,474	-	1,136,474
2.1.7. Tax and Fund Liabilities From Export Commitments		-	-	-	-	-	-
2.1.8. Commitments For Credit Card Expenditure Limits		2,656,398	-	2,656,398	1,858,018	-	1,858,018
2.1.9. Commitments For Credit Cards and Banking Services Promotions		2,514	-	2,514	-	-	-
2.1.10. Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11. Payables For Short Sale Commitments		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		17,757	3,046	20,803	17,757	-	17,757
2.2. Revocable Commitments		47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.1. Revocable Loan Granting Commitments		47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		8,276,509	49,432,697	57,709,206	935,800	22,448,018	23,383,818
3.1. Derivative Financial Instruments Held For Risk Management		-	2,451,906	2,451,906	-	2,165,533	2,165,533
3.1.1. Fair Value Hedges		-	-	-	-	-	-
3.1.2. Cash Flow Hedges		-	2,451,906	2,451,906	-	2,165,533	2,165,533
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held For Trading Transactions		8,276,509	46,980,791	55,257,300	935,800	20,282,485	21,218,285
3.2.1. Forward Foreign Currency Buy/Sell Transactions		512,110	1,242,703	1,754,813	652,622	1,755,501	2,408,123
3.2.1.1. Forward Foreign Currency Buy Transactions		276,131	603,627	879,758	347,631	862,093	1,209,724
3.2.1.2. Forward Foreign Currency Sell Transactions		235,979	639,076	875,055	304,991	893,408	1,198,399
3.2.2. Other Forward Buy/Sell Transactions		7,764,399	45,738,088	53,502,487	283,178	18,526,984	18,810,162
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		381,449,255	165,631,022	547,080,277	316,497,679	142,487,425	458,985,104
IV. ITEMS HELD IN CUSTODY		11,299,056	14,947,964	26,247,020	10,816,866	5,644,771	16,461,637
4.1. Customers' Securities Held		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		2,891,875	424,980	3,316,855	2,159,381	156,528	2,315,909
4.3. Checks Received for Collection		6,828,688	869,224	7,697,912	7,157,340	906,367	8,063,707
4.4. Commercial Notes Received for Collection		1,578,493	280,131	1,858,624	1,500,145	242,668	1,742,813
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		-	13,373,629	13,373,629	-	4,339,208	4,339,208
V. PLEDGED ITEMS		370,138,560	150,613,354	520,751,914	305,669,174	136,780,695	442,449,869
5.1. Marketable Securities		194,245	111,336	305,581	185,945	99,786	285,731
5.2. Guarantee Notes		101,727	2,402,814	2,504,541	101,681	2,133,522	2,235,203
5.3. Commodity		8,938,138	701,641	9,639,779	6,094,405	633,381	6,727,786
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		124,206,037	2,983,314	127,189,351	112,015,122	2,715,023	114,730,145
5.6. Other Pledged Items		236,698,413	144,414,249	381,112,662	187,272,021	131,198,983	318,471,004
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		11,639	69,704	81,343	11,639	61,959	73,598
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		448,815,228	221,920,794	670,736,022	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 31 DECEMBER 2019

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

3. INCOME STATEMENT

		Notes	Audited Current Period 01.01.2019-31.12.2019	Audited Prior Period 01.01.2018-31.12.2018
I.	PROFIT SHARE INCOME	(5.4.1.)	7,471,511	5,997,843
1.1.	Profit Share on Loans		6,012,483	5,053,908
1.2.	Profit Share on Reserve Deposits		86,722	92,411
1.3.	Profit Share on Banks		249,554	169,072
1.4.	Profit Share on Money Market Placements		-	-
1.5.	Profit Share on Marketable Securities Portfolio		800,637	416,738
1.5.1.	Fair Value Through Profit or Loss		66,463	27,920
1.5.2.	Fair Value Through Other Comprehensive Income		655,442	388,818
1.5.3.	Measured at Amortised Cost		78,732	-
1.6.	Finance Lease Income		259,612	229,320
1.7.	Other Profit Share Income		62,503	36,394
II.	PROFIT SHARE EXPENSE		3,975,600	2,850,053
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	3,038,951	1,995,548
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	871,989	818,702
2.3.	Profit Share Expense on Money Market Borrowings		2,514	35,789
2.4.	Expense on Securities Issued		-	-
2.5.	Profit Share Expense on Lease		62,146	14
2.6.	Other Profit Share Expense		-	-
III.	NET PROFIT SHARE INCOME (I - II)		3,495,911	3,147,790
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		468,907	349,546
4.1.	Fees And Commissions Received		769,720	549,490
4.1.1.	Non-Cash Loans		144,524	123,459
4.1.2.	Other		625,196	426,031
4.2.	Fees And Commissions Paid		300,813	199,944
4.2.1.	Non-Cash Loans		22	27
4.2.2.	Other	(5.4.13.)	300,791	199,917
V.	DIVIDEND INCOME	(5.4.3.)	2,841	1,273
VI.	NET TRADING INCOME / LOSS	(5.4.5.)	1,274,256	453,415
6.1.	Capital Market Transaction Gains/Losses		32,116	10,241
6.2.	Gains/Losses From Derivative Financial Instruments		465,170	138,101
6.3.	Foreign Exchange Gains/Losses		776,970	305,073
VII.	OTHER OPERATING INCOME	(5.4.6.)	783,319	656,516
VIII.	NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		6,025,234	4,608,540
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	2,615,137	1,949,975
X.	OTHER PROVISIONS (-)	(5.4.8.)	57,904	27,385
XI.	PERSONNEL EXPENSES (-)		1,026,615	803,290
XII.	OTHER OPERATING EXPENSES (-)		910,311	701,833
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		1,415,267	1,126,057
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.)	1,415,267	1,126,057
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(305,429)	(256,245)
18.1.	Current Tax Provision		(401,181)	(454,141)
18.2.	Deferred Tax Income Effect (+)		194,309	26,837
18.3.	Deferred Tax Expense Effect (-)		290,061	224,733
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.11.)	1,109,838	869,812
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1.	Income on Non-Current Assets Held For Sale		-	-
20.2.	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
20.3.	Income on Other Discontinued Operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1.	Expenses From Non-Current Assets Held For Sale		-	-
21.2.	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
21.3.	Expenses From Other Discontinued Operations		-	-
XXII.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1.	Current Tax Provision		-	-
23.2.	Deferred Tax Expense Effect (+)		-	-
23.3.	Deferred Tax Income Effect (-)		-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXV.	NET PROFIT/LOSS (XVII+XXII)	(5.4.12.)	1,109,838	869,812
25.1.	Group's Income/Loss		1,109,838	869,812
25.2.	Minority Interest Income/Loss (-)		-	-
	Earnings Per Share Income/Loss		-	-

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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 31 DECEMBER 2019

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

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

	Audited Current Period 31.12.2019	Audited Prior Period 31.12.2018
I. CURRENT PROFIT (LOSS)	1,109,838	869,812
II. OTHER COMPREHENSIVE INCOME	280,882	(52,138)
2.1 Other Comprehensive Income Not Reclassified Through Profit Or Loss	(5,786)	13,651
2.1.1 Property And Equipment Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	(7,233)	17,064
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-	-
2.1.5 Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1,447	(3,413)
2.2 Other Comprehensive Income Reclassified Through Profit Or Loss	286,668	(65,789)
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	393,645	(139,196)
2.2.3 Cash Flow Hedge Income/Loss	(21,235)	50,973
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	(85,742)	22,434
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	1,390,720	817,674

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 31 DECEMBER 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	or Period Profit or (Loss)	Net Prft/Loss for the Period	Total Shareholders'Equity Less Minority Shares	Minority Shares)	Total Shareholders' Equity					
Prior Period (01/01/2018 – 31/12/2018)																						
I.	Prior Period Ending Balance	3,097,322	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)	-	-	-	-	-	13,651	-	-	(106,567)	40,778	-	-	869,812	-	817,674	-	817,674				
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	-	-	-	-	-	-	-	-	-	-	(918)	-	-	(918)	-	(918)					
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	669,097	(673,991)	-	(4,894)	-	(4,894)					
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)					
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	669,097	(669,097)	-	-	-	-					
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Dönem Sonu Bakiyesi (III+IV+.....+X+XI)						(5.2.11.)	3,497,322	22,933	-	-	-	(13,296)	-	-	(117,150)	36,196	1,107,196	35,540	869,812	5,438,553	-	5,438,553
Current Period (01/01/2019 – 31/12/2019)																						
I.	Prior Period Ending Balance	3,497,322	22,933	-	-	-	(13,296)	-	-	(117,150)	36,196	1,107,196	35,540	869,812	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	35,540	-	5,438,553	-	5,438,553					
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	(5,786)	-	-	303,232	(16,564)	-	-	1,109,838	-	1,390,720	-	1,390,720				
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
VI.	Capital Increase by Internal Reserves	500,000	-	-	-	-	-	-	-	-	-	(500,000)	-	-	-	-	-					
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
X.	Increase / Decrease by Other Changes	(1,556)	317	1,239	-	-	-	-	-	-	-	(1,437)	-	-	(1,437)	-	(1,437)					
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	-	-	(19,082)	-	-	214,695	(8,981)	1,469,025	35,540	1,109,838	6,821,290	-	6,821,290

(*) 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 FLOW AS OF 31 DECEMBER 2019

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

6. STATEMENT OF CASH FLOWS

		Audited Current Period	Audited Prior Period
		01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
	Note		
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Assets And Liabilities From Banking Operations		2,919,896	2,570,212
1.1.1 Profit Share Income Received		8,005,455	5,660,024
1.1.2 Profit Share Expense Paid		(3,917,151)	(2,615,318)
1.1.3 Dividends Received		2,841	1,096
1.1.4 Fees And Commissions Received		769,720	553,884
1.1.5 Other Income		2,170,443	1,054,536
1.1.6 Collections From Previously Written Off Loans		431,694	106,667
1.1.7 Payments to Personnel And Service Suppliers		(1,099,923)	(747,241)
1.1.8 Taxes Paid		(726,502)	(403,118)
1.1.9 Others		(2,716,681)	(1,040,318)
1.2 Changes in Assets And Liabilities From Banking Operations		14,804,111	1,932,566
1.2.1 Net (Increase) Decrease Held For Trading Financial Assets		(3,524,324)	(4,710)
1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(564,636)	(1,744,784)
1.2.3 Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(12,696,274)	(9,392,623)
1.2.4 Net (Increase) Decrease in Loans		261,964	(2,882,112)
1.2.5 Net (Increase) Decrease in Other Assets		436,221	(57,331)
1.2.6 Net Increase (Decrease) in Bank Deposits		31,065,402	14,012,363
1.2.7 Net Increase (Decrease) in Other Deposits		-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		(4,746,536)	1,095,017
1.2.9 Net Increase (Decrease) in Due Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		4,572,294	906,746
I. Net Cash Provided From / (Used in) Banking Operations		17,724,007	4,502,778
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From / (Used in) Investing Activities		(8,553,521)	(1,829,187)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		-	(152,061)
2.2 Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		-	16,901
2.3 Fixed Assets Purchases		(118,542)	(62,514)
2.4 Fixed Assets Sales		-	236,500
2.5 Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(5,746,318)	(4,203,508)
2.6 Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	2,409,765
2.7 Cash Paid For Purchase of Investment Securities		(2,595,429)	-
2.8 Cash Obtained From Sale of Investment Securities		-	-
2.9 Other		(93,232)	(74,270)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From / (Used in) Financing Activities		1,354,442	(4,894)
3.1 Cash Obtained From Funds Borrowed And Securities Issued		-	-
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		-	-
3.3 Capital Increase		1,423,134	-
3.4 Dividends Paid		(6,546)	(4,894)
3.5 Payments For Finance Leases		(62,146)	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.5.4)	1,688,034	(66,621)
V. Net Increase (Decrease) in Cash And Cash Equivalents		12,212,962	2,602,076
VI. Cash And Cash Equivalents at The Beginning of The Period	(5.5.1)	6,680,124	4,078,048
VII. Cash And Cash Equivalents at The End of The Period	(5.5.1)	18,893,086	6,680,124

(*) As of 31.12.2019, it includes the payments related to the leases taken in the financial statements within the scope of "IFRS 16 Leases" which has been implemented since 01.01.2019.

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
PROFIT DISTRIBUTION TABLE AS OF 31 DECEMBER 2019

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

7. PROFIT DISTRIBUTION TABLE

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

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

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

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

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

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

Additional paragraph for convenience translation

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

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

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

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

1.3. Changes in accounting estimates, errors and classifications

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

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

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

1.5. Disclosures Regarding TFRS 9 Financial Instruments:

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

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

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

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

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

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

Classification And Measurement of Financial Instruments:

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

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

Explanations on Expected Credit Loss :

As of 1 January 2018, the Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

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

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

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

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

Furthermore, placements of CBRT and the other banks have been revised estimation of the average maturity from 1 year to 14 days in the calculation of expected credit loss. As of 31 December 2019, the change in the estimations resulted in a decrease of TL 73,904 in the expected credit loss.

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

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

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

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

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

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

1.6 Revenue from TFRS 15 Customer Contracts:

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

1.7 Explanations on IFRS 16 Leases Standard

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

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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. As of 31 December 2019, the Bank has a net usage rights of 307,782 TL and a discounted rental obligation of 326,178 TL.

