

**KUVEYT TÜRK KATILIM BANKASI A.Ş.**

**UNCONSOLIDATED FINANCIAL  
STATEMENTS AS OF AND FOR THE PERIOD  
ENDED 1 JANUARY-31 MARCH 2018 WITH  
INDEPENDENT AUDITOR'S LIMITED  
REVIEW REPORT**

**(CONVENIENCE TRANSLATION OF  
UNCONSOLIDATED FINANCIAL  
STATEMENTS, RELATED DISCLOSURES  
AND FOOTNOTES ORIGINALLY ISSUED IN  
TURKISH)**

*(Convenience Translation of Unconsolidated Financial Statements, Related Disclosures And Footnotes  
Originally Issued In Turkish)*

**LIMITED REVIEW REPORT  
FOR THE INTERIM FINANCIAL INFORMATION**

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

*Introduction*

We have reviewed the accompanying unconsolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (“the Bank”) as at 31 March 2018, and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholder’s equity, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures And Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with the number 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. as at 31 March 2018, and of the results of its operations and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Reporting Regulations.

### **Report on Other Legal and Regulatory Requirements**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the Management's interim report included in Section 8 of the accompanying financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed interim financial statements and the explanatory notes.

### **Additional paragraph for English translation:**

The effect of the differences between the accounting principles summarized in Section 3 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 and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Yaman Polat, SMMM  
Partner

Istanbul, 15 May 2018

## Index

### Section One General information

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	1
II.	Shareholding structure, shareholders jointly or individually having direct or indirect control over the management and supervision of the Bank and the disclosures on any related changes in the current period, if any, and information about the Group that the Bank belongs to	1
III.	Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the bank	1
IV.	Information on qualified shareholders	2
V.	Explanations of the Bank's services and field of operations	2
VI.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries	2

### Section Two The unconsolidated financial statements

I.	Balance sheet (Statement of financial position)	3
II.	Statement of off-balance sheet items	7
III.	Income Statement (Statement of Profit/Loss)	9
IV.	Statement of income/ expense items accounted under shareholders' equity (Unconsolidated other comprehensive income/loss)	11
V.	Statement of changes in shareholders' equity	13
VI.	Statement of cash flows	15

### Section Three Accounting principles

I.	Explanations on basis of presentation	17
II.	Explanations on strategy of using financial instruments and foreign currency transactions	20
III.	Information on subsidiaries and associates	20
IV.	Explanations on forward transactions and option contracts and derivative instruments	21
V.	Explanations on profit share income and expense	21
VI.	Explanations on fees and commission income and expenses	21
VII.	Explanations on financial assets	22
VIII.	Explanations on impairment of financial assets	23
IX.	Explanations on offsetting of financial assets and liabilities	24
X.	Explanations on sale and repurchase agreements and lending of securities	24
XI.	Explanations on assets held for sale and discontinued operations and related liabilities	24
XII.	Explanations on goodwill and other intangible assets	25
XIII.	Explanations on tangible assets	25
XIV.	Explanations on leasing transactions	26
XV.	Explanations on provisions and contingent liabilities	26
XVI.	Explanations on liabilities relating to employee benefits	27
XVII.	Explanations on taxation	27
XVIII.	Explanations on additional disclosures on borrowings	28
XIX.	Explanations on share certificates issued	28
XX.	Explanations on acceptances and availed drafts	28
XXI.	Explanations on government grants	29
XXII.	Explanations on segment reporting	29
XXIII.	Explanations on other matters	29
XXIV.	Additional paragraph for convenience translation	29

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

I.	Explanations on equity	30
II.	Explanations on currency risk	38
III.	Explanations on position risk of equity securities in banking book	40
IV.	Liquidity risk management and liquidity coverage ratio	41
V.	Explanations on leverage ratio	46
VI.	Explanations on risk management	48
VII.	Securitization positions	49
VIII.	Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions	49
IX.	Explanations on business segments	49

### Section Five Explanations and notes on the unconsolidated financial statements

I.	Explanations and notes related to assets	51
II.	Explanations and notes related to liabilities	71
III.	Explanations and notes related to off-balance sheet contingencies and commitments	85
IV.	Explanations and notes related to the income statement	86
V.	Explanations and notes related to cash flow statement	93
VI.	Explanations and notes related to the risk group of the Bank	95
VII.	Significant events and matters arising subsequent to balance sheet date	96

### Section Six Other Explanations

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	97
----	-----------------------------------------------------------------------------------------------------------------------------	----

### Section Seven Independent Limited Review Report

I.	Explanations on the limited review report	97
II.	Notes and disclosures prepared by the independent auditor	97

### Section Eight Interim Report

I.	Explanations on interim annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager	97
----	-----------------------------------------------------------------------------------------------------------------------------------------------------	----

**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
AS OF 31 MARCH 2018**

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL  
Phone and facsimile number : 0212 354 11 11 - 0212 354 12 12  
Web page : www.kuveytturk.com.tr  
E-mail address : kuveytturk@kuveytturk.com.tr

The unconsolidated three-month period ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

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

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

---

Hamad Abdulmohsen AL-MARZOUQ  
Chairman of BOD

---

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

---

Ahmad S A A AL KHARJI  
Member of the Audit Committee

---

Mohamad AL-MIDANI  
Member of the Audit Committee

---

Ufuk UYAN  
General Manager

---

Ahmet KARACA  
Chief Financial Officer

---

İsmail Hakkı YEŞİLYURT  
External Reporting Manager

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

Name-Surname/Position: İsmail Hakkı YEŞİLYURT/External Reporting Manager

Telephone: 0212 354 12 84

Facsimile: 0212 354 11 03

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2018**

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

**SECTION ONE**

**GENERAL INFORMATION**

**I. 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.

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

As of 31 March 2018, 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.

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

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

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.11% of the Bank’s share capital (31 December 2017 – 0.11%).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2018**

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

**IV. Information on qualified shareholders:**

<b>Name / Commercial Name</b>	<b>Share amount (Nominal)</b>	<b>Shareholding percentage</b>	<b>Paid shares (Nominal)</b>	<b>Unpaid shares</b>
Kuwait Finance House	1,929,479	62.24%	1,929,479	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	580,297	18.72%	580,297	-
<b>Total</b>	<b>2,509,776</b>	<b>80.96%</b>	<b>2,509,776</b>	<b>-</b>

As of 31 March 2018, 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.

**V. 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 March 2018, the Bank is operating through 399 domestic branches (31 December 2017 – 399) with 5,691 employees (31 December 2017 – 5,749). 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.

**VI. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent 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 Items Accounted Under Shareholders' Equity  
(Other Comprehensive Income/Loss)
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018**

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

**I. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)**

	Note	TL	FC	Reviewed Current Period 31.03.2018 Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>2,748,532</b>	<b>13,214,485</b>	<b>15,963,017</b>
<b>1.1 Cash and Cash Equivalents</b>	(a)	<b>652,590</b>	<b>11,538,860</b>	<b>12,191,450</b>
1.1.1 Cash and Balances with Central Bank		643,853	7,778,107	8,421,960
1.1.2 Banks	(c)	8,737	3,760,753	3,769,490
1.1.3 Money Markets		-	-	-
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(b)	<b>98,857</b>	<b>74,513</b>	<b>173,370</b>
1.2.1 Government Debt Securities		27,134	19,210	46,344
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		71,723	55,303	127,026
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(d)	<b>1,991,251</b>	<b>1,579,523</b>	<b>3,570,774</b>
1.3.1 Government Debt Securities		1,852,395	1,340,985	3,193,380
1.3.2 Equity Instruments		10,325	11,561	21,886
1.3.3 Other Financial Assets		128,531	226,977	355,508
<b>1.4 Financial Assets Measured at Amortised Cost</b>	(f)	<b>-</b>	<b>-</b>	<b>-</b>
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
<b>1.5. Derivative Financial Assets</b>	(b)	<b>8,624</b>	<b>23,868</b>	<b>32,492</b>
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		8,624	23,868	32,492
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
<b>1.6. Non-Performing Financial Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>1.7 Expected Loss Provision (-)</b>		<b>2,790</b>	<b>2,279</b>	<b>5,069</b>
<b>II. LOANS (Net)</b>	(e)	<b>34,075,656</b>	<b>8,372,797</b>	<b>42,448,453</b>
<b>2.1 Loans</b>		<b>32,811,392</b>	<b>7,632,762</b>	<b>40,444,154</b>
2.1.1 Loans Measured at Amortised Cost		32,808,103	7,573,997	40,382,100
2.1.2 Loans at Fair Value Through Profit or Loss		3,289	58,765	62,054
2.1.3 Loans at Fair Value Through Other Comprehensive Income		-	-	-
<b>2.2 Lease Receivables</b>	(j)	<b>1,403,205</b>	<b>773,030</b>	<b>2,176,235</b>
2.2.1 Finance Lease Receivables		1,608,026	928,395	2,536,421
2.2.2 Operational Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		204,821	155,365	360,186
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>
2.3.1 Measured at Amortised Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
<b>2.4 Non-Performing Loans</b>		<b>773,060</b>	<b>-</b>	<b>773,060</b>
<b>2.5 Expected Credit Losses (-)</b>		<b>912,001</b>	<b>32,995</b>	<b>944,996</b>
2.5.1 12-Month Expected Credit Losses (Stage I)		94,718	17,682	112,400
2.5.2 Significant Increase in Credit Risk (Stage II)		301,002	15,313	316,315
2.5.3 Credit-Impaired Losses (Stage III / Special Provision)		516,281	-	516,281
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)</b>		<b>137,438</b>	<b>-</b>	<b>137,438</b>
3.1 Held For Sale		137,438	-	137,438
3.2 Related to Discontinued Operations		-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>400,889</b>	<b>-</b>	<b>400,889</b>
<b>4.1 Investments in Associates (Net)</b>	(g)	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
<b>4.2 Subsidiaries (Net)</b>	(h)	<b>380,889</b>	<b>-</b>	<b>380,889</b>
4.2.1 Unconsolidated Financial Subsidiaries		357,209	-	357,209
4.2.2 Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680
<b>4.3 Joint Ventures (Net)</b>	(i)	<b>20,000</b>	<b>-</b>	<b>20,000</b>
4.3.1 Joint Ventures Valued Based on Equity Method		20,000	-	20,000
4.3.2 Unconsolidated Joint Ventures		-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>		<b>408,504</b>	<b>186</b>	<b>408,690</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>125,264</b>	<b>51</b>	<b>125,315</b>
6.1 Goodwill		-	-	-
6.2 Other		125,264	51	125,315
<b>VII. INVESTMENT PROPERTIES (Net)</b>		<b>25,379</b>	<b>-</b>	<b>25,379</b>
<b>VIII. CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	(l)	<b>122,005</b>	<b>-</b>	<b>122,005</b>
<b>X. OTHER ASSETS</b>	(m)	<b>393,841</b>	<b>629,175</b>	<b>1,023,016</b>
<b>TOTAL ASSETS</b>		<b>38,437,508</b>	<b>22,216,694</b>	<b>60,654,202</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018**

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

**I. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)**

		Note	TL	FC	Audited Prior Period 31.12.2017 Total
<b>I.</b>	<b>CASH AND BALANCES WITH THE CENTRAL BANK</b>	(a)	<b>625,022</b>	<b>8,307,834</b>	<b>8,932,856</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(b)	<b>176,941</b>	<b>66,466</b>	<b>243,407</b>
2.1	Held For Trading Financial Assets		176,941	66,466	243,407
2.1.1	Public Sector Debt Securities		7,600	28,719	36,319
2.1.2	Equity Securities		-	-	-
2.1.3	Derivative Financial Assets Held For Trading		14,168	12,531	26,699
2.1.4	Other Marketable Securities		155,173	25,216	180,389
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-
2.2.1	Public Sector Debt Securities		-	-	-
2.2.2	Equity Securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
<b>III.</b>	<b>BANKS</b>	(c)	<b>7,404</b>	<b>3,568,616</b>	<b>3,576,020</b>
<b>IV.</b>	<b>RECEIVABLES FROM MONEY MARKET</b>		-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(d)	<b>2,088,123</b>	<b>2,339,942</b>	<b>4,428,065</b>
5.1	Equity Securities		10,325	38,172	48,497
5.2	Public Sector Debt Securities		2,048,171	2,055,277	4,103,448
5.3	Other Marketable Securities		29,627	246,493	276,120
<b>VI.</b>	<b>LOANS AND RECEIVABLES</b>	(e)	<b>29,860,983</b>	<b>6,180,316</b>	<b>36,041,299</b>
6.1	Loans and Receivables		29,813,800	6,180,316	35,994,116
6.1.1	Loans to Risk Group of The Bank		84,022	67,951	151,973
6.1.2	Public Sector Debt Securities		-	-	-
6.1.3	Other		29,729,778	6,112,365	35,842,143
6.2	Non-Performing Loans		714,130	-	714,130
6.3	Specific Provisions (-)		666,947	-	666,947
<b>VII.</b>	<b>HELD TO MATURITY INVESTMENTS (Net)</b>		-	-	-
<b>VIII.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(g)	-	-	-
8.1	Accounted For Under Equity Method		-	-	-
8.2	Unconsolidated Associates		-	-	-
8.2.1	Financial Associates		-	-	-
8.2.2	Non-Financial Associates		-	-	-
<b>IX.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	(h)	<b>377,647</b>	-	<b>377,647</b>
9.1	Unconsolidated Financial Subsidiaries		353,967	-	353,967
9.2	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680
<b>X.</b>	<b>ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(i)	<b>20,000</b>	-	<b>20,000</b>
10.1	Accounted For Under Equity Method		20,000	-	20,000
10.2	Unconsolidated		-	-	-
10.2.1	Financial Subsidiaries		-	-	-
10.2.2	Non-Financial Subsidiaries		-	-	-
<b>XI.</b>	<b>FINANCE LEASE RECEIVABLES</b>	(j)	<b>1,285,866</b>	<b>643,376</b>	<b>1,929,242</b>
11.1	Finance Lease Receivables		1,473,207	771,045	2,244,252
11.2	Operating Lease Receivables		-	-	-
11.3	Other		-	-	-
11.4	Unearned Income (-)		187,341	127,669	315,010
<b>XII.</b>	<b>DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(k)	-	-	-
12.1	Fair Value Hedge		-	-	-
12.2	Cash Flow Hedge		-	-	-
12.3	Hedge of Net Investment Risks in Foreign Operations		-	-	-
<b>XIII.</b>	<b>TANGIBLE ASSETS (Net)</b>		<b>409,559</b>	<b>184</b>	<b>409,743</b>
<b>XIV.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>118,959</b>	<b>53</b>	<b>119,012</b>
14.1	Goodwill		-	-	-
14.2	Other		118,959	53	119,012
<b>XV.</b>	<b>INVESTMENT PROPERTIES (Net)</b>		<b>25,419</b>	-	<b>25,419</b>
<b>XVI.</b>	<b>TAX ASSET</b>	(l)	<b>138,710</b>	-	<b>138,710</b>
16.1	Current Tax Asset		-	-	-
16.2	Deferred Tax Asset		138,710	-	138,710
<b>XVII.</b>	<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>117,006</b>	-	<b>117,006</b>
17.1	Held For Sale		117,006	-	117,006
17.2	Discontinued Operations		-	-	-
<b>XVIII.</b>	<b>OTHER ASSETS</b>	(m)	<b>183,231</b>	<b>581,438</b>	<b>764,669</b>
<b>TOTAL ASSETS</b>			<b>35,434,870</b>	<b>21,688,225</b>	<b>57,123,095</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018**

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

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

		Reviewed			
		Current period 31.03.2018			
		Note	TL	FC	Total
<b>I.</b>	<b>FUNDS COLLECTED</b>	(a)	21,726,616	21,149,091	42,875,707
<b>II.</b>	<b>FUNDS BORROWED</b>	(c)	1,505,697	8,166,587	9,672,284
<b>III.</b>	<b>MONEY MARKETS</b>		300,105	-	300,105
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>		-	-	-
<b>V.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	(b)	17,188	39,502	56,690
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		17,188	39,502	56,690
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
<b>VII.</b>	<b>LEASE PAYABLES</b>	(e)	-	-	-
7.1	Finance Lease Payables		-	-	-
7.2	Operating Lease Payables		-	-	-
7.3	Other		-	-	-
7.4	Deferred Financial Lease Expenses (-)		-	-	-
<b>VIII.</b>	<b>PROVISIONS</b>	(g)	492,840	117,762	610,602
8.1	Restructuring Provision		-	-	-
8.2	Reserves For Employee Benefits		157,459	181	157,640
8.3	Insurance For Technical Provision (Net)		-	-	-
8.4	Other Provisions		335,381	117,581	452,962
<b>IX.</b>	<b>CURRENT TAX LIABILITIES</b>	(h)	51,039	-	51,039
<b>X.</b>	<b>DEFERRED TAX LIABILITIES</b>		-	-	-
<b>XI.</b>	<b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(i)	-	-	-
11.1	Held For Sale		-	-	-
11.2	Related to Discontinued Operations		-	-	-
<b>XII.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	(j)	-	1,394,348	1,394,348
12.1	Loans		-	1,394,348	1,394,348
12.2	Other Debt Instruments		-	-	-
<b>XIII.</b>	<b>OTHER LIABILITIES</b>	(d)	765,279	88,013	853,292
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	(k)	4,834,419	5,716	4,840,135
14.1	Paid-in Capital		3,097,322	-	3,097,322
14.2	Capital Reserves		22,933	-	22,933
14.2.1	Share Premiums		22,933	-	22,933
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Other Capital Reserves		-	-	-
14.3	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(26,947)	-	(26,947)
14.4	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		(5,631)	5,716	85
14.5	Profit Reserves		1,508,114	-	1,508,114
14.5.1	Legal Reserves		184,578	-	184,578
14.5.2	Statutory Reserves		-	-	-
14.5.3	Extraordinary Reserves		1,310,679	-	1,310,679
14.5.4	Other Profit Reserves		12,857	-	12,857
14.6	Profit or Loss		238,628	-	238,628
16.6.1	Prior Years' Profits or Losses		35,540	-	35,540
16.6.2	Current Period Net Profit or Loss		203,088	-	203,088
14.7	Minority Shares	(l)	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>29,693,183</b>	<b>30,961,019</b>	<b>60,654,202</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018**

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

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

	Note	Audited		Total
		TL	FC	
<b>I. FUNDS COLLECTED</b>	(a)	<b>19,955,412</b>	<b>19,901,988</b>	<b>39,857,400</b>
1.1 Funds From Risk Group of The Bank		393,595	118,292	511,887
1.2 Other		19,561,817	19,783,696	39,345,513
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(b)	<b>21,446</b>	<b>59,251</b>	<b>80,697</b>
<b>III. FUNDS BORROWED</b>	(c)	<b>1,258,301</b>	<b>7,773,208</b>	<b>9,031,509</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>750,524</b>	-	<b>750,524</b>
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-
<b>VI. SUNDRY CREDITORS</b>		<b>171,509</b>	<b>26,610</b>	<b>198,119</b>
<b>VII. OTHER LIABILITIES</b>	(d)	<b>318,674</b>	<b>16,177</b>	<b>334,851</b>
<b>VIII. FINANCE LEASE PAYABLES</b>	(e)	-	-	-
8.1 Finance Lease Payables		-	-	-
8.2 Operating Lease Payables		-	-	-
8.3 Other		-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(f)	-	<b>70,795</b>	<b>70,795</b>
9.1 Fair Value Hedge		-	-	-
9.2 Cash Flow Hedge		-	70,795	70,795
9.3 Hedge of Net Investment in Foreign Operations		-	-	-
<b>X. PROVISIONS</b>	(g)	<b>642,554</b>	<b>148,886</b>	<b>791,440</b>
10.1 General Loan Loss Provisions		312,384	93,084	405,468
10.2 Restructuring Provisions		-	-	-
10.3 Reserve For Employee Benefits		184,864	185	185,049
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		145,306	55,617	200,923
<b>XI. TAX LIABILITY</b>	(h)	<b>56,271</b>	-	<b>56,271</b>
11.1 Current Tax Liability		56,271	-	56,271
11.2 Deferred Tax Liability		-	-	-
<b>XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(i)	-	-	-
12.1 Held For Sale		-	-	-
12.2 Discontinued Operations		-	-	-
<b>XIII. SUBORDINATED LOANS</b>	(j)	-	<b>1,360,338</b>	<b>1,360,338</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	(k)	<b>4,578,542</b>	<b>12,609</b>	<b>4,591,151</b>
14.1 Paid-in Capital		3,097,322	-	3,097,322
14.2 Capital Reserves		(31,788)	12,609	(19,179)
14.2.1 Share Premiums		22,933	-	22,933
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Marketable Securities Revaluation Reserve		(23,192)	12,609	(10,583)
14.2.4 Tangible Assets Revaluation Reserve		-	-	-
14.2.5 Intangible Assets Revaluation Reserve		-	-	-
14.2.6 Investment Property Revaluation Reserve		-	-	-
14.2.7 Bonus Shares Obtained From Associates, Subsidiaries and Jointly Controlled Entities		-	-	-
14.2.8 Hedging Funds (Effective Portion)		(4,582)	-	(4,582)
14.2.9 Value Increase on Assets Held For Resale		-	-	-
14.2.10 Other Capital Reserves		(26,947)	-	(26,947)
14.3 Profit Reserves		839,017	-	839,017
14.3.1 Legal Reserves		150,389	-	150,389
14.3.2 Status Reserves		-	-	-
14.3.3 Extraordinary Reserves		688,628	-	688,628
14.3.4 Other Profit Reserves		-	-	-
14.4 Profit or Loss		673,991	-	673,991
14.4.1 Prior Period Income/(Losses)		-	-	-
14.4.2 Current Period Net Income/(Losses)		673,991	-	673,991
14.5 Minority Shares	(l)	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>27,753,233</b>	<b>29,369,862</b>	<b>57,123,095</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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 MARCH**  
**2018**