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

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

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

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

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

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

3. Investments in Associates And Subsidiaries

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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 certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

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

7. Explanations on Financial Assets

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

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

7.1 Financial assets at fair value through profit or loss:

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

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7.2 Financial assets at fair value through other comprehensive income:

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

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

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

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

7.3 Financial assets measured at amortized cost:

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

Financial Assets Measured at Amortized Cost; are financial assets, other than loans and receivables, which are held for the purpose of custody until maturity, with conditions necessary for such assets to be held until contractual maturity met, including funding ability; and which have fixed or determinable payments and fixed maturities. Financial assets measured at amortized cost are initially recognized at cost and subsequently measured at amortized cost using the internal rate of return method. Profit share income related to Financial Assets measured at amortized cost is reflected in the income statement.

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.

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7.5 Loans:

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

8. Explanations on Offsetting of Financial Assets And Liabilities

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

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

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

As of 31 December 2019, the 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.

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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.

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.

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

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

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.

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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.

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) 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:
- b) The structuring shall extend the scope of the lease by including the right of use of one or more underlying assets and
- c) The increase in the rental price by the price alone and by the corresponding adjustments to the price of the respective contract alone to reflect the terms of the contract.

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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 22% for each quarter over tax base and shall be paid, then the advance taxes paid within the year shall be offset from the corporate tax calculated over the yearly corporate tax return for that year.

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

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

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

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

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

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

Deferred Tax

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

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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 13.

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 31 December 2019 Bank’s total capital has been calculated as TL 10,334,918 (31 December 2018: TL 7,463,883), capital adequacy ratio is 19.32% (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	1,469,025	1,107,196
Other Comprehensive Income According to TAS	219,108	-
Profit	1,145,378	905,352
Current Period Profit	1,109,838	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	6,856,761	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 (-)	13,394	88,537
Leasehold Improvements On Operational Leases (-)	66,940	54,010
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	124,315	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	19,082	13,296
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	4,234	2,678
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
Total Deductions From Common Equity Tier I Capital	227,965	295,789
Total Common Equity Tier I Capital	6,628,796	5,239,692

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Additional Tier I Capital Before Deductions		
Capital corresponding to privileged shares not included in the core capital and the related issuance premiums	-	-
Borrowing instruments deemed appropriate by the Authority and related issuance premiums	1,189,404	-
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)	-	-
Additional Capital Before Discounts	1,189,404	-
Deductions From Additional Tier I Capital	-	-
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	1,189,404	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	7,818,200	5,239,692
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	2,073,398	1,847,727
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	-
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	565,274	460,610
Total Deductions From Tier II Capital	2,638,672	2,308,337
Deductions From Tier II Capital	-	-
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Total Deductions From Tier II Capital	-	-
Total Tier II Capital	2,638,672	2,308,337
Total Equity (Total Tier I And Tier II Capital)	10,456,872	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 (-)	5,505	-
Other Items To Be Defined By The BRSA (-)	116,449	84,146
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
Capital		
Total Capital (Total Of Tier I Capital And Tier II Capital)	10,334,918	7,463,883
Total Risk Weighted Assets	53,504,497	42,206,862
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	12.39	12.41
Tier I Capital Ratio (%)	14.61	12.41
Capital Adequacy Ratio (%)	19.32	17.68
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.50	1.88
Capital Conservation Buffer Ratio (%)	2.50	1.88
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	7.89	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)	565,274	460,610
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	565,274	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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Information on debt instruments included in the calculation of equity:		
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED
Instrument code (CUSIP, ISIN etc.)	XS1323608635	XS2028862998
Governing Law(s) of the Instrument	Regulation on Equity of Banks	Regulation on Equity of Banks
Special Consideration in the Calculation of Equity		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated / Consolidated	Consolidated / Unconsolidated	Consolidated / Unconsolidated
Instrument Type	Subordinated Sukuk	Subordinated Sukuk
Amount recognized in regulatory capital (as of most recent reporting date)	2,073	1,189
Par Value of Instrument (Million TL)	2,073	1,189
Accounting Classification	3470103	3470003
Original date of Issuance	17/02/2016	16/07/2019
Perpetual or dated	Dated	Dated
Maturity date	10 Years (Maturity Date: 17/02/2026)	5 Years (Maturity Date: 16/07/2024)
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	17/02/2021 - All	16/07/2024 – All
Subsequent call dates	17/02/2021	16/07/2024
Profit Share / Dividends		
Fixed or floating profit share / dividend	Fixed	Fixed
Profit share rate and any related index	7.90%	9.13%
Existence of a dividend stopper	No	No
Fully discretionary, partially iscretionary or mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or Non-convertible		
If convertible, conversion trigger	Cannot be converted to stock	Cannot be converted to stock
If convertible, fully or partially	Cannot be converted to stock	Cannot be converted to stock
If convertible, conversion rate	Cannot be converted to stock	Cannot be converted to stock
If convertible, mandatory or optional conversion	Cannot be converted to stock	Cannot be converted to stock
If convertible, specify instrument type convertible into	Cannot be converted to stock	Cannot be converted to stock
If convertible, specify issuer of instrument it converts to	Cannot be converted to stock	Cannot be converted to stock
Write-down feature		
If write-down, write-down trigger(s)	No derating feature	No derating feature
If write-down, full or partial	No derating feature	No derating feature
If write down, permanent or temporary	No derating feature	No derating feature
If temporary write-down, description of write-up mechanism	No derating feature	No derating feature
Position of subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Participation Accounts	Tier - 1
In compliance with article number 7 and 8 of “Own fund regulation”	None	None
Details of incompliances with article number 7 and 8 “Own fund regulation”	None	None

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1.2 Approaches applied to assess the adequacy of internal capital requirement in terms of current and future activities:

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the bank, and to provide the availability of adequate capital in order to cover these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the 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 and Disclosures related to Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or Central Banks	30,612,396	23,276,679
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	80,031	6,669
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	15,964,226	13,517,315
Conditional and unconditional receivables from corporates	14,756,674	13,540,591
Conditional and unconditional receivables from retail portfolios	9,606,960	9,517,428
Conditional and unconditional receivables secured by mortgages	14,693,282	14,641,742
Collateralized receivables with mortgages	-	-
Past due receivables	325,908	292,985
Receivables defined under high risk category by BRSA	71,775	127,657
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	94,539	92,180
Stock Investments	564,853	472,776
Other receivables	5,590,186	5,521,930
Total	92,360,830	81,007,952

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

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

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Risk Classifications	Prior Period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or Central Banks	14,335,998	10,991,863
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	11,557,943	8,793,292
Conditional and unconditional receivables from corporates	12,719,675	12,583,436
Conditional and unconditional receivables from retail portfolios	8,545,598	8,809,967
Conditional and unconditional receivables secured by mortgages	15,069,170	15,366,306
Collateralized receivables with mortgages	-	-
Past due receivables	148,718	119,227
Receivables defined under high risk category by BRSA	137,339	58,704
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	110,567	139,501
Stock Investments	-	-
Other receivables	7,079,316	4,797,221
Total	69,704,324	61,659,517

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

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

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2.1. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional receivables from central governments of Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	30,612,396	-	8,608,241	14,644,904	9,592,411	14,542,010	325,232	71,775	94,539	-	-	78,491,508
European Union Countries	-	-	427,217	4,803	4,617	25,985	1	-	-	-	-	462,623
OECD Countries (**)	-	-	2,283,038	104	305	5,139	187	-	-	-	-	2,288,773
Off-Shore Regions	-	-	596,972	43,215	4,033	91,304	-	-	-	-	-	735,524
USA, Canada	-	-	1,796,239	195	107	1,393	-	-	-	-	-	1,797,934
Other Countries	-	80,031	2,252,519	63,453	5,487	27,451	488	-	-	-	-	2,429,429
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	564,853	-	564,853
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	5,590,186	5,590,186
Total (****)	30,612,396	80,031	15,964,226	14,756,674	9,606,960	14,693,282	325,908	71,775	94,539	564,853	5,590,186	92,360,830

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

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

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

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

Prior Period (*)	Conditional and unconditional receivables from central governments of Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	14,330,764	-	7,143,346	12,625,853	8,528,354	14,900,002	148,049	137,339	81,584	-	-	57,895,291
European Union Countries	-	-	619,986	1,733	7,514	28,575	-	-	-	-	-	657,808
OECD Countries (**)	-	-	1,454,388	1,067	183	6,246	-	-	-	-	-	1,461,884
Off-Shore Regions	-	-	63,002	25,733	4,044	75,875	-	-	-	-	-	168,654
USA, Canada	-	-	1,414,111	200	70	1,639	-	-	-	-	-	1,416,020
Other Countries	5,234	-	863,110	65,088	5,433	56,833	669	-	28,983	-	-	1,025,350
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	522,950	-	522,950
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	6,556,366	6,556,366
Total	14,335,998	-	11,557,943	12,719,674	8,545,598	15,069,170	148,718	137,339	-	522,950	6,556,366	69,593,756

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

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

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

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

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2.2. Risk profile by sectors or counterparties

Current Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional receivables secured by retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Stock Investment	Other receivables	TL	FC	Total(*)
Agriculture	-	-	-	-	-	-	119,667	156,206	225,587	5,056	57	-	-	-	-	-	-	441,927	64,646	506,573
Farming and Stockbreeding	-	-	-	-	-	-	106,093	108,362	172,439	4,850	-	-	-	-	-	-	-	338,736	53,008	391,744
Forestry	-	-	-	-	-	-	13,557	46,517	52,633	206	57	-	-	-	-	-	-	101,630	11,340	112,970
Fishery	-	-	-	-	-	-	17	1,327	515	-	-	-	-	-	-	-	-	1,561	298	1,859
Manufacturing	-	-	-	-	-	-	6,058,671	2,702,394	3,073,301	41,992	333	-	-	-	-	-	-	10,426,041	1,450,650	11,876,691
Mining and Quarrying	-	-	-	-	-	-	760,612	511,372	474,847	7,379	324	-	-	-	-	-	-	1,519,291	235,243	1,754,534
Production	-	-	-	-	-	-	2,709,562	1,931,744	2,353,566	32,577	9	-	-	-	-	-	-	5,945,017	1,082,441	7,027,458
Electricity, Gas and Water	-	-	-	-	-	-	2,588,497	259,278	244,888	2,036	-	-	-	-	-	-	-	2,961,733	132,966	3,094,699
Construction	-	-	-	-	-	-	3,972,764	1,211,622	2,358,297	137,757	37	-	-	-	-	-	-	7,234,628	445,849	7,680,477
Services	30,612,396	-	-	80,031	-	15,964,226	3,752,259	3,209,367	3,763,232	124,496	228	-	-	-	94,539	564,853	-	15,723,297	42,442,330	58,165,627
Wholesale and Retail Trade	-	-	-	-	-	-	2,252,736	2,185,655	2,490,142	62,331	205	-	-	-	-	-	-	6,076,176	914,893	6,991,069
Accommodation and Dining	-	-	-	-	-	-	36,887	87,037	241,753	19,415	-	-	-	-	-	-	-	343,670	41,422	385,092
Transportation and Telecom.	-	-	-	-	-	-	765,109	462,754	284,925	8,028	20	-	-	-	-	-	-	1,426,176	94,660	1,520,836
Financial Institutions	30,612,396	-	-	80,031	-	15,964,226	47,086	1,358	4,177	339	-	-	-	-	94,539	564,853	-	6,126,549	41,242,455	47,369,005
Real Estate and Rental Services	-	-	-	-	-	-	303,842	98,475	278,747	29,430	-	-	-	-	-	-	-	684,314	26,180	710,494
Professional Services	-	-	-	-	-	-	2,017	239	187	-	-	-	-	-	-	-	-	2,443	-	2,443
Educational Services	-	-	-	-	-	-	64,708	60,495	141,753	699	-	-	-	-	-	-	-	256,249	11,406	267,655
Health and Social Services	-	-	-	-	-	-	279,874	313,355	321,548	4,254	3	-	-	-	-	-	-	807,720	111,314	919,033
Others	-	-	-	-	-	-	853,313	2,327,370	5,272,866	16,607	71,120	-	-	-	-	-	5,590,186	10,976,788	3,154,674	14,131,462
Total	30,612,396	-	-	80,031	-	15,964,226	14,756,674	9,606,960	14,693,282	325,908	71,775	-	-	-	94,539	564,853	5,590,186	44,802,681	47,558,149	92,360,830