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

**II. STATEMENT OF OFF-BALANCE SHEET ITEMS**

		Reviewed		
		Current Period 31.03.2018		
	Note	TL	FC	Total
<b>A.</b>	<b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>	<b>55,286,218</b>	<b>19,015,760</b>	<b>74,301,978</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>6,544,781</b>	<b>5,230,500</b>	<b>11,775,281</b>
1.1.	Letters of Guarantee	6,385,303	3,730,699	10,116,002
1.1.1	Guarantees Subject to State Tender Law	223,725	-	223,725
1.1.2	Guarantees Given For Foreign Trade Operations	400,245	152,770	553,015
1.1.3	Other Letters of Guarantee	5,761,333	3,577,929	9,339,262
1.2	Bank Loans	1,000	64,255	65,255
1.2.1	Import Letter of Acceptances	1,000	64,255	65,255
1.2.2	Other Bank Acceptances	-	-	-
1.3	Letters of Credit	1,162	1,227,388	1,228,550
1.3.1	Documentary Letters of Credit	78	524,664	524,742
1.3.2	Other Letters of Credit	1,084	702,724	703,808
1.4	Guaranteed Refinancing	-	29,288	29,288
1.5	Endorsements	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey	-	-	-
1.5.2	Other Endorsements	-	-	-
1.6	Other Guarantees	157,316	178,870	336,186
1.7	Other Warranties	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>47,045,501</b>	<b>204,837</b>	<b>47,250,338</b>
2.1	Irrevocable Commitments	3,624,155	204,837	3,828,992
2.1.1	Forward Asset Purchase and Sales Commitments	82,747	129,200	211,947
2.1.2	Share Capital Commitment to Associates and Subsidiaries	-	-	-
2.1.3	Loan Granting Commitments	479,665	-	479,665
2.1.4	Securities Underwriting Commitments	-	-	-
2.1.5	Commitments For Reserve Deposits Requirements	-	-	-
2.1.6	Payment Commitments For Checks	1,549,407	-	1,549,407
2.1.7	Tax and Fund Liabilities From Export Commitments	99	-	99
2.1.8	Commitments For Credit Card Expenditure Limits	1,494,480	-	1,494,480
2.1.9	Commitments For Credit Cards and Banking Services Promotions	-	-	-
2.1.10	Receivables From Short Sale Commitments	-	-	-
2.1.11	Payables For Short Sale Commitments	-	-	-
2.1.12	Other Irrevocable Commitments	17,757	75,637	93,394
2.2	Revocable Commitments	43,421,346	-	43,421,346
2.2.1	Revocable Loan Granting Commitments	43,421,346	-	43,421,346
2.2.2	Other Revocable Commitments	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>1,695,936</b>	<b>13,580,423</b>	<b>15,276,359</b>
3.1	Derivative Financial Instruments Held For Risk Management	-	1,673,879	1,673,879
3.1.1	Fair Value Hedges	-	-	-
3.1.2	Cash Flow Hedges	-	1,673,879	1,673,879
3.1.3	Hedge of Net Investment in Foreign Operations	-	-	-
3.2.	Held For Trading Transactions	1,695,936	11,906,544	13,602,480
3.2.1	Forward Foreign Currency Buy/Sell Transactions	892,268	2,581,797	3,474,065
3.2.1.1	Forward Foreign Currency Buy Transactions	437,264	1,281,202	1,718,466
3.2.1.2	Forward Foreign Currency Sell Transactions	455,004	1,300,595	1,755,599
3.2.2	Other Forward Buy/Sell Transactions	803,668	9,324,747	10,128,415
3.3	Other	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>	<b>282,952,454</b>	<b>109,561,962</b>	<b>392,514,416</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>9,840,734</b>	<b>2,618,933</b>	<b>12,459,667</b>
4.1	Assets Under Management	-	-	-
4.2	Investment Securities Held in Custody	1,303,325	124,882	1,428,207
4.3	Checks Received For Collection	7,070,051	691,982	7,762,033
4.4	Commercial Notes Received For Collection	1,467,358	211,709	1,679,067
4.5	Other Assets Received For Collection	-	-	-
4.6	Assets Received For Public Offering	-	-	-
4.7	Other Items Under Custody	-	-	-
4.8	Custodians	-	1,590,360	1,590,360
<b>V.</b>	<b>PLEDGED ITEMS</b>	<b>273,100,081</b>	<b>106,896,435</b>	<b>379,996,516</b>
5.1	Marketable Securities	194,935	77,447	272,382
5.2	Guarantee Notes	101,681	1,597,604	1,699,285
5.3	Commodity	5,442,571	491,306	5,933,877
5.4	Warranty	-	-	-
5.5	Properties	106,376,958	2,063,734	108,440,692
5.6	Other Pledged Items	160,983,936	102,666,344	263,650,280
5.7	Pledged Items-Depository	-	-	-
<b>VI.</b>	<b>ACCEPTED GUARANTEES AND WARRANTIES</b>	<b>11,639</b>	<b>46,594</b>	<b>58,233</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>338,238,672</b>	<b>128,577,722</b>	<b>466,816,394</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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 MARCH**  
**2018**

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

**II. STATEMENT OF OFF-BALANCE SHEET ITEMS**

		<b>Audited</b>		
		<b>Prior Period 31.12.2017</b>		
	Note	TL	FC	Total
<b>A.</b>	<b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>	<b>54,025,598</b>	<b>19,041,939</b>	<b>73,067,537</b>
<b>I.</b>	<b>GUARANTEES (a)</b>	<b>6,501,080</b>	<b>4,567,075</b>	<b>11,068,155</b>
1.1.	Letters of Guarantees	6,342,565	3,223,573	9,566,138
1.1.1.	Guarantees Subject to State Tender Law	214,018	-	214,018
1.1.2.	Guarantees Given For Foreign Trade Operations	424,035	186,480	610,515
1.1.3.	Other Letters of Guarantee	5,704,512	3,037,093	8,741,605
1.2.	Bank Loans	2,549	53,409	55,958
1.2.1.	Import Letter of Acceptances	2,549	53,409	55,958
1.2.2.	Other Bank Acceptances	-	-	-
1.3.	Letter of Credits	1,143	930,957	932,100
1.3.1.	Documentary Letter of Credits	78	358,591	358,669
1.3.2.	Other Letter of Credits	1,065	572,366	573,431
1.4.	Guaranteed Refinancing	-	27,919	27,919
1.5.	Endorsements	-	-	-
1.5.1.	Endorsements to The Central Bank of Republic of Turkey	-	-	-
1.5.2.	Other Endorsements	-	-	-
1.6.	Other Guarantees	154,823	331,217	486,040
1.7.	Other Collaterals	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>45,832,293</b>	<b>948,078</b>	<b>46,780,371</b>
2.1.	Irrevocable Commitments	3,306,919	948,078	4,254,997
2.1.1.	Forward Asset Purchase Commitments	217,951	948,078	1,166,029
2.1.2.	Share Capital Commitment to Associates and Subsidiaries	-	-	-
2.1.3.	Loan Granting Commitments	368,519	-	368,519
2.1.4.	Securities Underwriting Commitments	-	-	-
2.1.5.	Commitments For Reserve Deposits Requirements	-	-	-
2.1.6.	Payment Commitments For Checks	1,345,239	-	1,345,239
2.1.7.	Tax and Fund Liabilities From Export Commitments	99	-	99
2.1.8.	Commitments For Credit Card Expenditure Limits	1,357,354	-	1,357,354
2.1.9.	Commitments For Promotions Related With Credit Cards And Banking Activities	-	-	-
2.1.10.	Receivables From Short Sale Commitments	-	-	-
2.1.11.	Payables For Short Sale Commitments	-	-	-
2.1.12.	Other Irrevocable Commitments	17,757	-	17,757
2.2.	Revocable Commitments	42,525,374	-	42,525,374
2.2.1.	Revocable Loan Granting Commitments	42,525,374	-	42,525,374
2.2.2.	Other Revocable Commitments	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>1,692,225</b>	<b>13,526,786</b>	<b>15,219,011</b>
3.1.	Derivative Financial Instruments Held for Risk Management	-	1,565,503	1,565,503
3.1.1.	Fair Value Hedge	-	-	-
3.1.2.	Cash Flow Hedge	-	1,565,503	1,565,503
3.1.3.	Hedge of Net Investment in Foreign Operations	-	-	-
3.2.	Held For Trading Transactions	1,692,225	11,961,283	13,653,508
3.2.1.	Forward Foreign Currency Buy/Sell Transactions	737,140	1,699,381	2,436,521
3.2.1.1.	Forward Foreign Currency Transactions-Buy	388,590	831,098	1,219,688
3.2.1.2.	Forward Foreign Currency Transactions-Sell	348,550	868,283	1,216,833
3.2.2.	Other Forward Buy/Sell Transactions	955,085	10,261,902	11,216,987
3.3.	Other	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>	<b>264,937,891</b>	<b>106,948,648</b>	<b>371,886,539</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>9,232,412</b>	<b>3,224,354</b>	<b>12,456,766</b>
4.1.	Assets Under Management	-	-	-
4.2.	Investment Securities Held in Custody	965,091	73,865	1,038,956
4.3.	Checks Received For Collection	6,397,936	624,523	7,022,459
4.4.	Commercial Notes Received For Collection	1,869,385	190,069	2,059,454
4.5.	Other Assets Received For Collection	-	-	-
4.6.	Assets Received For Public Offering	-	-	-
4.7.	Other Items Under Custody	-	-	-
4.8.	Custodians	-	2,335,897	2,335,897
<b>V.</b>	<b>PLEDGED ITEMS</b>	<b>255,693,840</b>	<b>103,679,813</b>	<b>359,373,653</b>
5.1.	Marketable Securities	195,245	73,046	268,291
5.2.	Guarantee Notes	101,701	1,527,824	1,629,525
5.3.	Commodity	5,045,489	470,272	5,515,761
5.4.	Warranty	-	-	-
5.5.	Properties	101,298,823	1,970,258	103,269,081
5.6.	Other Pledged Items	149,052,582	99,638,413	248,690,995
5.7.	Pledged Items-Depository	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>11,639</b>	<b>44,481</b>	<b>56,120</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A-</b>		<b>318,963,489</b>	<b>125,990,587</b>	<b>444,954,076</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED**  
**31 MARCH 2018**

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

**III. INCOME STATEMENT**

		Current Period Reviewed 01.01.2018 - 31.03.2018
		Note
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>1,197,046</b>
1.1	Profit Share on Loans	1,031,797
1.2	Profit Share on Reserve Deposits	18,431
1.3	Profit Share on Banks	16,773
1.4	Profit Share on Money Market Placements	-
1.5	Profit Share on Marketable Securities Portfolio	79,385
1.5.1	Fair Value Through Profit or Loss	1,563
1.5.2	Fair Value Through Other Comprehensive Income	77,822
1.5.3	Measured at Amortised Cost	-
1.6	Finance Lease Income	45,875
1.7	Other Profit Share Income	4,785
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>	<b>523,543</b>
2.1	Expense on Profit Sharing Accounts	360,018
2.2	Profit Share Expense on Funds Borrowed	149,168
2.3	Profit Share Expense on Money Market Borrowings	14,357
2.4	Expense on Securities Issued	-
2.5	Other Profit Share Expense	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>	<b>673,503</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>	<b>77,095</b>
4.1	Fees And Commissions Received	119,350
4.1.1	Non-Cash Loans	29,069
4.1.2	Other	90,281
4.2	Fees And Commissions Paid	42,255
4.2.1	Non-Cash Loans	5
4.2.2	Other	42,250
<b>V.</b>	<b>PERSONNEL EXPENSES (-)</b>	<b>213,283</b>
<b>VI.</b>	<b>DIVIDEND INCOME</b>	<b>-</b>
<b>VII.</b>	<b>NET TRADING INCOME / LOSS</b>	<b>28,682</b>
7.1	Capital Market Transaction Gains/Losses	5,494
7.2	Gains/Losses From Derivative Financial Instruments	(34,432)
7.3	Foreign Exchange Gains/Losses	57,620
<b>VIII.</b>	<b>OTHER OPERATING INCOME</b>	<b>161,571</b>
<b>IX.</b>	<b>NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)</b>	<b>727,568</b>
<b>X.</b>	<b>EXPECTED LOSS PROVISIONS (-)</b>	<b>325,760</b>
<b>XI.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>143,645</b>
<b>XII.</b>	<b>NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>	<b>258,163</b>
<b>XIII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>	<b>-</b>
<b>XIV.</b>	<b>INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>	<b>-</b>
<b>XV.</b>	<b>INCOME / (LOSS) ON NET MONETARY POSITION</b>	<b>-</b>
<b>XVI.</b>	<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)</b>	<b>258,163</b>
<b>XVII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(55,075)</b>
17.1	Current Tax Provision	(51,422)
17.2	Deferred Tax Income Effect (+)	(3,653)
17.3	Deferred Tax Expense Effect (-)	-
<b>XVIII.</b>	<b>CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>203,088</b>
<b>XIX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>	<b>-</b>
19.1	Income on Non-Current Assets Held For Sale	-
19.2	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-
19.3	Income on Other Discontinued Operations	-
<b>XX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>	<b>-</b>
20.1	Expenses From Non-Current Assets Held For Sale	-
20.2	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-
20.3	Expenses From Other Discontinued Operations	-
<b>XXI.</b>	<b>PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	<b>-</b>
<b>XXII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	<b>-</b>
22.1	Current Tax Provision	-
22.2	Deferred Tax Expense Effect (+)	-
22.3	Deferred Tax Income Effect (-)	-
<b>XXIII.</b>	<b>CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	<b>-</b>
<b>XXIV.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>203,088</b>
24.1	Group's Income/Loss	203,088
24.2	Minority Interest Income/Loss (-)	-
24.3	Earnings Per Share Income/Loss	-

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED**  
**31 MARCH 2018**

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

		Prior Period Reviewed 01.01.2017 - 31.03.2017
		Note
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>834,725</b>
1.1	Profit Share on Loans	720,594
1.2	Profit Share on Reserve Deposits	8,644
1.3	Profit Share on Banks	3,947
1.4	Profit Share on Money Market Placements	-
1.5	Profit Share on Marketable Securities Portfolio	65,333
1.5.1	Held-For-Trading Financial Assets	-
1.5.2	Financial Assets at Fair Value Through Profit And Loss	2,329
1.5.3	Available-For-Sale Financial Assets	63,004
1.5.4	Investments Held-to-Maturity	-
1.6	Finance Lease Income	30,945
1.7	Other Profit Share Income	5,262
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>	<b>394,569</b>
2.1	Expense on Profit Sharing Accounts	263,832
2.2	Profit Share Expense on Funds Borrowed	128,333
2.3	Profit Share Expense on Money Market Borrowings	2,404
2.4	Expense on Securities Issued	-
2.5	Other Profit Share Expense	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>	<b>440,156</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>	<b>53,635</b>
4.1	Fees And Commissions Received	87,220
4.1.1	Non-Cash Loans	24,228
4.1.2	Other	62,992
4.2	Fees And Commissions Paid	33,585
4.2.1	Non-Cash Loans	4
4.2.2	Other	33,581
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>-</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	<b>114,314</b>
6.1	Capital Market Transaction Gain/(Losses)	3,165
6.2	Gain/(Losses) From Derivative Financial Instruments	(193,255)
6.3	Foreign Exchange Gain/(Losses)	304,404
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>35,943</b>
<b>VIII.</b>	<b>NET OPERATING INCOME (III+IV+V+VI+VII)</b>	<b>644,048</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>140,653</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>310,842</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>	<b>192,553</b>
<b>XII.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>	<b>-</b>
<b>XIII.</b>	<b>GAIN / (LOSS) ON EQUITY METHOD</b>	<b>-</b>
<b>XIV.</b>	<b>GAIN / (LOSS) ON NET MONETARY POSITION</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>192,553</b>
<b>XVI.</b>	<b>TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	<b>(40,309)</b>
16.1	Current Income Tax Charge	(30,681)
16.2	Deferred Tax Charge / Benefit	(9,628)
<b>XVII.</b>	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>152,244</b>
<b>XVIII.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>	<b>-</b>
18.1	Income on Assets Held For Sale	-
18.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)	-
18.3	Income on Other Discontinued Operations	-
<b>XIX.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>	<b>-</b>
19.1	Loss From Assets Held For Sale	-
19.2	Loss on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-
19.3	Loss From Other Discontinued Operations	-
<b>XX.</b>	<b>PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>	<b>-</b>
<b>XXI.</b>	<b>TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	<b>-</b>
21.1	Current Income Tax Charge	-
21.2	Deferred Tax Charge / Benefit	-
<b>XXII.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	<b>-</b>
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>152,244</b>
23.1	Group's Income/Loss	152,244
23.2	Minority Interest Income/Loss (-)	-
	Earnings Per Share Income/Loss (Full TL)	-

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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 MARCH 2018**

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

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

	<b>Reviewed Current Period 01.01.2018-31.03.2018</b>
<b>I. CURRENT PROFIT (LOSS)</b>	<b>203,088</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>15,250</b>
<b>2.1 Other Comprehensive Income Not Reclassified Through Profit Or Loss</b>	<b>-</b>
2.1.1 Property And Equipment Revaluation Increase/Decrease	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-
2.1.5 Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
<b>2.2 Other Comprehensive Income Reclassified Through Profit Or Loss</b>	<b>15,250</b>
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	(6,773)
2.2.3 Cash Flow Hedge Income/Loss	26,324
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	(4,301)
<b>III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>218,338</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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 MARCH 2018**

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

	Reviewed Prior Period 01.01.2017-31.03.2017	
<b>I.</b>	<b>ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS</b>	22,860
<b>II.</b>	<b>TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-
<b>III.</b>	<b>INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-
<b>V.</b>	<b>PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	1,034
<b>VI.</b>	<b>PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	-
<b>VII.</b>	<b>THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	-
<b>VIII.</b>	<b>OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS</b>	-
<b>IX.</b>	<b>DEFERRED TAX ON VALUATION DIFFERENCES</b>	(4,779)
<b>X.</b>	<b>TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)</b>	19,115
<b>XI.</b>	<b>PROFIT/LOSS</b>	152,244
XI.1	Change In Fair Value Of Marketable Securities (Transfer To Profit/Loss)	(674)
XI.2	Reclassification Of Derivatives Accounted For Cash Flow Hedge Purposes To Income Statement	-
XI.3	Reclassification Of Hedge Of Net Investments In Foreign Operations To Income Statement	-
XI.4	Other	152,918
<b>XII.</b>	<b>Total Profit/Loss Accounted For The Period (X±XI)</b>	171,359

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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 MARCH 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

CHANGES IN THE EQUITY ITEMS	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	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			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholder's Equity Less Minority Shares	Minority Shares	Total Shareholder's Equity	
						1	2	3	4	5	6							
<b>CURRENT PERIOD</b>																		
<b>31/03/2018</b>																		
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)		-	-	-	-	-	-	-	-	(5,283)	20,533	-	-	203,088	218,338	-	218,338	
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase / Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	669,097	(673,991)	-	(4,894)	-	(4,894)	
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)	
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	669,097	(669,097)	-	-	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balances at end of the period (III+IV+.....+X+XI)</b>	(5.2.11.)	<b>3,097,322</b>	<b>22,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,947)</b>	<b>-</b>	<b>-</b>	<b>(15,866)</b>	<b>15,951</b>	<b>1,508,114</b>	<b>35,540</b>	<b>203,088</b>	<b>4,840,135</b>	<b>-</b>	<b>4,840,135</b>	

- Increase/Decrease in revaluation of fixed assets
- Accumulated remeasurement gains / losses of defined benefit plans
- Other (Share of other comprehensive income of the investments accounted for by the equity method that can not be classified as profit / loss and accumulated amount of other comprehensive income that will not be reclassified as other profit or loss)
- Exchange difference/currency
- Accumulated revaluation and / or classification gains / losses of fair value difference of financial assets which is added to other comprehensive income,
- Other (Cash flow hedging gains /losses, share of other comprehensive income of equity method investees classified as profit / loss and accumulated other comprehensive income to be reclassified as other profit or loss)