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

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

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Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total(*)
Agriculture	-	-	-	-	-	-	162,292	127,432	170,992	887	165	-	-	-	-	-	369,171	92,597	461,768
Farming and Stockbreeding	-	-	-	-	-	-	141,219	89,493	119,124	514	165	-	-	-	-	-	271,617	78,898	350,515
Forestry	-	-	-	-	-	-	21,057	37,653	51,481	373	-	-	-	-	-	-	96,874	13,690	110,564
Fishery	-	-	-	-	-	-	16	286	387	-	-	-	-	-	-	-	680	9	689
Manufacturing	-	-	-	-	-	-	5,571,102	2,360,429	2,934,869	27,184	6,139	-	-	-	-	-	4,680,606	6,219,117	10,899,723
Mining and Quarrying	-	-	-	-	-	-	656,519	442,318	466,638	4,991	1,496	-	-	-	-	-	934,316	637,646	1,571,962
Production	-	-	-	-	-	-	2,419,377	1,807,383	2,212,894	21,775	3,778	-	-	-	-	-	3,481,545	2,983,662	6,465,207
Electricity, Gas and Water	-	-	-	-	-	-	2,495,206	110,728	255,337	418	865	-	-	-	-	-	264,745	2,597,809	2,862,554
Construction Services	14,335,998	-	-	-	-	11,557,943	2,619,301	1,308,575	3,178,670	33,537	13,240	-	-	-	-	-	4,661,653	2,491,670	7,153,323
Wholesale and Retail Trade	-	-	-	-	-	-	3,402,598	3,070,787	3,940,959	64,328	36,570	-	-	-	-	110,567	10,459,392	26,060,358	36,519,750
Accommodation and Dining	-	-	-	-	-	-	1,741,363	2,052,541	2,609,256	43,163	33,816	-	-	-	-	-	4,520,753	1,959,386	6,480,139
Transportation and Telecom.	-	-	-	-	-	-	102,139	84,121	240,799	5,366	1,168	-	-	-	-	-	209,585	224,008	433,593
Financial Institutions	-	-	-	-	-	-	871,931	457,554	331,670	10,364	343	-	-	-	-	-	730,921	940,941	1,671,862
Real Estate and Rental Services	14,335,998	-	-	-	-	11,557,943	3,252	709	3,474	1	-	-	-	-	-	110,567	3,716,381	22,295,563	26,011,944
Professional Services	-	-	-	-	-	-	329,550	101,156	269,928	1,111	302	-	-	-	-	-	381,393	320,654	702,047
Educational Services	-	-	-	-	-	-	37	357	217	-	-	-	-	-	-	-	611	-	611
Health and Social Services	-	-	-	-	-	-	81,693	55,495	158,899	42	-	-	-	-	-	-	193,728	102,401	296,129
Others	-	-	-	-	-	-	272,633	318,854	326,716	4,281	941	-	-	-	-	-	706,020	217,405	923,425
Total	14,335,998	-	-	-	-	11,557,943	964,382	1,678,375	4,843,680	22,782	81,225	-	-	-	-	7,079,316	9,444,110	5,225,650	14,669,760
							12,719,675	8,545,598	15,069,170	148,718	137,339	-	-	-	110,567	7,079,316	29,614,932	40,089,392	69,704,324

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

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

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

Risk Categories (*) – Current Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	425,122	-	-	1,728,966	11,862,713
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	80,031
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,772,354	852,076	5,165,590	55,029	1,128,348
Conditional and unconditional receivables from corporates	2,570,647	692,051	2,894,299	1,269,541	7,302,313
Conditional and unconditional receivables from retail portfolios	1,582,405	747,055	1,121,613	1,587,319	4,407,322
Conditional and unconditional receivables secured by mortgages	961,021	579,140	958,207	1,983,077	10,211,837
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	71,713	62	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	57,729	11,341	21,765	500	3,205
Stock Investments	-	-	-	-	564,853
Other Receivables	-	-	-	-	-
Toplam	7,440,991	2,881,725	10,161,474	6,624,432	35,560,622

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

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

Risk Categories (*) – Prior Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	194,001	365,306	155,773	-	5,351,089
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,114,939	1,561,667	923,323	303,169	235,198
Conditional and unconditional receivables from corporates	2,779,392	537,376	1,446,766	1,408,712	6,522,535
Conditional and unconditional receivables from retail portfolios	1,375,118	704,468	1,080,494	1,723,192	3,520,864
Conditional and unconditional receivables secured by mortgages	832,833	568,743	1,188,187	2,224,151	10,255,256
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	95,104	1,498	1,635	2,745	36,357
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	-	-	11,227	16,545	82,795
Stock Investments	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	7,391,387	3,739,058	4,807,405	5,678,514	26,004,094

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

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

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2.4 Exposure Categories

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

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

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

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

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

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2.5 Credit risk using the standard approach:

2.5.1. Credit risk exposed and credit risk mitigation effects:

		CCF and CRM		CCF and CRM		RWA and RWA density	
		Receivable before		Receivable post			
	Risk Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Receivables from central governments and Central Banks	30,187,274	-	33,203,934	-	8,410,209	25
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	80,031	-	80,031	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	14,997,685	1,448,897	14,997,685	441,958	7,805,358	51
7	Receivables from corporate	11,857,112	6,041,797	9,918,926	2,895,423	12,542,142	98
8	Retail receivables	7,473,507	7,335,009	6,834,853	2,127,036	6,528,583	73
9	Receivables secured by residential property	6,576,129	800,583	6,449,840	345,249	2,354,030	35
10	Receivables secured by commercial property	7,139,330	1,343,866	6,841,721	631,961	4,605,711	62
11	Non-performing receivables	325,908	-	309,986	-	162,208	52
12	Receivables in high-risk categories	71,775	-	71,775	-	107,637	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	94,539	-	94,539	-	24,598	26
16	Other receivables	5,590,186	-	5,590,186	-	1,917,833	34
17	Stock investments	564,853	-	564,853	-	564,853	100
18	Total	84,958,329	16,970,152	84,958,329	6,441,627	45,023,162	

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2.5.2. Exposures by asset classes and risk weights:

Risk Classes / Risk Weights		0%	10%	20%	35%	50%	75%	100%	150%	200%	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	16,383,517	-	-	-	16,820,417	-	-	-	-	33,203,934
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	80,031	-	-	-	-	-	-	-	-	80,031
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	187,259	-	4,674,170	-	7,415,378	-	3,162,836	-	-	15,439,643
7	Receivables from corporate	148,383	-	154,780	-	-	-	12,511,186	-	-	12,814,349
8	Retail receivables	142,071	-	156,874	-	-	8,662,945	-	-	-	8,961,890
9	Receivables secured by residential property	48,758	-	47,908	6,698,423	-	-	-	-	-	6,795,089
10	Receivables secured by commercial property	55,594	-	79,821	-	5,497,040	-	1,841,227	-	-	7,473,682
11	Non-performing receivables	400	-	831	-	293,427	-	15,328	-	-	309,986
12	Receivables in high-risk categories	17	-	-	-	-	-	-	71,758	-	71,775
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	37,135	-	17,988	-	36,832	-	2,584	-	-	94,539
16	Stock investments	-	-	-	-	-	-	564,853	-	-	564,853
17	Other receivables	3,187,638	-	605,894	-	-	-	1,796,654	-	-	5,590,186
18	Total	20,270,803	-	5,738,266	6,698,423	30,063,094	8,662,945	19,894,668	71,758	-	91,399,956

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2.6. Risk amounts according to risk weights:

Current										
Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions
Risk Weights										from Equity
Exposures before Credit Risk Mitigation	18,879,518	-	5,298,052	6,921,378	28,379,659	9,600,544	22,249,031	71,775	-	-
Exposures after Credit Risk Mitigation	20,270,803	-	5,738,266	6,698,423	30,063,094	8,662,945	19,894,668	71,758	-	-
Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions
Risk Weights										from Equity
Exposures before Credit Risk Mitigation	12,873,387	-	3,499,218	6,701,775	16,991,820	8,536,013	20,574,154	137,339	-	84,146
Exposures after Credit Risk Mitigation	14,658,087	-	3,778,995	6,488,528	17,688,593	7,457,743	19,138,997	102,763	-	84,146

2.7. Information by major sectors and type of counterparties

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

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

	Loans	Provisions
	Impaired Loans	
Current Period	Significant Increase in Credit Risk (Stage II)	Default (Stage III)
Agriculture	158,153	30,991
Farming and Stockbreeding	115,499	24,357
Forestry	41,860	3,606
Fishery	794	3,028
Manufacturing	1,600,817	376,583
Mining and Quarrying	251,886	56,884
Production	1,244,865	304,370
Electricity, Gas and Water	104,066	15,329
Construction	1,206,802	701,370
Services	2,246,279	820,221
Wholesale and Retail Trade	1,454,282	473,620
Accommodation and Dining	80,853	90,300
Transportation and Telecommunication	231,402	68,157
Financial Institutions	341	3,904
Real Estate and Rental Services.	239,020	140,311
Professional Services	280	-
Educational Services	116,459	3,466
Health and Social Services	123,642	40,463
Others	635,884	114,509
Total	5,847,935	2,043,674
		2,529,256

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

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Prior Period	Loans		Provisions
	Impaired Loans		Expected Credit Loss Provisions (*)
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	
Agriculture	63,086	9,746	13,846
Farming and Stockbreeding	31,154	2,938	2,987
Forestry	31,293	1,804	5,850
Fishery	639	5,004	5,009
Manufacturing	1,115,007	262,681	378,696
Mining and Quarrying	250,079	54,398	90,889
Production	806,806	193,924	239,988
Electricity, Gas and Water	58,122	14,359	47,819
Construction	1,510,587	325,507	491,122
Services	1,451,460	482,450	473,147
Wholesale and Retail Trade	972,821	301,443	279,822
Accommodation and Dining	147,390	23,628	45,081
Transportation and Telecommunication	148,179	49,934	42,779
Financial Institutions	58	13,584	13,582
Real Estate and Rental Services.	59,340	64,699	65,087
Professional Services	217	2	14
Educational Services	14,885	109	1,536
Health and Social Services	108,570	29,051	25,246
Others	425,368	99,383	139,734
Total	4,565,508	1,179,767	1,496,545

2.8. Movements in value adjustments and provisions

Current Period (*****)	Opening Balance	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	841,056	2,061,231	(395,761)	(974,156)	1,532,370
Stage 1&2 Provisions (**)	1,092,687	553,906	(167,574)	-	1,479,019

Prior Period (*****)	Opening Balance	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	489,571	658,814	(204,187)	(103,142)	841,056
Stage 1&2 Provisions (**)	330,083	1,291,161	(528,557)	-	1,092,687

(*) Represents Stage III expected loss provision.

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

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

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

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

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2.9. Risk involved in counter-cyclical capital buffer calculation

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	27,110,378	-	27,110,378
Bahrain	91,183	-	91,183
Albania	35,928	-	35,928
Iraq	17,681	-	17,681
Marshall Islands	16,257	-	16,257
Qatar	9,628	-	9,628
Germany	6,688	-	6,688
Italy	3,213	-	3,213
Hungary	2,992	-	2,992
Saudi Arabia	2,797	-	2,797
Other	23,091	-	23,091

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	24,970,123	-	24,970,123
Bahrain	73,673	-	73,673
Albania	34,419	-	34,419
Saudi Arabia	22,379	-	22,379
Iraq	12,135	-	12,135
Qatar	9,751	-	9,751
Marshall Islands	8,217	-	8,217
Germany	8,208	-	8,208
United Arab Emirates	5,257	-	5,257
Uzbekistan	5,170	-	5,170
Other	28,222	-	28,222

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

The Bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings are shown the table below as of 31 December 2018.

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

Note: All portfolio is rated.

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3. 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 "standard method" and the "value at risk method" used in legal reporting are used to measure the exchange rate risk of the bank. Measurements made under the standard method are carried out on a monthly basis and measurements made under the risk-exposed Value Method are carried out on a daily basis.

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

As of 31 December 2019, the Bank carries a net foreign currency long position of TL 8,252,773 (31 December 2018 – TL 655,043 long position) comprising of TL 7,932,219 balance sheet short position (31 December 2018 - TL 692,847 long position) and TL 320,554 off balance sheet long position (31 December 2018 – TL 37,804 long position).

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

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

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

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

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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	6,400,386	6,143,746	4,580,207	17,124,339
Banks (***)	3,971,361	288,620	2,715,001	6,974,982
Financial assets at fair value through profit and loss	-	132,718	3,774,336	3,907,054
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	5,035,423	4,628,070	68,567	9,732,060
Loans and finance lease receivables (*)	10,959,138	13,987,774	94,287	25,041,199
Subsidiaries, associates and joint ventures (**)	445,754	-	-	445,754
Financial assets at amortized cost	2,023,806	607,108	-	2,630,914
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	957	-	957
Intangible assets	-	25	-	25
Other assets	847,646	87,235	1,640	936,521
Total assets	29,683,514	25,876,253	11,234,038	66,793,805
Liabilities				
Current account and funds collected from Banks via participation accounts	112,377	285,276	146,869	544,522
Current and profit sharing accounts FC (****)	9,245,730	29,553,434	10,740,372	49,539,536
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	178,339	6,430,335	1,251,255	7,859,929
Marketable securities issued	-	-	-	-
Miscellaneous payables	51,129	67,293	610	119,032
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	122,379	312,517	43,117	478,013
Total liabilities	9,709,954	36,648,855	12,182,223	58,541,032
Net balance sheet position	19,973,560	(10,772,602)	(948,185)	8,252,773
Net off-balance sheet position	(20,055,53)	11,193,288	930,027	(7,932,219)
Financial derivative assets	371,546	19,860,378	1,463,898	21,695,822
Financial derivative liabilities	20,427,080	8,667,090	533,871	29,628,041
Non-cash loans (***)	1,882,866	2,503,577	576,420	4,962,863
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 2,662,329 (31 December 2018 – TL 5,425,809) followed as TL on the balance sheet and expected credit loss amounting to TL 608,551

(**) TL 445,754 (31 December 2018 - TL 445,754) of the subsidiaries amounting to TL 544,853 in the balance sheet includes foreign currency subsidiary and subsidiary.