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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 MARCH 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other Reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
<b>Prior Period – (01.01.2017-31.03.2017)</b>																			
I.	Balances at beginning of the period	2,787,322	-	22,933	-	122,861	-	351,949	122,779	-	541,966	(30,529)	-	-	(7,217)	-	3,912,064	-	3,912,064
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Adjusted balances at beginning of the period (I+II)</b>	<b>2,787,322</b>	<b>-</b>	<b>22,933</b>	<b>-</b>	<b>122,861</b>	<b>-</b>	<b>351,949</b>	<b>122,779</b>	<b>-</b>	<b>541,966</b>	<b>(30,529)</b>	<b>-</b>	<b>-</b>	<b>(7,217)</b>	<b>-</b>	<b>3,912,064</b>	<b>-</b>	<b>3,912,064</b>
III.	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	18,288	-	-	-	-	18,288	-	18,288
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	827	-	827	-	827
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	827	-	827	-	827
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	(136,532)	-	136,532	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	152,244	-	-	-	-	-	-	152,244	-	152,244
XX.	Profit distribution (*)	-	-	-	-	27,528	-	336,679	51,667	-	(420,165)	-	-	-	-	-	(4,291)	-	(4,291)
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(4,291)	-	-	-	-	-	(4,291)	-	(4,291)
20.2	Transfers to reserves	-	-	-	-	27,528	-	336,679	51,667	-	(415,874)	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period</b>																			
	<b>(I+II+III+...+XVI+XVII+XVIII)</b>	<b>(2-11)</b>	<b>3,097,322</b>	<b>-</b>	<b>22,933</b>	<b>-</b>	<b>150,389</b>	<b>-</b>	<b>688,628</b>	<b>(13,753)</b>	<b>152,244</b>	<b>-</b>	<b>(12,241)</b>	<b>-</b>	<b>(6,390)</b>	<b>-</b>	<b>4,079,132</b>	<b>-</b>	<b>4,079,132</b>

(\*) In the Ordinary General Assembly Meeting dated 28 March 2017, the Bank decided on reserving primary reserves amounting to TL 27,098; other reserves amount to TL 51,007 funded via retained profit from sales of real estates, immovable properties, cash dividend payments to shareholders, dividend payment to management amount to TL 4,291; funding capital increase from internal sources via remaining net income amount to TL 121,801 in return of distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 430, remaining amount to TL 336,679 to extraordinary legal reserves, other reserve amount to TL 660 which obtained from research development activities according to Law no. 5746 under Articles 3, funding capital increase from internal sources and other reserves amount to TL 136,532 via retained profit from sales of real estates in prior periods.

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF CASH FLOWS AS OF 31 MARCH 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**VI. STATEMENT OF CASH FLOWS**

		Reviewed
		Current Period
		01.01.2018 – 31.03.2018
		Note
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1</b>	<b>Operating Profit Before Changes in Assets And Liabilities From Banking Operations</b>	985,906
1.1.1	Profit Share Income Received	1,154,228
1.1.2	Profit Share Expense Paid	(383,766)
1.1.3	Dividends Received	-
1.1.4	Fees And Commissions Received	123,275
1.1.5	Other Income	88,603
1.1.6	Collections From Previously Written Off Loans	166,059
1.1.7	Payments to Personnel And Service Suppliers	(235,323)
1.1.8	Taxes Paid	(70,908)
1.1.9	Others	43,738
<b>1.2</b>	<b>Changes in Assets And Liabilities From Banking Operations</b>	(1,619,837)
1.2.1	Net (Increase) Decrease Held For Trading Financial Assets	48,407
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	403,696
1.2.3	Net (Increase) Decrease in Due From Banks And Other Financial Institutions	(5,006,635)
1.2.4	Net (Increase) Decrease in Loans	(47,868)
1.2.5	Net (Increase) Decrease in Other Assets	(98,340)
1.2.6	Net Increase (Decrease) in Bank Deposits	3,052,877
1.2.7	Net Increase (Decrease) in Other Deposits	-
1.2.8	Net Increase (Decrease) in Funds Borrowed	609,294
1.2.9	Net Increase (Decrease) in Due Payables	-
1.2.10	Net Increase (Decrease) in Other Liabilities	(581,268)
<b>I.</b>	<b>Net Cash Provided From / (Used in) Banking Operations</b>	(633,931)
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II.</b>	<b>Net Cash Provided From / (Used in) Investing Activities</b>	811,267
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	-
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries	-
2.3	Fixed Assets Purchases	(16,146)
2.4	Fixed Assets Sales	1,998
2.5	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(769,126)
2.6	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income	1,607,726
2.7	Cash Paid For Purchase of Investment Securities	-
2.8	Cash Obtained From Sale of Investment Securities	-
2.9	Other	(13,185)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III.</b>	<b>Net Cash Provided From / (Used in) Financing Activities</b>	(4,894)
3.1	Cash Obtained From Funds Borrowed And Securities Issued	-
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued	-
3.3	Capital Increase	-
3.4	Dividends Paid	(4,894)
3.5	Payments For Finance Leases	-
3.6	Other	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents</b>	(86,172)
<b>V.</b>	<b>Net Increase (Decrease) in Cash And Cash Equivalents</b>	86,270
<b>VI.</b>	<b>Cash And Cash Equivalents at The Beginning of The Period</b>	4,078,048
<b>VII.</b>	<b>Cash And Cash Equivalents at The End of The Period</b>	4,164,318

The accompanying notes are an integral part of these financial statements

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF CASH FLOWS AS OF 31 MARCH 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Reviewed Prior Period 01.01.2017-31.03.2017
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1</b>	<b>Operating Profit Before Changes in Operating Assets And Liabilities</b>	<b>281,809</b>
1.1.1	Profit Share Income Received	870,053
1.1.2	Profit Share Expense Paid	(370,960)
1.1.3	Dividend Received	-
1.1.4	Fees And Commissions Received	89,770
1.1.5	Other Income	86,350
1.1.6	Collections From Previously Written Off Loans	26,369
1.1.7	Payments to Personnel And Service Suppliers	(293,823)
1.1.8	Taxes Paid	(38,293)
1.1.9	Others	(87,657)
<b>1.2</b>	<b>Changes in Operating Assets And Liabilities</b>	<b>(1,979,006)</b>
1.2.1	Net (Increase) Decrease Held For Trading Financial Assets	(79,756)
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	-
1.2.3	Net (Increase) Decrease in Due From Banks And Other Financial Institutions	(635,707)
1.2.4	Net (Increase) Decrease in Loans	(2,005,589)
1.2.5	Net (Increase) Decrease in Other Assets	(39,026)
1.2.6	Net Increase (Decrease) in Bank Deposits	(37,216)
1.2.7	Net Increase (Decrease) in Other Deposits	2,382,528
1.2.8	Net Increase (Decrease) in Funds Borrowed	298,216
1.2.9	Net Increase (Decrease) in Due Payables	-
1.2.10	Net Increase (Decrease) in Other Liabilities	(1,862,456)
<b>I.</b>	<b>Net cash provided from / (used in) banking operations</b>	<b>(1,697,197)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II.</b>	<b>Net Cash Provided From / (Used in) Investing Activities</b>	<b>(546,222)</b>
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	(118,536)
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries	-
2.3	Fixed Assets Purchases	(5,350)
2.4	Fixed Assets Sales	1,926
2.5	Cash Paid For Purchase of Financial Assets Available For Sale	(1,391,622)
2.6	Cash Obtained From Sale of Financial Assets Available For Sale	987,087
2.7	Cash Paid For Purchase of Investment Securities	-
2.8	Cash Obtained From Sale of Investment Securities	-
2.9	Other	(19,727)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III.</b>	<b>Net Cash Provided From / (Used in) Financing Activities</b>	<b>(4,653)</b>
3.1	Cash Obtained From Funds Borrowed And Securities Issued	-
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued	-
3.3	Capital Increase	-
3.4	Dividends Paid	(4,291)
3.5	Payments For Finance Leases	(362)
3.6	Other	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents</b>	<b>5.5.d</b>
	<b>Net Increase (Decrease) in Cash And Cash Equivalents</b>	<b>(11,284)</b>
<b>V.</b>	<b>(I + II + III + IV)</b>	<b>(2,259,356)</b>
<b>VI.</b>	<b>Cash And Cash Equivalents at the Beginning of the Period</b>	<b>5.5.a</b>
		<b>5,595,655</b>
<b>VII.</b>	<b>Cash And Cash Equivalents at the End of the Period</b>	<b>5.5.a</b>
		<b>3,336,299</b>

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**  
**AS OF 31 MARCH 2018**

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

**SECTION THREE**  
**ACCOUNTING PRINCIPLES**

**I. Explanations on Basis of Presentation**

**a. 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 Accounting Standards issued by the Public Oversight Accounting and Auditing Standards Authority.

**b. Classification**

**Records of Classifications and Amendments Regarding the Initial Implementation of TFRS 9 Financial Instruments Dated 1 January 2018:**

- i. As of 1 January 2018, securities portfolio amounting to TL 216,708 classified under “Held for Trading Financial Assets” in the prior period, were reclassified under “Financial Assets at the Fair Value through Profit or Loss” as they were considered within the scope of a business model whose objective is to collect and to sell contractual cash flows.
- ii. As of 1 January 2018, securities portfolio amounting to TL 4,428,065 classified under “Available for Sale Financial Assets” in the prior period, were reclassified under “Financial Assets classified as Fair Value through Other Comprehensive Income” as they were considered within the scope of a business model whose objective is to collect and to sell contractual cash flows
- iii. In accordance with TFRS 9, as of 1 January 2018, prior period “General Provisions” item has been written off and the impact of “Expected Loss Provisions” is reflected through relevant lines. As per the scope of TFRS 9, expected credit losses for financial assets and loans are classified as “Expected Loss Provisions” under Assets, credit losses for non-cash loans are classified as “Other Provisions” under in Liabilities.

Reconciliation of provision of impairment opening balances in transition to TFRS 9 is stated below.

<b>Reconciliation of Provision of Impairment Opening Balances in Transition to TFRS 9</b>			
	Book Value Before TFRS 9	Remeasurements and Classification	Book Value After TFRS 9
	31/12/2017		01/01/2018
<b>General Provisions</b>	405,468	(405,468)	-
<b>Expected Credit Losses</b>	666,947	158,803	825,750
12 Month Expected Credit Losses (Stage I)	-	131,074	131,074
Significant Increase in Credit Risk (Stage II)	-	199,009	199,009
Credit-Impaired Losses (Stage III/Special Provision)	666,947	(177,376)	489,571
Financial Assets	-	6,096	6,096
Other Provisions	200,923	202,139	403,062
	<b>1,273,338</b>	<b>(44,526)</b>	<b>1,228,812</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations on basis of presentation (continued)**

**b. Classification (continued)**

**Records of Classifications and Amendments Regarding the Initial Implementation of TFRS 9 Financial Instruments Dated 1 January 2018 (Continued):**

- iv. With the initial application of TFRS 9, as of 1 January 2018, a total increase after tax amounting TL 35,540 has occurred, due to the increase of TL 44,526 from the calculation of expected loss provisions and the decrease of TL 8,986 from the effect of deferred tax.