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

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

(*****) Other liabilities at fair value through TL 1,057 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 95,676

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

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 165,177 (31 December 2018 – TL 12,528)
- Prepaid expenses : TL 1,217 (31 December 2018 - 706 TL)
- Derivative financial liabilities held for trading : TL 164,719 (31 December 2018 – TL 41,936)
- Marketable securities of FC revaluation reverse: (82,154) (31 December 2018 - TL (51,432))
- Derivative financial liabilities held for hedging : TL 129,728 (31 December 2018 - TL 106,352)

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

- Forward foreign currency purchase transactions TL 907,403 (31 December 2018 – TL 538,844)
- Forward foreign currency sale transactions: TL 983,763 (31 December 2018 – TL 788,379)
- Precious metal purchase transactions: TL 15,348 (31 December 2018 – TL 538,980)
- Precious metal sale transactions: TL 322,394 (31 December 2018 – TL 1,561)

Currency risk sensitivity

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

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

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	42,069	1,289	50,284	(3,854)
EURO	10%	(8,197)	(2,816)	(8,197)	(2,816)
GOLD	10%	3,545	(62,195)	3,545	(62,195)

4.Explanations related to stock position risk

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

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

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

Current Period Equity Securities (shares) investments (*)	Comparison		
	Carrying Value	Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	38,583	-	-
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	544,853	-	157,740
Quoted Securities	53,418	-	157,740
Other	20,000	-	-
Quoted Securities	-	-	-
Prior Period Equity Securities (shares) investments (*)	Comparison		
	Carrying Value	Fair Value	Market Value
Securities Available-for-Sale	27,548	-	-
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	522,950	-	80,520
Quoted Securities	53,416	-	80,520
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.

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

None.

5. Liquidity risk management and liquidity coverage ratio

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

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

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

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

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

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

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

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

5.2. 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.

5.3 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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5.4 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.

5.5. Information on liquidity risk mitigation techniques:

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

5.6. Information on the use of stress tests:

In order to analyze the source of the possible liquidity insufficiencies and whether conformably move exists on existing off-balance sheet and balance sheet positions relevant with liquidity risk expectation, 3 types liquidity stress tests are applied by Risk Management Directorate. These includes stress test scenarios are special to the 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.

5.7. General information about the contingency funding plan:

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

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Analysis of financial liabilities by remaining contractual maturities:

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

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2019								
Funds Collected (*)	76,722,604	5,805,060	2,876,946	89,777	-	85,494,387	-	85,494,387
Other Fundings	699,008	353,968	1,821,819	5,408,168	2,328,110	10,611,073	(1,838,413)	8,772,660
Funds provided under repurchase agreements	-	-	-	-	-	-	-	-
Finance Lease Payable	13,524	23,118	85,987	181,209	22,340	326,178	-	326,178
Total	77,435,136	6,182,146	4,784,752	5,679,154	2,350,450	96,431,638	(1,838,413)	94,593,225
31 December 2018								
Funds Collected (*)	48,526,696	4,167,482	1,257,497	34,603	-	53,986,278	-	53,986,278
Other Fundings	916,955	997,058	4,889,306	4,720,325	2,212,653	13,736,297	(1,692,198)	12,044,099
Funds provided under repurchase agreements	188,990	-	-	-	-	188,990	(987)	188,003
Total	49,632,641	5,164,540	6,146,803	4,754,928	2,212,653	67,911,565	(1,693,185)	66,218,380

Maturity analysis for guarantees and contingencies

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
31 December 2019								
Letters of Guarantee	5,339,185	141,073	492,414	2,339,451	1,590,962	103,581	-	10,006,666
Bills of Exchange and Bank Acceptances	810	10,792	20,733	19,943	2,757	-	-	55,035
Letters of Credit	501,105	155,156	396,019	306,255	15,474	-	-	1,374,009
Other guarantees	337,440	-	1,633	114,656	8,160	3,703	-	465,592
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
Total	6,178,540	307,021	910,799	2,780,305	1,617,353	107,284	-	11,901,302
31 December 2018								
Letters of Guarantee	5,686,196	81,800	441,412	2,453,996	1,605,546	120,448	-	10,389,398
Bills of Exchange and Bank Acceptances	360	19,120	27,698	26,920	-	-	-	74,098
Letters of Credit	429,522	139,102	212,454	241,055	57,665	78	-	1,079,876
Other guarantees	198,735	-	1,630	109,403	11,773	3,177	-	324,718
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
Total	6,314,813	240,022	683,194	2,831,374	1,674,984	123,703	-	11,868,090

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Contractual maturity analysis of derivative instruments:

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

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Liquidity coverage ratio

<i>Current Period</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	24,714,648	21,462,978	22,675,028	19,423,358
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	46,313,166	14,182,057	4,066,738	1,418,206
3	Stable deposits	11,291,580	-	564,579	-
4	Less stable deposits	35,021,586	14,182,057	3,502,159	1,418,206
5	Unsecured wholesale funding, of which:	14,184,533	8,940,750	6,812,216	4,156,714
6	Operational deposits	-	-	-	-
7	Non-operational deposits	13,348,175	8,708,260	5,975,858	3,924,224
8	Unsecured funding	836,358	232,490	836,358	232,490
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	13,204,966	12,239,063	13,204,966	12,239,063
11	Outflows related to derivative exposures and other collateral requirements	12,609,289	12,239,063	12,609,289	12,239,063
12	Outflows related to restructured financial Instruments	595,677	-	595,677	-
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	16,222,620	4,987,076	1,162,427	274,128
16	TOTAL CASH OUTFLOWS			25,246,347	18,088,111
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	15,883,591	12,061,329	13,990,336	11,443,387
19	Other cash inflows	12,845,603	6,880,189	12,845,603	6,880,189
20	TOTAL CASH INFLOWS	28,729,194	18,941,518	26,835,939	18,323,576
				Upper Limit Applied Value	
21	TOTAL HQLA			22,675,028	19,423,358
22	TOTAL NET CASH OUTFLOWS			6,311,587	4,522,028
23	LIQUIDITY COVERAGE RATIO (%)			359.26	429.53

(*) 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 December 2019:

	Highest	Date	Lowest	Date	Average
TL+FC	395.83	19/07/2019	200.76	16/08/2019	319.35
FC	469.13	19/07/2019	226.06	16/08/2019	372.93

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

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Liquidity risk management and liquidity coverage ratio (continued)

<i>Prior Period</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	10,508,441	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	7,596,177	11,296,909	-	-	-	-	-	18,893,086
Banks (*)	6,987,825	-	-	-	-	-	-	6,987,825
Financial assets at fair value through profit and loss	-	4,690	22,096	1,163,895	2,811,540	9,521	-	4,011,742
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	97,758	3,770,234	8,547,246	17,850	197,379	12,630,467
Loans (**)	-	12,345,375	7,966,284	16,080,327	17,319,647	2,353,114	(1,150,167)	54,914,580
Loans measured at amortised cost	-	-	-	-	2,630,914	-	-	2,630,914
Other assets (***)	100,001	1,473,688	13,048	-	358,097	-	2,425,897	4,370,731
Total assets	14,684,003	25,120,662	8,099,186	21,014,456	31,667,444	2,380,485	1,473,109	104,439,35
Liabilities								
Current account and funds collected from banks via participation accounts	-	-	-	-	-	-	-	-
Current and profit sharing accounts	481,239	41,068	-	33,356	-	-	-	555,663
Funds provided from other financial institutions	35,180,422	41,019,875	5,805,060	2,843,590	89,777	-	-	84,938,724
Money market borrowings	-	642,434	291,696	1,581,288	4,419,280	2,239,399	-	9,098,838
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-	-
Other Liabilities (****)	276,465	111,714	-	-	-	-	-	388,179
Total Liabilities	35,938,126	42,875,472	6,417,401	4,576,822	4,471,165	2,239,399	7,920,960	104,439,35
Net liquidity gap	(21,254,123)	(17,754,810)	1,681,785	16,437,634	21,196,279	141,086	(6,447,851)	-
Prior period								
Total assets	10,418,405	20,761,571	6,307,308	14,845,579	18,515,472	2,689,247	694,743	74,232,325
Total liabilities	22,289,365	28,792,696	5,243,863	5,780,662	3,990,081	1,901,210	6,234,448	74,232,325
Net liquidity gap	(11,870,960)	(8,031,125)	1,063,445	9,064,917	14,525,391	788,037	(5,539,705)	-

(*) Expected losses are netted off with provision.

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

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

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

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6. 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)	100,598,884	73,486,996
2	(Assets deducted in determining Tier I Capital)	(209,873)	(250,604)
3	Total on-balance sheet risks (sum of lines 1 and 2)	100,389,011	73,236,392
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	288,592	125,968
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	390,743	134,811
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	679,335	260,779
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	572,070	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)	572,070	863,204
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	65,619,596	61,704,440
11	(Adjustments for conversion to credit equivalent amounts)	(42,603,597)	(40,649,139)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	23,015,999	21,055,301
Capital and total risks			
13	Tier I Capital	7,708,462	5,313,980
14	Total risks (sum of lines 3, 6, 9 and 12)	124,656,415	95,415,676
Leverage ratio			
15	Leverage ratio	6.18	5.57

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was %6.18 % (31 December 2018 - 5.57%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital increased by 45% due to the profit for the period, balance-sheet risks increased by 37%, and off balance sheet items increased by 9%. Accordingly, the leverage ratio of the current period compared to the previous year shows a increase of 61 basis points.

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7. Explanations on fair values of financial assets and liabilities

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Banks	6,990,830	6,419,648	6,990,830	6,419,648
Financial assets at FVTOCI	12,630,467	6,396,065	12,630,467	6,396,065
Financial assets valued at amortised cost	2,630,914	-	2,659,331	-
Loans and lease receivables	55,882,295	46,619,267	49,229,213	45,213,605
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	555,663	252,892	555,663	252,892
Other current and profit sharing accounts	84,938,724	53,733,386	84,938,724	53,733,386
Money market borrowings	-	187,266	-	188,003
Funds provided from other financial institutions	8,772,660	12,044,099	7,296,088	12,118,809
Finance Lease Payable	326,178	-	326,178	-
Other Liabilities	1,285,273	1,434,479	1,285,273	1,434,479

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

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

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

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9. Explanations on hedge accounting practices

TFRS 9 permits to defer application of TFRS 9 hedge accounting principles and permits the companies continue to apply hedge accounting principles of TAS 39 as a policy choice. In this context, the 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 December 31, 2019 and the net fair values of the financial instruments are summarized in the table below:

	Current Period			Prior Period		
	Principal*	Asset	Liability	Principal*	Asset	Liability
Derivative Financial Instruments	-	-	-	-	-	-
Cross currency swap transactions (CFH)	1,289,330	-	129,728	1,144,549	-	106,352
Total	1,289,330	-	129,728	1,144,549	-	106,352

(*) Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 1,162,576 (December 31, 2018: TL 1,020,984) the total notional of derivative financial assets amounting to TL 2,451,906 (December 31, 2018: TL 2,165,533) is accounted for in off-balance sheet under “Derivative financial instruments held for risk management” line item.

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

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

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

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

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Cash flow hedge:

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

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

Current Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Assets	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1,162,576	(11,514)

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

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

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

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

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

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

As of December 31, 2019 cash flow hedge transactions have been determined as effective.

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10. Explanations On 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.