**c. 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 TAS 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.

**d. 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.

**f. 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 will continue to apply the hedge accounting provisions of TAS 39.

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations on Basis of Presentation (Continued)**

**f. Disclosures regarding TFRS 9 Financial Instruments (continued):**

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.

The Bank will apply the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods.

The combined application of the contractual cash flow characteristics and business models as at 1 January 2018 is expected to result in no major difference in the classification of financial assets when compared to the classification under TAS 39.

The Bank has not restated the comparative information for the financial instruments that are under the scope TFRS 9, for the year of 2017 and as of 1 January 2018, the cumulative effect of the first application of the standard has been presented under "Retained Earnings" in the statement of changes in shareholders' equity for the current period.

**Classification And Measurement of Financial Instruments:**

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

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

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

**Impairment:**

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

TFRS 9 replaces the "realized loss" model of TAS 39 with the "expected credit loss" model. 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.

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.

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 impact of the adoption of TFRS 9 on the financial statements as of 1 January 2018, is recorded. Besides, the Bank calculated deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset was accounted for under equity during transition.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**II. 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 Bank's portion of risk regarding loans originating from participation accounts followed in receivables to be written off, doubtful commission, fees and other receivables, uncollectible loans and other receivables, along with foreign currency (FC) loans and receivables originating from the Bank's equity and private current accounts are converted to Turkish Lira with the rates prevailing at the date of the transfer of such receivables to non-performing loan portfolio. The participation accounts' portion of the risk of the foreign currency loans and FC pegged loans, originating from participation accounts, is evaluated with the current foreign currency rates and the differences are recorded foreign currency profit/losses account in the income statement.

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.

**III. 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.

**IV. 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. 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 Held for Trading" 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.

The Bank enters into profit share rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under hedging reserves in shareholders' equity, and the ineffective portion is recognised in income statement. The changes recognised in shareholders' equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**IV. Explanations on Forward Transactions And Option Contracts And Derivative Instruments (Continued)**

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.

**V. 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. In accordance with the related regulation, the profit share accruals of non-performing loans are cancelled and are not recorded until the profit share income is realized.

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.

**VI. Explanations on Fees And Commission Income And Expenses**

Except for the fees and commission income and expenses obtained for some banking services which are recorded as income when collected, fees and commission income/expenses are reflected in the income statement over the period of the related transaction.

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.

**VII. 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 “IFRS 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**VII. Explanations on Financial Assets (Continued)**

**a. 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.

**b. 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.

**c. 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**VII. Explanations on Financial Assets (Continued)**

**c. Financial assets measured at amortized cost (continued) :**

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

**d. 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.

**e. 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".

As the Banks's loans indexed below the amount of TL 58,471 were not able to pass the contractual cash flow test, these loans are recorded under the items which are "Fair Value Through Profit or Loss" account.

**VIII. Explanations on Expected Credit Losses**

The Bank allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

As of 1 January 2018, the Bank has started to recognize provisions for classification of loans in accordance with the terms of TFRS 9 according to the "Regulation On The Procedures and Principles For Classification on Loans By Banks and Provisions To Be Set Aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**VIII. Explanations on Expected Credit Losses (continued)**

**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.

**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.

**IX. 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.

**X. 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 March 2018, the Bank has TL 300,105 repurchasing agreements (31 December 2017 –TL 750,524).

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

As mandated by the Banking Act 6362 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.”

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**XI. Explanations on Assets Held For Sale And Discontinued Operations And Related Liabilities**  
**(Continued)**

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.

However, the Bank has assets acquired due to receivables and debtors' obligations to the Bank, such assets are classified as assets held for sale depending on the contract of term 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.

**XII. 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.

There is no goodwill related to associates and subsidiaries.

**XIII. 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**XIII. Explanations on Tangible Assets (Continued)**

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.

**XIV. Explanations on Leasing Transactions**

*Bank as a Lessee*

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of these amounts is the lower of fair value of the leased asset or the present value of the lease payments. The direct costs incurred during a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets and if a diminution in recoverable value of the leased asset is identified, a provision for impairment is recognized.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

*Bank as a Lessor*

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

**XV. 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.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**XVI. Explanations on Liabilities Relating to Employee Benefits**

**a) 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.

**b) 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.

**c) 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.

**XVII. Explanations on Taxation**

**Current Tax**

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

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

The corporate tax rate will be applied as 22% for the years 2018, 2019 and 2020. This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. According to the tax legislations, advance tax amount shall also be calculated using a rate of 20% for each quarter over tax base and shall be paid, then the advance taxes paid within the year shall be offset from the corporate tax calculated over the yearly corporate tax return for that year.

Withholding taxes is not applied to dividends distributed to companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister’s decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15<sup>th</sup> and 30<sup>th</sup> 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**XVII. Explanations on Taxation (continued)**

Current Tax (continued)

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

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

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

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

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

***Deferred Tax***

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

**XVIII. 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.

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

**XIX. Explanations on Share Certificates Issued**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**XX. 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.

**XXI. Explanations on Government Grants**

There are no government grants received by the Bank.

**XXII. 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 IX.

**XXIII. Explanations on Other Matters**

There are no other matters to be disclosed by the Bank.

**XXIV. Additional Paragraph For Convenience Translation**

The effects of differences between accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411, 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 unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**SECTION FOUR**

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF  
THE BANK**

**I. Explanations on Equity**

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 March 2018 Bank’s total capital has been calculated as TL 6,095,580 (31 December 2017: TL 5,853,623), capital adequacy ratio is 16.02% (31 December 2017: 17.66%).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations on Equity (Continued)**

**a) Components of Total Capital:**

<i>Current Period</i>	<i>Amount</i>	<i>Amount as Per the Regulation Before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-In Capital To Be Entitled For Compensation After All Creditors	3,100,000	
Share Premium	22,933	
Reserves	1,508,114	
Other Comprehensive Income According to TAS	5,716	
Profit	238,628	
Current Period Profit	203,088	
Prior Period Profit	35,540	
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit		
<b>Common Equity Tier I Capital Before Deductions</b>	<b>4,875,391</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
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 (-)	17,065	
Leasehold Improvements On Operational Leases (-)	47,565	
Goodwill Netted With Deferred Tax Liabilities	-	
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	133,213	
Net Deferred Tax Asset/Liability (-)	-	
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	11,433	
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	26,947	
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	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 (-)	-	
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>238,901</b>	
<b>Total Common Equity Tier I Capital</b>	<b>4,636,490</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations on Equity (Continued)**

**a) Components of Total Capital (Continued):**

<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock Not Included In Common Equity Tier I Capital And The Related Share Premiums	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
<b>Additional Tier I Capital Before Deductions</b>		
<b>Deductions From Additional Tier I Capital</b>		
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 (-)	-	
<b>Items To Be Deducted From Tier I Capital During The Transition Period</b>		
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 (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>4,636,490</b>	
<b>Tier II Capital</b>		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	1,382,262	
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)	253,812	
<b>Total Deductions From Tier II Capital</b>	<b>1,636,217</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions From Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>1,636,217</b>	
<b>Total Equity (Total Tier I And Tier II Capital)</b>	<b>6,272,707</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations on Equity (continued)**

<b>Total Tier I Capital And Tier II Capital ( Total Equity)</b>		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)		177,127
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 (-)		-
Other Items To Be Defined By The BRSA (-)		177,127
<b>Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period</b>		
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 (-)		-
<b>Capital</b>		
Total Capital ( Total Of Tier I Capital And Tier II Capital )		6,095,580
Total Risk Weighted Assets		38,047,480
<b>Capital Adequacy Ratios</b>		
CET1 Capital Ratio (%)		12,19
Tier I Capital Ratio (%)		12,19
Capital Adequacy Ratio (%)		16,02
<b>Buffers</b>		
Bank-Specific Total CET1 Capital Ratio		1.88
Capital Conservation Buffer Ratio (%)		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		6.19
<b>Amounts Lower Than Excesses As Per Deduction Rules</b>		
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		-
<b>Limits For Provisions Used In Tier II Capital Calculation</b>		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)		253,955
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets		253,955
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach		6,095,580
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		38,047,480
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		-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations on Equity (continued)**

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-In Capital To Be Entitled For Compensation After All Creditors	3,100,000	
Share Premium	22,933	
Reserves	839,017	
Other Comprehensive Income According To TAS	12,609	
Profit	673,991	
Current Period Profit	673,991	
Prior Period Profit	-	
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>4,648,550</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
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 (-)	54,721	
Leasehold Improvements On Operational Leases (-)	47,518	
Goodwill Netted With Deferred Tax Liabilities	-	
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	95,210	119,013
Net Deferred Tax Asset/Liability (-)	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	
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 Profit And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	
Net Amount Of Defined Benefit Plans	-	
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	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 (-)	-	
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>200,127</b>	
<b>Total Common Equity Tier I Capital</b>	<b>4,448,423</b>	



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations on Equity (continued)**

<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock Not Included In Common Equity Tier I Capital And The Related Share Premiums	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
<b>Additional Tier I Capital Before Deductions</b>	<b>-</b>	
<b>Deductions From Additional Tier I Capital</b>		
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 (-)	-	
<b>Items To Be Deducted From Tier I Capital During The Transition Period</b>		
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 (-)	23,802	-
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 (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>23,802</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>4,424,619</b>	
<b>Tier II Capital</b>		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	1,322,272	
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)	277,848	
<b>Total Deductions From Tier II Capital</b>	<b>1,600,120</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions From Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>1,600,120</b>	
<b>Total Equity (Total Tier I And Tier II Capital)</b>	<b>6,024,739</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations on Equity (continued)**

<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	
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 (-)	-
Other Items To Be Defined By The BRSA (-)	171,117
<b>Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period</b>	
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 (-)	-
<b>Capital</b>	
Total Capital ( Total Of Tier I Capital And Tier II Capital )	5,853,622
Total Risk Weighted Assets	33,138,332
<b>Capital Adequacy Ratios</b>	
Cet1 Capital Ratio (%)	13.42
Tier I Capital Ratio (%)	13.35
Capital Adequacy Ratio (%)	17.66
<b>Buffers</b>	
Bank-Specific Total CET1 Capital Ratio	1.25
Capital Conservation Buffer Ratio (%)	1.25
Systemic Significant Bank Buffer Ratio (%)	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	7.35
<b>Amounts Lower Than Excesses As Per Deduction Rules</b>	
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	-
<b>Limits For Provisions Used In Tier II Capital Calculation</b>	
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	277,848
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	277,848
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	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations on Equity (continued)**

**b) 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**II. Explanations on currency risk**

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

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

As of 31 March 2018, the Bank carries a net foreign currency short position of TL 627,783 (31 December 2017 – TL 25,686 long position) comprising of TL 770,707 balance sheet long position (31 December 2017 - TL 114,722 long position) and TL 142,924 off balance sheet long position (31 December 2017 – TL 140,408 long position).