10.1. Explanations on Risk Management and Risk Weighted Amounts:

10.1.1. GBA – Bank’s Risk Management Approach:

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

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

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

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

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

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

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

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

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

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

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

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10.1.2. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2019	Prior Period 31/12/2018	Current Period 31/12/2019
1	Credit risk (excluding counterparty credit risk) (CCR)	44,998,563	36,698,184	3,599,885
2	Standardised approach (SA)	45,023,161	36,757,533	3,601,853
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	198,727	91,242	15,898
5	Standardised approach for counterparty credit risk (SA-CCR)	198,727	91,242	15,898
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	24,598	59,344	1,968
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2,697,263	1,070,340	215,781
17	Standardised approach (SA)	2,697,263	1,070,340	215,781
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	5,585,346	4,287,752	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)	53,504,497	42,206,862	4,280,360

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

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards					
		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securization Positions	Market Risk	No subject to capital requirements or subject to deduction from capital
Assets							
Cash and Balances with Central Bank of Turkey	18,893,086	18,893,086	18,893,086	-	-	-	-
Banks	6,990,830	6,990,830	6,990,830	-	-	-	-
Receivables From Money Markets	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	4,011,742	4,011,742	-	-	-	4,011,742	-
Financial Assets at Fair Value Through OCI	12,630,467	12,630,467	12,630,467	-	-	-	-
Financial Assets Measured at Amortised Cost	2,630,914	2,630,914	2,630,914	-	-	-	-
Derivative Financial Assets	183,947	183,947	-	183,947	-	-	-
Expected Loss Provisions (-)	3,014,394	3,014,394	1,532,370	-	-	-	1,482,024
Loans	55,218,449	55,218,449	55,218,449	-	-	-	-
Lease Receivables	2,707,520	2,707,520	2,707,520	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	473,326	473,326	473,326	-	-	-	-
Subsidiaries	544,853	544,853	544,853	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	20,000	20,000	20,000	-	-	-	-
Tangible Assets (Net)	1,034,952	1,034,952	1,034,952	-	-	-	-
Intangible Assets (Net)	133,980	133,980	133,980	-	-	-	-
Investment Properties (Net)	25,146	25,146	25,146	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-
Deferred Tax Asset	358,097	358,097	358,097	-	-	-	-
Other Assets	1,596,430	1,596,430	1,596,430	-	-	-	-
Total Assets	104,439,345	104,439,345	103,258,050	183,947	-	4,011,742	1,482,024
Liabilities							
Funds Collected	85,494,387	85,494,387	-	-	-	-	85,494,387
Borrowings	5,391,677	5,391,677	-	-	-	-	5,391,677
Debt to money markets	-	-	-	-	-	-	-
Securities Issued (Net)	-	-	-	-	-	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	424,137	424,137	-	-	-	-	424,137
Lease Payables	326,178	326,178	-	-	-	-	326,178
Provisions	1,090,995	1,090,995	-	-	-	-	1,090,995
Current Tax Liabilities	224,425	224,425	-	-	-	-	224,425
Deferred Tax Liabilities	-	-	-	-	-	-	-
Subordinated Debt Instruments	3,380,983	3,380,983	-	-	-	-	3,380,983
Other Liabilities	1,285,273	1,285,273	-	-	-	-	1,285,273
Equity	6,821,290	6,821,290	-	-	-	-	6,821,290
Total Liabilities	104,439,345	104,439,345	-	-	-	-	104,439,345

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

	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1- Carrying Value of Assets in Accordance with TAS (as in template 1B)	104,439,345	103,258,050	-	183,947	4,011,742
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	-	-
3- Total net amount	104,439,345	103,258,050	-	183,947	4,011,742
4- Off-balance sheet amounts	123,655,745	6,441,627	-	520,198	57,709,206
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	-	-	-	-
9-Risk Amounts	228,095,090	109,699,677	-	704,145	61,720,948

10.2. General qualitative information on credit risk:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit quality of assets:

Current Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	2,043,674	55,882,295	1,532,370	56,393,599
2	Debt securities	-	15,274,667	8,872	15,265,795
3	Off-balance sheet exposures(*)	-	17,391,736	421,583	16,970,153
4	Total	2,043,674	88,548,698	1,962,825	88,629,547

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

Prior Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	1,179,767	46,619,267	841,056	46,957,978
2	Debt securities	-	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

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

Changes in Stock of Defaulted Loans and Debt Securities:

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	1,179,767	714,130
2	Loans and debt securities that have been defaulted since the last reporting period	2,269,757	879,420
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	974,156	(103,142)
5	Other changes	(431,694)	(310,641)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	2,043,674	1,179,767

10.6. Qualitative disclosures related to the credit quality of assets

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

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

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

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

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

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

10.6.4. Definition of restructured receivables

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

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

Distribution of cash receivables by sectors is as follows:

Sector	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Individual	8,757,610	7,503,339
Other Services	3,206,504	2,956,888
Education	329,621	349,526
Real Estate and Brokerage	407,407	382,518
Financial Services	9,167,477	5,506,964
Food, Beverage, Tobacco	1,709,041	1,387,365
Government	406,943	55,730
Production	2,293,233	2,010,030
Construction	7,320,658	6,319,400
Public Services (Electricity, Water & Gas)	4,027,816	3,674,016
Mining & Chemistry	2,685,939	2,318,818
Machinery Equipment	400,345	354,933
Automotive	1,668,448	1,540,260
Oil, Gas and Oil Products	116,958	133,942
Health	541,191	509,078
Agriculture	190,390	152,941
Textile	3,563,134	3,107,012
Wholesale & Retail	9,455,989	8,126,200
Tourism	421,054	347,300
Transportation & Warehouse	1,256,211	1,062,774
Total	57,925,969	47,799,034

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

Region	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Akdeniz Region	3,911,807	3,425,548
Dogu Anadolu Region	1,013,398	914,832
Ege Region	3,363,576	2,996,116
Güneydogu Anadolu Region	3,031,352	2,492,121
İç Anadolu Region	8,692,112	7,737,345
Karadeniz Region	1,634,926	1,415,864
Marmara Region	30,036,782	26,109,922
Foreign	6,242,016	2,707,286
Total	57,925,969	47,799,034

The maturity distribution of cash receivables is as follows:

Maturity Distribution	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
1-3 years	26,676,750	13,538,987
3-5 years	15,922,812	5,810,681
5 years and more	7,382,686	7,130,585
Up to 1 year	7,290,079	20,738,166
Defaulted	653,642	580,615
Total	57,925,969	47,799,034

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

Current Period - Sector	Loans Under Follow-Up	Specific Provisions	Write-Offs (*)
Agriculture	30,991	22,316	7,879
Farming and Stockbreeding	24,357	16,068	4,417
Forestry	3,606	3,220	1,315
Fishery	3,028	3,028	2,147
Manufacturing	376,583	304,228	265,788
Mining and Quarrying	56,884	45,765	58,561
Production	304,370	246,080	163,879
Electricity, Gas and Water	15,329	12,383	43,348
Construction	701,370	508,171	342,206
Services	820,221	609,448	296,959
Wholesale and Retail Trade	473,620	352,844	181,178
Accommodation and Dining	90,300	66,295	8,944
Transportation and Telecommunication	68,157	53,894	45,687
Financial Institutions	3,904	3,550	11,464
Real Estate and Rental Services	140,311	98,207	4,965
Professional Services	-	-	3
Educational Services	3,466	2,496	177
Health and Social Services	40,463	32,162	44,541
Other	114,509	88,207	61,324
TOTAL	2,043,674	1,532,370	974,156

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

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Prior Period - Sector	Loans Under Follow-Up	Specific Provisions	Write-Offs
Agriculture	9,746	8,390	409
Farming and Stockbreeding	2,938	2,035	15
Forestry	1,804	1,350	394
Fishery	5,004	5,005	-
Manufacturing	262,681	217,367	29,796
Mining and Quarrying	54,398	44,639	2,112
Production	193,924	159,070	12,199
Electricity, Gas and Water	14,359	13,658	15,485
Construction	325,507	237,015	9,106
Services	482,450	319,976	51,643
Wholesale and Retail Trade	301,443	178,302	37,841
Accommodation and Dining	23,628	11,543	5,098
Transportation and Telecommunication	49,934	34,419	5,520
Financial Institutions	13,584	13,582	-
Real Estate and Rental Services	64,699	62,512	67
Professional Services	2	1	-
Educational Services	109	99	515
Health and Social Services	29,051	19,518	2,602
Other	99,383	58,308	12,188
TOTAL	1,179,767	841,056	103,142

Current Period - Geographic Region	Non performing Loans	Provisions	Write-Offs (*)
Marmara Region	1,312,283	947,319	459,910
Güneydogu Anadolu Region	107,121	93,246	161,338
Iç Anadolu Region	276,563	218,935	188,405
Akdeniz Region	139,607	111,878	84,960
Ege Region	115,692	91,200	42,038
Dogu Anadolu Region	45,101	34,514	13,169
Karadeniz Region	47,307	35,278	24,336
Total	2,043,674	1,532,370	974,156

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

Current Period - Geographic Region	Non performing Loans	Provisions	Write-Offs
Marmara Region	666,034	476,553	67,110
Güneydogu Anadolu Region	153,563	116,028	8,109
Iç Anadolu Region	160,541	116,592	14,728
Akdeniz Region	110,693	66,340	5,438
Ege Region	54,219	39,686	2,714
Dogu Anadolu Region	22,434	13,574	3,650
Karadeniz Region	12,283	12,283	1,393
Total	1,179,767	841,056	103,142

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10.6.7. Aging analysis for non-performing loans:

Current period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	605,647	965,978	339,461	94,868	8,729
Retail Loans	86	51	1,060	32	-
Credit cards	10,144	13,165	3,839	510	104
Other	-	-	-	-	-
Total	615,877	979,194	344,360	95,410	8,833

Prior Period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	279,638	345,121	374,104	99,369	16,347
Retail Loans	6,893	28,860	10,244	1,475	955
Credit cards	6,590	8,298	1,352	438	83
Other	-	-	-	-	-
Total	293,121	382,279	385,700	101,282	17,385

10.6.8. Breakdown of Restructured receivables according to their provisions:

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

10.7. Credit Risk Mitigation

10.7.1 Qualitative information on Credit Risk Mitigation Techniques

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

10.7.2 Credit risk mitigation techniques:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	41,807,531	12,458,319	2,010,696	2,127,750	1,841,401	-	-
2	Debt securities	15,265,795	-	-	-	-	-	-
3	Total	57,073,326	12,458,319	2,010,696	2,127,750	1,841,401	-	-
4	Overdue	485,684	25,620	15,922	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	33,438,600	13,519,379	3,276,016	-	-	-	-
2	Debt securities	6,396,065	-	-	-	-	-	-
3	Total	39,834,665	13,519,379	3,276,016	-	-	-	-
4	Overdue	203,023	135,688	72,099	-	-	-	-

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10.8. Explanations on Counterparty Credit Risk (CCR):

10.8.1. Risk management objectives and policies for CCR:

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

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

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

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

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

10.8.4. Rules with respect to wrong-way risk:

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

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

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

10.8.6. Counterparty credit risk (CCR) approach analysis:

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

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	Prior Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	41,998	157,265		1.4	199,263	77,327
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	77,327

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

		Current Period		Prior Period	
		EAD post-CRM	RWA	EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation				
1	(i) VaR component (including the 3×multiplier)	-	-	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3	All portfolios subject to the Standardised CVA capital obligation	535,752	19,433	199,263	13,915
4	Total subject to the CVA capital obligation	535,752	19,433	199,263	13,915

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10.8.8.CCR exposures by risk class and risk weights

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

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

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

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

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Prior Period - Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	194,001	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	108,530	58,446	-	1,028	-	-	-	51,957
7	Receivables from corporate	-	-	-	-	-	15,043	-	-	-	15,043
8	Retail receivables	-	-	-	-	9,585	-	-	-	-	7,189
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	955	334
10	Receivables secured by commercial property	-	-	-	452	-	2,578	-	-	-	2,804
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	Total	194,001	-	108,530	58,898	9,585	18,649	-	-	955	77,327

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

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

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

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11. Securitization Positions

None.

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

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

13. Qualitative explanations on market risk:

13.1. Bank's processes and strategies:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13.4. Market risk under standardised approach:

		Risk Weighted Amounts
		Current Period
	Outright products	2,697,263
1	Profit share risk (general and specific)	2,555,241
2	Equity risk (general and specific)	-
3	Foreign exchange risk	141,829
4	Commodity risk	193
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	2,697,263

		Risk Weighted Amounts
		Prior Period
	Outright products	1,070,340
1	Profit share risk (general and specific)	403,150
2	Equity risk (general and specific)	-
3	Foreign exchange risk	665,878
4	Commodity risk	1,312
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	1,070,340

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13.5. Explanations on Operational Risk:

"Basic Indicator Method" is used in operational risk calculation of the Bank. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Bank for the last 3 years, 2018, 2017 and 2016 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 446,828 corresponding to the 8% of TL 5,585,346 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 446,828 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2016 Amount	31/12/2017 Amount	31/12/2018 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	2,205,206	2,739,187	3,992,162	2,978,852	15	446,828
Value at Operational Risk (Total*12.5)						5,585,346

Prior Period	31/12/2015 Amount	31/12/2016 Amount	31/12/2017 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1,916,011	2,205,206	2,739,187	2,286,801	15	343,020
Value at Operational Risk (Total*12.5)						4,287,751

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

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

Current Period:

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

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Prior Period:

	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's equity- Losses/shareholder's equity
1	TL	(+) 500bp	(371,506)	(4.99%)
2	TL	(-) 400bp	338,537	4.54%
3	USD	(+) 200bp	281,553	3.78%
4	USD	(-) 200bp	(309,884)	(4.16%)
5	EURO	(+) 200bp	(2,917)	(0.04%)
6	EURO	(-) 200bp	6,691	0.09%
	Total (For Negative Shocks)		35,344	0.47%
	Total (For Positive Shocks)		(92,870)	(1.25%)

13.7. Risk management objectives and policies:

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

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

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

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

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

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

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

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

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Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	4,011,742	183,947	-	4,195,689
Forward transactions	-	17,994	-	17,994
Swap transactions	-	165,953	-	165,953
Government debt securities	3,941,594	-	-	3,941,594
Other marketable securities	70,148	-	-	70,148
Financial assets at FVOCI	12,630,467	-	-	12,630,467
Equity securities	38,583	-	-	38,583
Government debt securities	12,106,518	-	-	12,106,518
Other marketable securities	485,366	-	-	485,366
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	294,409	-	294,409
Forward transactions	-	14,165	-	14,165
Swap transactions	-	280,244	-	280,244
Financial liabilities for hedging purposes	-	129,728	-	129,728
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	389,146	42,011	-	431,157
Forward transactions	-	30,919	-	30,919
Swap transactions	-	11,092	-	11,092
Government debt securities	30,097	-	-	30,097
Other marketable securities	359,049	-	-	359,049
Financial assets at FVOCI	6,396,065	-	-	6,396,065
Equity securities	27,548	-	-	27,548
Government debt securities	5,869,940	-	-	5,869,940
Other marketable securities	498,577	-	-	498,577
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	62,981	-	62,981
Forward transactions	-	22,126	-	22,126
Swap transactions	-	40,855	-	40,855
Financial liabilities for hedging purposes	-	106,352	-	106,352