The announced current foreign exchange buying rates of the Bank as of 31 March 2018 and the previous five working days are as follows (full TL):

	26/03/2018	27/03/2018	28/03/2018	29/03/2018	30/03/2018	Balance sheet evaluation rate
<b>USD</b>	3.9760	3.9760	3.9986	3.9857	3.9493	3.9493
<b>EURO</b>	4.9321	4.9321	4.9505	4.9086	4.8677	4.8677
<b>GBP</b>	5.6468	5.6468	5.6549	5.6041	5.5489	5.5489
<b>CHF</b>	4.2029	4.2029	4.2017	4.1664	4.1430	4.1430
<b>JPY</b>	0.0378	0.0378	0.0378	0.0374	0.0372	0.0372

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
<b>USD</b>	3.8870
<b>EUR</b>	4.7920
<b>GBP</b>	5.4286
<b>CHF</b>	4.1034
<b>JPY</b>	0.0367

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**II. Explanations on currency risk (continued):**

**Currency risk of the Bank:**

	<b>EURO</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	874,008	4,702,516	2,201,583	7,778,107
Banks	2,778,172	410,154	572,427	3,760,753
Financial assets at fair value through profit and loss	-	74,513	-	74,513
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	1,577,244	-	1,577,244
Loans and finance lease receivables (*)	4,441,371	11,754,972	60,252	16,256,595
Subsidiaries, associates and joint ventures (**)	293,694	-	-	293,694
Financial assets at amortized cost	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	186	-	186
Intangible assets	-	51	-	51
Other assets	587,385	41,241	223	628,849
<b>Total assets</b>	<b>8,974,630</b>	<b>18,560,877</b>	<b>2,834,485</b>	<b>30,369,992</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	18,911	71,320	116,618	206,849
Current and profit sharing accounts FC (****)	5,090,797	12,920,881	2,930,564	20,942,242
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	161,725	8,500,646	898,564	9,560,935
Marketable securities issued	-	-	-	-
Miscellaneous payables	5,064	22,812	535	28,411
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	98,743	111,452	49,143	259,338
<b>Total liabilities</b>	<b>5,375,240</b>	<b>21,627,111</b>	<b>3,995,424</b>	<b>30,997,775</b>
Net balance sheet position	3,599,390	(3,066,234)	(1,160,939)	(627,783)
Net off-balance sheet position	(3,563,795)	3,207,520	1,126,982	770,707
Financial derivative assets	935,676	5,110,010	1,194,479	7,240,165
Financial derivative liabilities	4,499,471	1,902,490	67,497	6,469,458
Non-cash loans (***)	1,636,651	3,097,595	496,254	5,230,500
<b>Prior period</b>				
Total assets	8,482,415	17,640,023	3,087,584	29,210,022
Total liabilities	4,436,278	20,780,237	3,967,821	29,184,336
Net balance sheet position	4,046,137	(3,140,214)	(880,237)	25,686
Net off-balance sheet position	(3,986,204)	3,230,809	870,117	114,722
Financial derivative assets	519,504	5,406,552	1,368,737	7,294,793
Financial derivative liabilities	4,505,708	2,175,743	498,620	7,180,071
Non-cash loans (***)	1,546,017	2,616,933	404,125	4,567,075

(\*) Includes foreign currency indexed loans amounting to TL 7,883,798 (31 December 2017 – TL 7,240,328) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (31 December 2017 – TL 714) of foreign currency denominated financial assets at fair value through other comprehensive income, which are followed in Turkish Lira as 3,570,774 TL on the balance sheet and TL 293,694 (31 December 2017 – TL 293,694) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 400,889 on the balance sheet.

(\*\*\*) 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 9 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 81,983.

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 23,868 (31 December 2017 – TL 12,531)
- Prepaid expenses : TL 326 (31 December 2017 – TL 408)
- Derivative financial liabilities held for trading : TL 17,680 (31 December 2017 – TL 59,251)
- Marketable securities of FC revaluation reverse: TL 5,716 (31 December 2017 – TL 12,609)
- Derivative financial liabilities held for hedging : TL 21,822 (31 December 2017- TL 70,795)

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**II. Explanations on currency risk (continued):**

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

- Forward foreign currency purchase transactions TL 80,415 (31 December 2017 - TL 492,048)
- Forward foreign currency sale transactions: TL 48,785 (31 December 2017 - TL 456,030)

**III. Explanations on position risk of equity securities in banking book**

**a) 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.

**b) 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)	Carrying Value	Comparison	
			Fair Value	Market Value
1	<b>Securities at Fair Value Through Other Comprehensive Income (*)</b>	<b>21,886</b>	-	-
	Quoted Securities	-	-	-
2	<b>Investments in Associates</b>	-	-	-
	Quoted Securities	-	-	-
3	<b>Investment in Subsidiaries</b>	<b>380,889</b>	-	-
	Quoted Securities	53,416	-	-
4	<b>Other</b>	<b>20,000</b>	-	-
	Quoted Securities	-	-	-
	Prior Period Equity Securities (shares)	Carrying Value	Comparison	
			Fair Value	Market Value
1	<b>Securities Available-for-Sale (*)</b>	<b>48,497</b>	-	-
	Quoted Securities	-	-	-
2	<b>Investments in Associates</b>	-	-	-
	Quoted Securities	-	-	-
3	<b>Investment in Subsidiaries</b>	<b>377,647</b>	-	-
	Quoted Securities	50,173	-	-
4	<b>Other</b>	<b>20,000</b>	-	-
	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.

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

None.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**IV. 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.

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

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

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

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

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

**b) 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.

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**d) 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.

**e) 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.

**f) 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.

**g) General information on urgent and unexpected liquidity situation plans:**

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**IV. Liquidity risk management and liquidity coverage ratio (continued)**

**Liquidity coverage ratio**

<i>Current Period</i>		Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
		TL+FC	FC	TL+FC	FC
<b>HIGH-QUALITY LIQUID ASSETS</b>					
1	Total high-quality liquid assets (HQLA)	8,891,720	7,649,542	8,876,200	7,634,023
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	29,004,891	13,975,087	2,452,550	1,397,509
3	Stable deposits	8,958,764	-	447,938	-
4	Less stable deposits	20,046,127	13,975,087	2,004,612	1,397,509
5	Unsecured wholesale funding, of which:	8,369,137	4,460,864	4,049,929	2,166,595
6	Operational deposits	-	-	-	-
7	Non-operational deposits	7,898,716	4,386,253	3,579,508	2,091,984
8	Unsecured funding	470,421	74,611	470,421	74,611
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	20,593,800	9,347,960	6,896,731	4,591,360
11	Outflows related to derivative exposures and other collateral requirements	5,443,701	4,308,412	5,443,701	4,308,412
12	Outflows related to restructured financial Instruments	258,333	-	258,333	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	1	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	14,891,766	5,039,548	1,194,696	282,948
16	<b>TOTAL CASH OUTFLOWS</b>			13,399,210	8,155,464
<b>CASH INFLOWS</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	7,927,601	5,689,282	6,190,596	5,275,843
19	Other cash inflows	5,664,640	5,420,885	5,664,639	5,420,885
20	<b>TOTAL CASH INFLOWS</b>	<b>13,592,241</b>	<b>11,110,167</b>	<b>11,855,235</b>	<b>10,696,728</b>
				Total Adjusted Value	
21	<b>TOTAL HQLA</b>			<b>8,876,200</b>	<b>7,634,023</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>3,349,803</b>	<b>2,038,866</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>264.98</b>	<b>374.42</b>

<sup>(\*)</sup> The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 31 March 2018:

	Highest	Date	Lowest	Date	Average
<b>TL+FC</b>	288.47	16/02/2018	244.86	16/03/2018	262.15
<b>FC</b>	422.71	16/02/2018	339.54	26/01/2018	374.82

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**IV. Liquidity risk management and liquidity coverage ratio (continued)**

Prior Period	Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)		
	TL+FC	FC	TL+FC	FC	
<b>HIGH-QUALITY LIQUID ASSETS</b>					
1	Total high-quality liquid assets (HQLA)	9,241,665	8,060,513	9,199,442	8,018,290
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	27,782,868	12,778,991	2,335,598	1,277,899
3	Stable deposits	8,853,762	-	442,688	-
4	Less stable deposits	18,929,106	12,778,991	1,892,910	1,277,899
5	Unsecured wholesale funding, of which:	8,201,705	4,077,294	4,123,296	2,008,329
6	Operational deposits	-	-	-	-
7	Non-operational deposits	7,479,666	3,999,733	3,401,257	1,930,768
8	Unsecured funding	722,039	77,561	722,039	77,561
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	21,400,263	10,829,912	8,183,772	6,425,919
11	Outflows related to derivative exposures and other collateral requirements	6,814,394	6,185,757	6,814,394	6,185,757
12	Outflows related to restructured financial Instruments	320,000	-	320,000	-
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	14,265,869	4,644,155	1,049,378	240,162
16	<b>TOTAL CASH OUTFLOWS</b>			<b>14,642,666</b>	<b>9,712,147</b>
<b>CASH INFLOWS</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	6,637,367	4,169,519	5,037,108	3,778,429
19	Other cash inflows	6,993,193	5,664,245	6,993,193	5,664,245
20	<b>TOTAL CASH INFLOWS</b>	<b>13,630,560</b>	<b>9,833,764</b>	<b>12,030,301</b>	<b>9,442,674</b>
				Total Adjusted Value	
21	<b>TOTAL HQLA</b>			<b>9,199,442</b>	<b>8,018,290</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>3,660,667</b>	<b>2,428,037</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>251.31</b>	<b>330.24</b>

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

The table below presents highest, lowest and average liquidity coverage ratios for 31 December 2017:

**Prior Period:**

	Highest	Date	Lowest	Date	Average
<b>TL+FC</b>	648.12	10.03.2017	137.26	29.09.2017	268.61
<b>FC</b>	980.02	10.03.2017	283.29	12.05.2017	429.45

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**Presentation of assets and liabilities according to their remaining maturities:**