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

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14. Explanations on 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 2019-31 December 2019	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	5,054,017	3,542,943	1,646,783	-	10,243,743
Operating expenses (-)	3,854,236	1,505,770	1,711,436	1,757,034	8,828,476
Transfers between segments	2,319,478	(462,292)	(1,857,186)	-	-
Net operating income(loss)	3,519,259	1,574,881	(1,921,839)	(1,757,034)	1,415,267
Income from associates	-	-	-	-	-
Income (loss) before tax	3,519,259	1,574,881	(1,921,839)	(1,757,034)	1,415,267
Provision for taxation (-)	-	-	-	305,429	305,429
Net income for the period	3,519,259	1,574,881	(1,921,839)	(2,062,463)	1,109,838
Current Period 31 December 2019					
Segment assets	19,680,015	35,203,430	45,842,442	-	100,725,887
Associates, subsidiaries and joint ventures	-	-	-	564,853	564,853
Undistributed assets	-	-	-	3,148,605	3,148,605
Total assets	19,680,015	35,203,430	45,842,442	3,713,458	104,439,345
Segment liabilities	71,408,114	14,083,077	9,526,171	-	95,017,362
Undistributed liabilities	-	-	-	2,600,693	2,600,693
Shareholders' equity	-	-	-	6,821,290	6,821,290
Total liabilities	71,408,114	14,083,077	9,526,171	9,421,983	104,439,345
Prior Period 1 January 2018 – 31 December 2018					
Operating income	4,686,040	2,522,316	450,181	-	7,658,537
Operating expenses (-)	3,285,436	1,354,031	490,173	1,402,840	6,532,480
Transfers between segments	2,305,206	(305,654)	(1,999,552)	-	-
Net operating income(loss)	3,705,810	862,631	(2,039,544)	(1,402,840)	1,126,057
Income from associates	-	-	-	-	-
Income (loss) before tax	3,705,810	862,631	(2,039,544)	(1,402,840)	1,126,057
Provision for taxation (-)	-	-	-	256,245	256,245
Net income for the period	3,705,810	862,631	(2,039,544)	(1,659,085)	869,812
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	613,156	1,515,040	491,059	1,348,617
The Central Bank of Republic of Turkey	1,155,591	14,498,131	692,050	6,947,252
Other (*)	-	1,111,168	-	957,110
Total	1,768,747	17,124,339	1,183,109	9,252,979

(*) As of 31 December 2019, precious metal account amounting to TL 1,111,144 (31 December 2018 - TL 957,110 and money in transit amounting to TL 24 (31 December 2018 - None) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	730,347	3,201,221	677,230	53
Restricted time deposit	425,000	-	-	-
Unrestricted time deposit	244	11,296,910	14,820	6,947,199
Total	1,155,591	14,498,131	692,050	6,947,252

1.1.3 Explanations on mandatory provisions :

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

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

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

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

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

Positive differences related to marketable derivative financial assets:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	14,949	3,045	29,120	1,799
Swap transactions	3,821	162,132	363	10,729
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	18,770	165,177	29,483	12,528

1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	12,983	6,977,847	14,736	6,404,912
Domestic	12,886	3,767,297	14,631	3,608,271
Foreign	97	3,210,550	105	2,796,641
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	12,983	6,977,847	14,736	6,404,912

1.3.2 Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,024,090	1,160,613	-	-
USA and Canada	1,742,814	1,344,351	-	-
OECD Countries (*)	15,558	13,458	-	-
Off-shore Banking Regions	633	567	-	-
Other	427,552	277,757	-	-
Total	3,210,647	2,796,746	-	-

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

	Current period	Prior Period
Debt Securities	12,458,021	6,432,017
Quoted on stock exchange	12,458,021	6,432,017
Not quoted on stock exchange	-	-
Share certificates	185,732	128,489
Quoted on stock exchange	94,539	60,764
Not quoted on stock exchange	91,193	67,725
Impairment provision	(13,286)	(164,441)
Total	12,630,467	6,396,065

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1.5 Explanations on financial assets measured at amortized cost:

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

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

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

Current Period	Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
			Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
				Loans and Receivables with Revised Contract Terms	Refinance
Loans		47,324,143	3,556,702	2,264,742	-
Export Loans		4,531,667	319,767	-	-
Import Loans		951,591	42,549	-	-
Corporation Loans		20,008,117	2,652,310	2,194,384	-
Consumer Loans		7,548,035	304,840	47,325	-
Credit Cards		948,460	117,001	23,033	-
Loans given to financial sector		8,998,593	-	-	-
Other		4,337,680	120,235	-	-
Other Receivables		2,697	15,292	11,199	-
Total		47,326,840	3,571,994	2,275,941	-

Prior Period	Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
			Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
				Loans and Receivables with Revised Contract Terms	Refinance
Loans		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	-

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

	Standard Loans Current Period(*)	Loans under close monitoring Current Period*)	Standard Loans Prior Period	Loans under close monitoring Prior Period
12 Month Expected Credit Losses	482,133	-	437,198	-
Significant Increase in Credit Risk	-	996,886	-	655,489
Total	482,133	996,886	437,198	655,489

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

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

		Loans under close monitoring	
Current Period	Standard Loans	Loans and Receivables Not Subject to Restructuring	Restructured
Short term loans	16,073,402	456,639	83,858
Medium and long term loans	31,253,438	3,115,355	2,192,083
Total	47,326,840	3,571,994	2,275,941

		Loans under close monitoring	
Prior Period	Standard Loans	Loans and Receivables Not Subject to Restructuring	Restructured
Short term loans	12,868,630	785,032	56,300
Medium and long term loans	26,923,474	2,858,909	676,223
Total	39,792,104	3,643,941	732,523

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	75,033	7,726,981	7,802,014
Housing Loans	22,116	6,470,571	6,492,687
Vehicle Loans	31,568	963,169	994,737
Consumer Loans	20,214	219,628	239,842
Other	1,135	73,613	74,748
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	79,276	79,276
Housing Loans	-	46,824	46,824
Vehicle Loans	-	-	-
Consumer Loans	-	28,626	28,626
Other	-	3,826	3,826
Retail Credit Cards-TL	456,724	73	456,797
With Installment	98,257	73	98,330
Without Installment	358,467	-	358,467
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,912	16,998	18,910
Housing Loans	-	1,410	1,410
Vehicle Loans	596	12,096	12,692
Consumer Loans	1,315	3,492	4,807
Other	1	-	1
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	11,025	60	11,085
With Installment	4,229	60	4,289
Without Installment	6,796	-	6,796
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	544,694	7,823,388	8,368,082

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

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	73,283	6,511,422	6,584,705
Housing Loans	20,865	5,729,170	5,750,035
Vehicle Loans	30,836	480,515	511,351
Consumer Loans	19,859	181,876	201,735
Other	1,723	119,861	121,584
Consumer Loans-FC Indexed	-	38	38
Housing Loans	-	38	38
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	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	248,040	4,929,680	5,177,720
Business Loans	18,447	1,248,841	1,267,288
Vehicle Loans	194,640	2,385,462	2,580,102
Consumer Loans	34,953	1,295,377	1,330,330
Other	-	-	-
Commercial Installment Loans-FC Indexed	3,221	844,575	847,796
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
Commercial Installment Loans-FC	1,106	155,325	156,431
Business Loans	-	98,790	98,790
Vehicle Loans	1,106	56,535	57,641
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	620,612	-	620,612
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	872,979	5,929,580	6,802,559

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. Allocation of loans by customers:

	Current period	Prior period
Public	560,472	75,479
Private	52,614,303	44,093,089
Total	53,174,775	44,168,568

1.5.7 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	47,120,720	43,830,656
Foreign loans	6,054,055	337,912
Total	53,174,775	44,168,568

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	178,601	121,040
Loans granted indirectly to subsidiaries and associates	-	-
Total	178,601	121,040

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

	Current period	Prior period
Loans and receivables with limited collectability	209,492	89,643
Loans and receivables with doubtful collectability	228,439	243,531
Uncollectible loans and receivables	1,094,439	507,882
Total	1,532,370	841,056

1.5.10 Information on non-performing loans (Net):

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

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period:	-	65,699	-
(Gross Amount Before Specific Provisions)	-	65,699	-
Restructured Loans and Receivables	-	-	-
Prior Period:	-	58,870	-
(Gross Amount Before Specific Provisions)	-	-	-
Restructured Loans and Receivables	-	58,870	-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2018	142,629	310,520	726,618
Additions in the current period (+)	806,015	991,658	472,084
Transfers from other categories of non-performing loans (+)	100,972	677,421	1,374,788
Transfers to other categories of non-performing loans (-)	676,683	1,374,976	101,522
Collections in the current period (-)	112,153	129,774	189,767
Write offs (-)(*)	10,373	156,716	807,067
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	250,407	318,133	1,475,134
Specific provisions (-)	209,492	228,439	1,094,439
Net balances on balance sheet	40,915	289,694	380,695

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period			
Ending balance of prior period 31.12.2017	158,589	117,234	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

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

	Group III	Group IV	Group V
Current Period			
Ending balance of the current period	79,247	5,454	61,316
Provision amount (-)	75,386	969	20,865
Net balance at the balance sheet	3,861	4,485	40,451
Prior Period			
Ending balance of the current period	19,793	-	-
Provision amount (-)	2,547	-	-
Net balance at the balance sheet	17,246	-	-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	40,915	89,694	380,695
Loans granted to real persons and legal entities (Gross)	250,407	318,133	1,475,134
Specific provision (-)	209,492	228,439	1,094,439
Loans to real persons and legal entities (Net)	40,915	89,694	380,695
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)	-	-	-

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

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

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

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1.5.10.6 Information on profit share accruals, discounts 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)	7,824	8,150	43,927
Profit share accruals, discount and valuation differences	18,748	25,908	207,675
Provision (-)	10,924	17,758	163,748

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

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

1.5.11 Information on the write-off policy:

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

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	2,630,914	-
Quoted on a Stock Exchange	2,630,914	-
Not Quoted	-	-
Impairment Provision (-)	767	-
Total	2,630,147	-

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	2,630,914	-
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	767	-
Ending Balance	2,630,147	-

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1.7 Information on investment in associates (Net):

1.7.1 The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2018 – TL 4,897), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 33 (31 December 2018 – TL 714), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,936 (31 December 2018 – TL 5,201), Swift shares amounting to TL 390 (31 December 2018 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2018 – TL 15) and VISA Inc. shares amounting to TL 11,254 (31 December 2018 – TL 7,055), are classified as financial assets at fair value through other comprehensive income since the Bank's ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

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

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

1.8 Information on subsidiaries (Net):

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

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 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
31,076	30,107	-	-	-	2,711	(4,710)	-
152,842	149,095	1,638	-	-	2,688	(3,094)	-
25,926	638	-	-	-	139	284	-
4,944,185	292	-	-	-	113	72	-
-	-	-	-	-	-	-	-
67,352	36,747	3,633	-	-	13,018	9,886	-
2,141,802	1	-	-	-	-	-	-
14,977	13,518	211	-	-	6,734	431	-

(*) As of 31 December 2019, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These figures are shown per Turkish Commercial Law financial statements as at 31 December 2019.

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

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Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	522,950	377,647
Movements during the year	21,903	145,303
Purchases	5,002	152,061
Transfers from subsidiaries (*)	16,901	(5,000)
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	(5,000)
Revaluation increase (**)	-	3,242
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	544,853	522,950
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

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

(**) It expresses reversal of impairment loss.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	445,754	445,754
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	53,516
Total	521,173	499,270

Subsidiaries that are quoted on the stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,416
Quoted in Foreign Stock Exchange	-	-
Total	53,418	53,416

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of December 31, 2019 is EUR 85,935,747 and the capital adequacy ratio is %25.7.

1.9 Information on joint ventures (business partnerships) (Net)

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	2,613,177	75,341	16,557	27,514	14,497

(*) These figures are shown per Turkish Trade Law financial statements as of 31 December 2019.

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

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1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases:

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

1.10.2 Net investments in finance leases:

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

1.10.3 Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 48,391 are included in the non-performing loans in the balance sheet (31 December 2018 – TL 9,493).

1.11 Information on derivative financial assets for hedging purposes: As of 31 December 2019, the Bank does not have any derivative financial assets. (31 December 2018 – None).

1.12. Explanations on Tangible Assets

	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2018					
Cost	235,328	247,127	47,229	439,442	969,126
Accumulated Depreciation (-)	22,323	3,616	1,121	253,178	280,238
Net Book Value	213,005	243,511	46,108	186,264	688,888
Current Period: 31 December 2019					
Net book value at beginning of period	213,005	243,511	46,108	186,264	688,888
Additions	6,696	429,060	9,118	102,728	547,602
Disposals (-)	48	15,684	194	1,534	17,460
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment Losses (-)	-	-	-	-	-
Depreciation Expense (-)	7,677	98,347	10,002	68,052	184,078
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of period	241,976	660,503	56,153	540,636	1,499,268
Accumulated depreciation at the end of period (-)	30,000	101,963	11,123	321,230	464,316
Closing net book value	211,976	558,540	45,030	219,406	1,034,952

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	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2017					
Cost	234,653	7,957	1,819	383,949	628,378
Accumulated Depreciation (-)	32,575	2,812	788	182,460	218,635
Net Book Value	202,078	5,145	1,031	201,489	409,743
Current Period: 31 December 2018					
Net book value at beginning of period	202,078	5,145	1,031	201,489	409,743
Additions	529	239,170	45,410	16,531	301,640
Disposals (-)	151,589	-	-	-	151,589
Transfers to assets held for sale (-)	-	-	-	1,208	1,208
Transfer from assets held for sale	-	-	-	40,170	40,170
Impairment Losses (-)	-	-	-	-	-
Depreciation Expense (-)	(10,252)	804	333	70,718	61,603
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	151,735	-	-	-	151,735
Cost at the end of period	235,328	247,127	47,229	439,442	969,126
Accumulated depreciation at the end of period (-)	22,323	3,616	1,121	253,178	280,238
Closing net book value	213,005	243,511	46,108	186,264	688,888

(*) In 2018, the Bank sold a real estate to KT Kira Sertifikaları Varlık Kiralama A.Ş. which is a subsidiary of the bank, amounting to TL 236,500 thousand in terms of sale and lease back. As a result of this transaction, Bank has recorded TL 135,900 thousand income and TL 87,696 thousand unearned income. Subsequently, the Bank leased the same property back by financial leasing.

1.13. Explanations on Intangible Assets:

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

	Current Period	Prior Period
Cost	305,548	278,635
Accumulated Amortization	(171,568)	(141,656)
Total (net)	133,980	136,979

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

	Current Period	Prior Period
Opening balance	136,979	119,012
Additions	96,231	96,918
Disposals (-), net	59,679	22,648
Depreciation amount (-)	39,551	56,303
Closing net book value	133,980	136,979

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

1.14. Explanations on investment property:

	Current Period	Prior Period
Opening balance	25,305	25,419
Additions	1,143	44
Disposals (-), net	-	-
Depreciation amount (-)	1,302	158
Closing net book value	25,146	25,305

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1.15 Information on deferred tax asset

As of 31 December 2019, deferred tax is offset as TL 358,097 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 December 2019 is TL 399,960 (31 December 2018 – TL 362,096) and deferred tax liability is TL 41,863 (31 December 2018 – TL 15,456 TL).

	Current period	Prior period
Reserve for employee benefits	41,047	31,297
Retirement pay liability	23,220	17,412
Deferred income	56,469	55,507
Impairment provision for subsidiaries, fixed assets and assets held for sale	2,523	2,395
Rediscounts for derivative instruments held for trading (net)	52,909	30,080
TFRS 9 Provisions	214,057	192,935
Precious metals valuation difference	1,454	2,031
Other	8,281	30,439
Deferred tax asset	399,960	362,096
The difference between the registered value of tangible assets and tax value	(9,665)	(7,293)
Revaluation difference of financial assets at fair value through profit or loss	(28,833)	(3,691)
Other	(3,365)	(4,472)
Deferred tax liability	(41,863)	(15,456)
Deferred tax asset, (net)	358,097	346,640

Table of deferred tax asset movement:

	31 December 2019	31 December 2018
As of January 1	346,640	138,710
Deferred tax (expense)/income	95,752	197,896
Deferred tax accounted under other comprehensive income	(84,295)	19,021
TFRS 9 opening effect	-	(8,987)
Other	-	-
Deferred tax asset	358,097	346,640

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

The Bank has accounted for the fixed assets obtained from the receivables with the net book value and the lesser of its fair value.

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

1.17 Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 1,596,430 (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	7,951,114	-	-	-	-	-	-	-	7,951,114
II. Real persons profit sharing accounts TL	-	7,232,001	1,223,102	725,113	-	610,209	911,230	22,190	20,723,845
III. Other current accounts-TL	4,400,375	-	-	-	-	-	-	-	4,400,375
Public sector	200,309	-	-	-	-	-	-	-	200,309
Commercial sector	4,156,300	-	-	-	-	-	-	-	4,156,300
Other institutions	32,529	-	-	-	-	-	-	-	32,529
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	11,237	-	-	-	-	-	-	-	11,237
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,913	-	-	-	-	-	-	-	10,913
Participation banks	324	-	-	-	-	-	-	-	324
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	592,927	1,309,698	103,271	-	268,254	60,845	-	2,334,995
Public sector	-	373	68	611	-	3,046	-	-	4,098
Commercial sector	-	546,923	1,208,358	79,737	-	257,856	59,133	-	2,152,007
Other institutions	-	44,940	100,133	22,873	-	7,312	457	-	175,715
Commercial and other institutions	-	691	1,121	50	-	40	1,255	-	3,157
Banks and participation banks	-	-	18	-	-	-	-	-	18
V. Real persons current accounts-FC	12,392,536	-	-	-	-	-	-	-	12,392,536
VI. Real persons profit sharing accounts-FC	-	5,790,160	9,694,129	1,359,816	-	981,912	1,161,743	1,803	18,989,563
VII. Other current accounts-FC	5,160,335	-	-	-	-	-	-	-	5,160,335
Commercial residents in Turkey	4,583,135	-	-	-	-	-	-	-	4,583,135
Commercial residents in Abroad	226,632	-	-	-	-	-	-	-	226,632
Banks and participation banks	350,568	-	-	-	-	-	-	-	350,568
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	350,223	-	-	-	-	-	-	-	350,223
Participation banks	345	-	-	-	-	-	-	-	345
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	593,613	2,412,726	56,824	-	54,950	50,417	-	3,168,530
Public sector	-	10	-	-	-	-	-	-	10
Commercial sector	-	520,606	2,112,944	53,458	-	45,383	50,331	-	2,782,722
Other institutions	-	41,158	141,142	3,357	-	9,170	-	-	194,827
Commercial and other institutions	-	31,831	84,336	9	-	397	-	-	116,573
Banks and participation banks	-	8	74,304	-	-	-	86	-	74,398
IX. Precious metal funds	5,757,301	2,444,094	1,846,409	207,182	-	113,344	4,703	61	10,373,094
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	35,661,661	6,652,795	6,486,064	2,452,206	-	2,028,669	2,188,938	24,054	85,494,387

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 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	17,752,145	10,848,810	10,782,495	6,836,543
FC accounts	16,294,727	8,572,475	24,484,448	15,911,931
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 150 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

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

The headquarters of the 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	9,044	5,677
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	13,191	974	20,764	1,362
Swap transactions	116,499	163,745	281	40,574
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	129,690	164,719	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	923,177	4,354,444	2,038,900	6,657,758
From Foreign Banks, Institutions and Funds	-	114,056	-	1,446,231
Total	923,177	4,468,500	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	923,177	1,469,612	2,038,900	4,254,863
Medium and Long-Term	-	2,998,888	-	3,849,126
Total	923,177	4,468,500	2,038,900	8,103,989

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

All of the borrowings consist of foreign currency loans and 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 31 December 2019, other liabilities amount to TL 897,094 (31 December 2018 – TL 1,172,585), sundry creditors amount to TL 388,179 (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	124,506	87,233	-	-
1 to 4 years	263,799	141,347	-	-
More than 4 years	139,376	97,598	-	-
Total	527,681	326,178	-	-

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.

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

None (31 December 2018 – None).

2.5.1.1. Information on Financial Lease Obligations

None (31 December 2018 – None).

2.5.1.2 Information on Operational Leases:

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

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

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

2.6 Information on hedging derivative financial liabilities:

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

2.7 Information on provisions:

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

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2.7.2 Information on other provisions:

	Current Period	Prior Period
Non-Cash Loans That Are Not Converted Into Cash	422,274	240,373
Special Provisions for non-cash loans	127,145	145,911
General Provisions for non-cash loans	150,934	129,152
Provision for Profits will be Allocated to Participation Accounts	2,332	1,778
Other (*)	86,271	50,040
Total	788,956	567,254

(*) The other part of the main period amounting to TL 27,573 (December 31, 2018 - TL 13,780) is TL 6,500 (31 December 2018 - TL 6,500) for the expense of TL 51,035 (31 December 2018 - TL 29,760) is the amount for impairment loss.

2.7.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 115,461 (31 December 2018 – TL 86,381), vacation pay liability amounting to TL 712 (31 December 2018 – TL 585), performance premium amounting to TL 109,912 (31 December 2018 – TL 86,617), retirement bonuses on payment of TL 63,437 (31 December 2018 – TL 44,014), committee fee amounting to TL 12,231 (31 December 2018 – TL 10,869) and other fees amounting to TL 196 (31 December 2018 – TL 175).

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

The amount payable consists of one month's salary limited to a maximum of TL 6,379.86 (full amount) (31 December 2018 – TL 5,434.42 (full amount)) for each year of service. The liability is not funded, as there is no funding requirement.

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

	Current Period	Prior Period
Discount rate (%)	12.10	16.30
Interest rate (%)	8.00	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	30,613	23,362
Paid during the period	(7,319)	(17,064)
Actuarial loss	5,786	(3,859)
Balances at the end of the period	115,461	86,381

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2.8 Explanations on tax liability:

2.8.1 Explanations on current tax liability:

2.8.1.1 Information on tax provisions: TL 224,425 (31 December 2018-TL 175,685)

2.8.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	39,489	21,252
Taxation of immovable property	1,796	1,569
Banking Insurance Transaction Tax (BITT)	29,327	32,461
Foreign Exchange Transaction Tax	4,532	-
Value Added Tax Payable	2,663	1,904
Income tax deducted from wages	12,624	9,675
Other	4,058	1,130
Total	94,489	67,991

2.8.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Insurance Premiums-Employee	7,430	5,640
Social Insurance Premiums-Employer	8,000	6,075
Unemployment insurance-Employee	532	404
Unemployment insurance-Employer	1,263	952
Other	-	-
Total	16,940	13,071

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

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

2.9 Information on payables related to assets held for sale:

None (31 December 2018 – None).

2.10 Information on subordinated loans:

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

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2.11 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:

Date for Increase	Increased Amount	Internal Sources	Retained Earnings for Increased
03-Nis-19	500,000	-	500,000

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

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

2.12 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 31 December 2019 amounts to TL 2,656,398 (31 December 2018 – TL 1,858,018); payment commitments for cheque books amounts to TL 1,305,235 (31 December 2018 – TL 1,136,474).

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

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

As of 31 December 2019, the Bank has guarantees and surety ships constituting of TL 10,006,666 (31 December 2018 – TL 10,389,398) of letters of guarantee; TL 55,035 (31 December 2018 – TL 74,098) of acceptances and TL 1,374,009 (31 December 2018 – TL 1,079,876) of letters of credit. Also, banks has other acceptances amounting to TL 465,592 (31 December 2018 – TL 324,718).

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

3.1.3 Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	11,901,302	11,868,090
Total	11,901,302	11,868,090

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3.1.4. Sectorial risk concentration of non-cash loans:

	Current Period			
	TP	%	YP	%
Agriculture	68,479	0.99	51,421	1.04
Farming and stockbreeding	38,634	0.56	35,958	0.72
Forestry	29,622	0.43	15,463	0.31
Fishery	223	0.00	-	-
Manufacturing	1,270,772	18.31	1,171,799	23.61
Mining and quarrying	297,536	4.29	328,922	6.63
Production	658,204	9.49	809,325	16.31
Electricity, Gas, Water	315,032	4.54	33,552	0.68
Construction	2,694,124	38.83	1,231,633	24.82
Services	2,174,574	31.34	1,624,067	32.72
Wholesale and Retail Trade	1,137,190	16.39	733,830	14.79
Hotel, Food and Beverage Services	117,951	1.70	19,622	0.40
Transportation and Telecom.	482,266	6.95	529,429	10.67
Financial Institutions	19,270	0.28	248,354	5.00
Real Estate and Renting Services	22,379	0.32	9,874	0.20
Self-Employment Type Services	267	0.00	-	-
Educational Services	37,913	0.55	2,523	0.05
Health and Social Services	357,338	5.15	80,435	1.62
Other	730,490	10.53	883,943	17.81
Total	6,938,439	100.00	4,962,863	100.00

	Prior Period			
	TP	%	YP	%
Agriculture	59,926	0.93	5,316	0.10
Farming and stockbreeding	33,396	0.52	2,812	0.05
Forestry	26,530	0.41	2,504	0.05
Fishery	-	-	-	-
Manufacturing	1,217,028	18.97	843,763	15.48
Mining and quarrying	259,085	4.04	258,253	4.74
Production	551,993	8.60	560,254	10.28
Electricity, Gas, Water	405,950	6.33	25,256	0.46
Construction	2,661,157	41.47	1,225,516	22.48
Services	1,798,834	28.03	2,241,769	41.12
Wholesale and Retail Trade	862,869	13.45	602,006	11.04
Hotel, Food and Beverage Services	96,061	1.50	80,239	1.47
Transportation and Telecom.	454,742	7.09	1,157,055	21.22
Financial Institutions	19,596	0.31	274,267	5.03
Real Estate and Renting Services	24,755	0.39	7,644	0.14
Self-Employment Type Services	107	0.00	-	-
Educational Services	34,881	0.54	8,732	0.16
Health and Social Services	305,823	4.77	111,826	2.05
Other	679,688	10.59	1,135,093	20.82
Total	6,416,633	100.00	5,451,457	100.00

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

Current Period	Group I		Group II	
	TP	YP	TP	YP
Letters of Guarantee	6,301,493	3,382,925	290,549	31,699
Bills of Exchange and Bank Acceptances	8,296	46,489	250	-
Letters of Credit	7,481	1,327,653	3,086	35,789
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	326,920	138,308	364	-
Toplam	6,644,190	4,895,375	294,249	67,488

Prior Period	Group I		Group II	
	TP	YP	TP	YP
Letters of Guarantee	5,976,533	4,162,862	230,353	19,650
Bills of Exchange and Bank Acceptances	17,516	56,582	-	-
Letters of Credit	10,720	1,044,004	792	24,360
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	180,196	143,999	523	-
Toplam	6,184,965	5,407,447	231,668	44,010

3.2. Financial derivative instruments:

Trading Derivatives	
Current Period	
Foreign Currency Related Derivative Transactions (I):	55,226,604
Currency Forwards-Purchases, sales	1,754,813
Currency Swaps-Purchases, sales	53,471,791
Currency Futures	-
Currency Options-Purchases, sales	-
Interest Rate Related Derivative Transactions(II):	-
Interest rates forwards-Purchase, sales	-
Interest rates swaps-Purchases, sales	-
Interest rates options-Purchases, sales	-
Interest rates futures-Purchases, sales	-
Other Trading Derivatives (III)	30,696
A.Total Trading Derivatives (I+II+III)	55,257,300
Hedging Derivatives	-
Fair value hedges	-
Cash flow hedges	2,451,906
Foreign currency investment hedges	-
B. Total Hedging Derivatives	2,451,906
Total Derivatives Transactions (A+B)	57,709,206

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

The Bank enters into short-term swap transactions based on its market expectations and cash flow. These transactions are generally short-term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2019, the Bank has commitments to buy TL 8,040,623, USD 3,247,425,000, EUR 44,093,000, GBP 500,000 and MYR 800,000,000 in return of selling commitments of TL 235,975, USD 1,361,961,000, EUR 3,031,269,000, GBP 515,000 and RUB 25,360,000 (As of 31 December 2018, the Bank has commitments to buy TL 633,559, USD 1,709,657,000, EUR 57,831,000, GBP 10,039,000 and 800,000,000 MYR in return of selling commitments of TL 304,995, USD 399,261,000, EUR 1,545,406,000 and GBP 89,000).

3.3. Credit derivatives and risk exposures on credit derivatives:

None.

3.4. Contingent liabilities and assets:

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

3.5. Explanations on custodian and intermediary services:

None.

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

Fitch Rating's Ekim 2018	Notes
Long-Term Issuer Default Rating	B+
Short-Term Issuer Default Rating	B
Local Currency Long-Term Issuer Default Rating	BB-
Local Currency Short-Term Issuer Default Rating	B
Support Rating	4

4. Explanations and notes related to the statement of 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	5,264,646	747,837	4,637,242	416,666
Short term loans	1,466,189	120,151	1,405,131	63,591
Medium and long-term loans	3,763,974	627,302	3,204,900	353,075
Profit share on non-performing loans	34,483	384	27,211	-
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	300	-	-	-
Foreign Banks	78,818	169,191	21,392	146,934
Branches and head office abroad	-	1,245	-	746
Total	79,118	170,436	21,392	147,680

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4.1.3 Information on profit share income from securities portfolio:

The Bank has received TL 800,637 of profit share income from securitites. (1 January – 31 December 2018 - TL 416,738).

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	8	189

4.2 Information on profit share expenses:

	Current period		Pirior period	
	TL	FC	TL	FC
Banks	16,893	22,934	9,620	33,946
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	16,893	9,997	5,128	10,449
Foreign banks	-	12,937	4,492	23,497
Branches and head office abroad	-	-	-	-
Other Institutions	312,931	519,231	249,419	525,717
Total	329,824	542,165	259,039	559,663

4.2.1 Profit share expense given to associates and subsidiaries:

	Current period	Pirior period
Profit share expenses given to associates and subsidiaries	436,910	472,655

4.2.2 Profit share expense paid to securities issued:

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

4.3 Information on dividend income:

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

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

Current period		Profit Sharing Accounts							
Account name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	Accumulated profit sharing accounts	Total	
TL									
Collected funds from banks through current and profit share accounts	-	219	-	-	-	-	-	219	
Real person’s non-trading profit sharing account	825,585	1,288,963	75,265	-	46,544	54,866	2,676	2,293,899	
Public sector profit sharing account	29	107	44	-	8	-	-	188	
Commercial sector profit sharing account	58,721	145,072	14,944	-	2,063	1,719	-	222,519	
Other institutions profit sharing account	6,951	13,437	1,748	-	409	194	-	22,739	
Total	891,286	1,447,798	92,001	-	49,024	56,779	2,676	2,539,564	
FC									
Banks	60	2,352	-	-	-	-	-	2,412	
Real person’s non-trading profit sharing account	113,282	194,735	28,191	-	17,894	17,748	61	371,911	
Public sector profit sharing account	-	14	-	-	-	-	-	14	
Commercial sector profit sharing account	10,126	61,996	2,902	-	299	269	-	75,592	
Other institutions profit sharing account	876	9,161	88	-	135	-	-	10,260	
Precious metal accounts	18,747	17,513	2,005	-	933	-	-	39,198	
Total	143,091	285,771	33,186	-	19,261	18,017	61	499,387	
Grand Total	1,034,377	1,733,569	125,187	-	68,285	74,796	2,737	3,038,951	
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	514,291	814,295	52,342	-	27,382	28,968	1,665	1,438,943	
Public sector profit sharing account	652	2,303	-	-	2	-	-	2,957	
Commercial sector profit sharing account	48,623	106,154	16,872	-	1,615	1,256	4	174,524	
Other institutions profit sharing account	6,079	12,536	1,442	-	568	249	-	20,874	
Total	569,645	935,288	70,656	-	29,567	30,473	1,669	1,637,298	
FC									
Banks	58	1,361	-	-	-	-	-	1,419	
Real person’s non-trading profit sharing account	77,496	138,578	26,884	-	13,454	8,576	23	265,011	
Public sector profit sharing account.	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	9,697	43,151	3,587	-	4,473	91	4	61,003	
Other institutions profit sharing account	1,932	4,848	398	-	4	-	-	7,182	
Precious metal accounts	6,658	14,552	1,682	-	743	-	-	23,635	
Total	95,841	202,490	32,551	-	18,674	8,667	27	358,250	
Grand Total	665,486	1,137,778	103,207	-	48,241	39,140	1,696	1,995,548	

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4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	1,274,256	453,415
Income	37,444,639	36,379,181
Gain on capital market transactions	46,127	21,918
Gain on derivative financial instruments	2,782,732	1,904,099
Foreign exchange profit	34,615,780	34,453,164
Losses (-)	(36,170,383)	(35,925,766)
Losses on capital market transactions	(14,011)	(11,677)
Losses on derivative financial instruments	(2,317,562)	(1,765,998)
Foreign exchange losses	(33,838,810)	(34,148,091)

4.6 Information on other operating income:

The details of other operating income are presented below. There are no unusual items in the other operating income which materially affect the income of the Bank.

	Current Period	Prior Period
Reversal of prior period provisions	702,646	537,782
Income from sale of assets	70,497	38,166
Revenues from real estates sold under the lease certificate.	-	71,861
Income from the real estate sales' gains by rent certificates	3,050	2,587
Other Income	7,126	6,120
Total	783,319	656,516

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

	Current Period(*)	Prior Period
Expected Credit Loss	2,615,137	1,949,975
12 month expected credit loss (Stage 1)	166,017	591,962
Significant increase in credit risk (Stage 2)	387,889	699,199
Non-performing loans (Stage 3)	2,061,231	658,814
Marketable Securities Impairment Expense	611	1,042
Financial Assets at Fair Value through Profit or Loss	611	979
Financial Assets at Fair Value Through Other Comprehensive Income	-	63
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	57,293	26,343
Total	2,673,041	1,977,360

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

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

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4.8 Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	1,003,321	787,200
Provision for retirement pay liability	23,294	16,090
Depreciation expenses of tangible assets	184,078	61,603
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	39,551	56,303
Depreciation expenses of assets held for sale	-	-
Other operating expenses	355,280	364,315
Rent expenses	2,318	133,416
Maintenance expenses	94,239	42,690
Advertisement expenses	45,280	31,863
Communication expenses	51,485	39,908
Heating, electricity and water expenses	26,717	18,354
Cleaning expenses	6,765	5,737
Vehicle expenses	9,901	8,184
Stationery expenses	9,481	8,810
Other expenses	109,094	75,353
Losses on sales of assets	1,125	3,829
Deposit insurance fund expenses	179,892	102,283
Other	150,385	113,500
Total	1,936,926	1,505,123

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

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

Income before tax amounting to TL 1,415,267 increased by 25,68% as compared to the prior period (1 January - 31 December 2018 – TL 1,126,057). Income before tax includes TL 3,495,911 (1 January - 31 December 2018 – TL 3,147,790) net profit share income and TL 468,907 (1 January - 31 December 2018 – TL 349,546) net fees and commission income. Other operating expense amount is TL 910,311 (1 January - 31 December 2018 – TL 701,833).

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 401,181 (1 January-31 December 2018 - TL 454,141), deferred tax income of TL 194,309 (1 January-31 December 2018 - TL 26,837) and TL 290,061 (1 January-31 December 2018 - TL 224,733) deferred tax expense is recognized.

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

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

4.12 Information on net income/loss:

4.12.1 The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of 31 December 2019, net profit share income is TL 3,495,911 (1 January-31 December 2018 – TL 3,147,790), net fees and commission income is TL 468,907 (1 January-31 December 2018 – TL 349,546).

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

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

4.12.3 Profit/Loss attributable to minority interest:

None (1 January - 31 December 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 31 December 2019, other fees and commissions received is TL 625,196 (1 January - 31 December 2018 – TL 426,031), TL 197,886 of this amount is related with credit card fees and commissions (1 January - 31 December 2018 – TL 123,244) and TL 142,735 of this amount is related with POS machine commissions (1 January – 31 December 2018 – TL 91,787).

As of 31 December 2019, other fees and commissions given is TL 300,791 (1 January - 31 December 2018 – TL 199,917), TL 167,123 (1 January - 31 December 2018 – TL 107,446) of this amount is related with POS clearing commissions and installation expenses, TL 26,590 (1 January - 31 December 2018 – TL 18,792) of this amount is related with fees and commissions paid for credit cards.

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

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

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

6. Explanations and Disclosures Related to Statement of Cash Flows

6.1. Information on cash and cash equivalents:

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

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

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

	Current Period
Cash	6,680,124
Cash in TL/foreign currency, others	882,566
Demand deposits at banks	5,797,558
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	6,680,124
	Prior Period
Cash	4,078,048
Cash in TL/foreign currency, others	606,825
Demand deposits at banks	3,471,223
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	4,078,048

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

	Current Period
Cash	18,893,086
Cash in TL/foreign currency, others	18,893,086
Demand deposits at banks (up to 3 months)	-
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	18,893,086
	Prior Period
Cash	6,680,124
Cash in TL/foreign currency, others	882,566
Demand deposits at banks (up to 3 months)	5,797,558
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	6,680,124

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

None (31 December 2018 – None).

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

“Other items” amounting to TL (2,716,681) (1 January-31 December 2018: TL (1,040,318)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 4,572,294 (1 January-31 December 2018: TL 906,746) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL 261,964 (1 January-31 December 2018: TL (2,882,112)) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

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

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 1,688,034 as of 31 December 2019 (31 December 2018 – TL (66,621)). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

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7. Explanations and notes related to risk group of the 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	178,601	18,527	1,868	7,206	780,512	723
Profit share and commission income	-	8	145	-	10,066	1,531

(*) 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	71	118	73	11	18,440	4

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

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	181,714	62,800	151,321	35,032	390,698	255,239
Profit share expense	5,943	2,087	2,281	3,682	38,300	30,709

(*) 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	Prior period	Current period	Prior period	Current period	Prior 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	75,460	259,035	528,933	287,483	-	-
Total Profit / Loss	265	991	(35)	-	-	-
Hedging Transactions	-	-	-	-	-	-
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Borrowings						
Balance at beginning of period	5,646,443	7,063,526	802,108	2,175,759	-	-
Balance at end of period	8,324,759	5,646,443	68,696	802,108	-	-
Profit share expense	430,967	470,568	41,221	84,426	-	-

7.5 Information on remunerations provided to top management:

As of 1 January - 31 December 2019, the Bank has paid TL 38,220 to top management (1 January - 31 December 2018 TL 29,823).

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

8.1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	430	4,120			
			Country		
Foreign representative offices				Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign bank	1	108	Germany	3,582,256	74,954,179
Off-shore branches	1	3	Bahrain	7,323,517	
Foreign branches					

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

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

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

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

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

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

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

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

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SECTION SIX

OTHER EXPLANATIONS

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

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

1. **Explanations review report:**

The unconsolidated financial statements have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' review report dated 12 February 2020 is presented preceding the financial statements.

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