<b>Current period</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-12 months</b>	<b>1-5 Years</b>	<b>Over 5 years</b>	<b>Unallocated (**)</b>	<b>Total</b>
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	1,860,506	6,561,454	-	-	-	-	-	8,421,960
Banks	3,769,490	-	-	-	-	-	-	3,769,490
Financial assets at fair value through profit and loss	-	20,687	85,609	55,151	11,923	-	-	173,370
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	302,359	144,237	568,991	1,701,971	707,610	145,606	3,570,774
Loans (*)	-	8,161,768	4,967,622	13,627,603	13,595,629	2,267,767	(171,936)	42,448,453
Loans measured at amortised cost	-	-	-	-	-	-	-	-
Other assets (**)	32,196	963,007	22,907	-	122,005	-	1,130,040	2,270,155
<b>Total assets</b>	<b>5,662,192</b>	<b>16,009,275</b>	<b>5,220,375</b>	<b>14,251,745</b>	<b>15,431,528</b>	<b>2,975,377</b>	<b>1,103,710</b>	<b>60,654,202</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	202,957	8,926	-	-	-	-	-	211,883
Current and profit sharing accounts	16,248,797	21,438,539	3,758,970	1,197,844	19,674	-	-	42,663,824
Funds provided from other financial institutions	-	481,012	1,016,750	3,186,371	4,988,151	1,394,348	-	11,066,632
Money market borrowings	-	300,105	-	-	-	-	-	300,105
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	156,196	81,105	-	-	-	-	-	237,301
Other liabilities (**)	-	629,244	65,985	6,662	21,829	-	5,450,737	6,174,457
<b>Total liabilities</b>	<b>16,607,950</b>	<b>22,938,931</b>	<b>4,841,705</b>	<b>4,390,877</b>	<b>5,029,654</b>	<b>1,394,348</b>	<b>5,450,737</b>	<b>60,654,202</b>
Net liquidity gap	(10,945,758)	(6,929,656)	378,670	9,860,868	10,401,874	1,581,029	(4,347,027)	-
<b>Prior period</b>								
Total assets	6,083,968	14,167,478	5,733,922	12,746,884	14,411,257	2,818,069	1,161,517	57,123,095
Total liabilities	16,179,975	21,035,351	4,303,119	4,020,397	4,841,324	1,360,338	5,382,591	57,123,095
Net liquidity gap	(10,096,007)	(6,867,873)	1,430,803	8,726,487	9,569,933	1,457,731	(4,221,074)	-

(\*) Includes receivables from leasing transactions.

(\*\*) 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 column consists of equity and provisions balances.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**V. 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:

<b>On-balance sheet assets</b>		<b>Current Period</b> (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	59,292,109
2	(Assets deducted in determining Tier I Capital)	(233,892)
3	Total on-balance sheet risks (sum of lines 1 and 2)	59,058,217
<b>Derivative financial instruments and credit derivatives</b>		
4	Replacement cost associated with all derivative instruments and credit derivatives	40,633
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	100,296
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	140,929
<b>Securities or commodity financing transactions (SCFT)</b>		
7	Risks from SCFT assets (excluding on-balance sheet)	867,690
8	Risks from brokerage activities related exposures	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	867,690
<b>Other off-balance sheet transactions</b>		
10	Gross notional amounts of off-balance sheet transactions	59,062,113
11	(Adjustments for conversion to credit equivalent amounts)	(38,855,763)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	20,206,380
<b>Capital and total risks</b>		
13	Tier I Capital	4,388,116
14	Total risks (sum of lines 3, 6, 9 and 12)	80,273,216
<b>Leverage ratio</b>		
15	Leverage ratio	5.47

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was 5.47% (31 December 2017 – 5.60%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital decreased by 1% due to the profit for the period, balance-sheet risks increased by 3%, and off balance sheet items decreased by 4%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 13 basis points.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**V. Explanations on leverage ratio (continued)**

**Disclosure of leverage ratio template (continued)**

<b>On-Balance Sheet Assets</b>		<i>Prior Period</i>
1	On-Balance Sheet Items (Excluding Derivative Financial Instruments And Credit Derivatives But Including Collateral)	57,410,113
2	(Assets Deducted In Determining Tier I Capital)	(209,697)
3	Total On-Balance Sheet Risks (Sum Of Lines 1 And 2)	57,200,416
<b>Derivative Financial Instruments And Credit Derivatives</b>		
4	Replacement Cost Associated With All Derivative Instruments And Credit Derivatives	55,367
5	Add-On Amounts For PFE Associated With All Derivative Instruments And Credit Derivatives	118,417
6	Total Risks Of Derivative Financial Instruments And Credit Derivatives (Sum Of Lines 4 To 5)	173,784
<b>Securities Or Commodity Financing Transactions (SCFT)</b>		
7	Risks From SCFT Assets (Excluding On-Balance Sheet)	647,446
8	Risks From Brokerage Activities Related Exposures	-
9	Total Risks Related With Securities Or Commodity Financing Transactions (Sum Of Lines 7 To 8)	647,446
<b>Other Off-Balance Sheet Transactions</b>		
10	Gross Notional Amounts Of Off-Balance Sheet Transactions	55,573,556
11	(Adjustments For Conversion To Credit Equivalent Amounts)	(34,573,311)
12	Total Risks Of Off-Balance Sheet Items (Sum Of Lines 10 And 11)	21,000,245
<b>Capital And Total Risks</b>		
13	Tier I Capital	4,423,318
14	Total Risks (Sum Of Lines 3, 6, 9 And 12)	79,021,891
<b>Leverage Ratio</b>		
15	Leverage Ratio	5.60

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**VI. 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.

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31.03.2018	Prior Period 31.12.2017	Current Period 31.03.2018
1	Credit risk (excluding counterparty credit risk) (CCR)	32,607,890	28,810,537	2,608,631
2	Of which standardised approach (SA)	32,664,827	28,865,185	2,613,186
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	100,363	80,519	8,029
5	Of which standardised approach for counterparty credit risk (SA-CCR)	100,363	80,519	8,029
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	56,937	54,648	4,555
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	994,539	669,886	79,563
17	Of which standardised approach (SA)	994,539	669,886	79,563
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	4,287,752	3,522,742	343,020
20	Of which basic indicator approach	4,287,752	3,522,742	343,020
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>38,047,480</b>	<b>33,138,332</b>	<b>3,043,798</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**VII. Securitization Positions**

None.

**VIII. 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.

**IX. 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 Banking; there are four main activities: fund collection, consumer financing, credit cards and alternative distribution channels. The Bank serves in the range of products of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**Selected balance sheet and income statement items according to segments:**

<b>Current Period</b> <b>1 January 2018 – 31 March 2018</b>	<b>Retail and enterprise Banking</b>	<b>Commercial banking</b>	<b>Corporate and international banking</b>	<b>Unallocated</b>	<b>Bank's total operation</b>
Operating income	829,358	635,584	41,707	-	1,506,649
Operating expenses (-)	567,202	165,052	182,133	334,099	1,248,486
Transfers between segments	372,649	(321,624)	(51,025)	-	-
<b>Net operating income(loss)</b>	<b>634,805</b>	<b>148,908</b>	<b>(191,451)</b>	<b>(334,099)</b>	<b>258,163</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>634,805</b>	<b>148,908</b>	<b>(191,451)</b>	<b>(334,099)</b>	<b>258,163</b>
Provision for taxation (-)	-	-	-	55,075	55,075
<b>Net income for the period</b>	<b>634,805</b>	<b>148,908</b>	<b>(191,451)</b>	<b>(389,174)</b>	<b>203,088</b>
<b>Current Period</b>					
<b>31 March 2018</b>					
Segment assets	19,356,328	22,988,872	16,203,708	-	58,548,908
Associates, subsidiaries and joint ventures	-	-	-	400,889	400,889
Undistributed assets	-	-	-	1,704,405	1,704,405
<b>Total assets</b>	<b>19,356,328</b>	<b>22,988,872</b>	<b>16,203,708</b>	<b>2,105,294</b>	<b>60,654,202</b>
Segment liabilities	32,967,951	9,891,284	11,439,899	-	54,299,134
Undistributed liabilities	-	-	-	1,514,933	1,514,933
Shareholders' equity	-	-	-	4,840,135	4,840,135
<b>Total liabilities</b>	<b>32,967,951</b>	<b>9,891,284</b>	<b>11,439,899</b>	<b>6,355,068</b>	<b>60,654,202</b>
<b>Prior Period</b>					
<b>1 January 2017 – 31 March 2017</b>					
Operating income	245,232	745,478	81,492	-	1,072,202
Operating expenses (-)	385,053	73,467	129,728	291,401	879,649
Transfers between segments	285,869	(246,003)	(39,886)	-	-
<b>Net operating income(loss)</b>	<b>146,048</b>	<b>426,008</b>	<b>(88,102)</b>	<b>(291,401)</b>	<b>192,553</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>146,048</b>	<b>426,008</b>	<b>(88,102)</b>	<b>(291,401)</b>	<b>192,553</b>
Provision for taxation (-)	-	-	-	40,309	40,309
<b>Net income for the period</b>	<b>146,048</b>	<b>426,008</b>	<b>(88,102)</b>	<b>(331,710)</b>	<b>152,244</b>
<b>Prior Period</b>					
<b>31 December 2017</b>					
Segment assets	17,955,408	19,944,035	17,251,446	-	55,150,889
Associates, subsidiaries and joint ventures	-	-	-	397,647	397,647
Undistributed assets	-	-	-	1,574,559	1,574,559
<b>Total assets</b>	<b>17,955,408</b>	<b>19,944,035</b>	<b>17,251,446</b>	<b>1,972,206</b>	<b>57,123,095</b>
Segment liabilities	30,626,355	9,229,646	11,295,262	-	51,151,263
Undistributed liabilities	-	-	-	1,380,681	1,380,681
Shareholders' equity	-	-	-	4,591,151	4,591,151
<b>Total liabilities</b>	<b>30,626,355</b>	<b>9,229,646</b>	<b>11,295,262</b>	<b>5,971,832</b>	<b>57,123,095</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**SECTION FIVE**

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and notes related to assets:**

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

**1. Cash and balances with the Central Bank of Republic of Turkey:**

	Current period	
	TL	FC
Cash/foreign currency	293,292	675,365
The Central Bank of Republic of Turkey	289,470	6,577,550
Other (*)	61,091	525,192
<b>Total</b>	<b>643,853</b>	<b>7,778,107</b>

  

	Prior period	
	TL	FC
Cash/foreign currency	366,164	933,900
The Central Bank of Republic of Turkey	255,738	6,468,109
Other (*)	3,120	905,825
<b>Total</b>	<b>625,022</b>	<b>8,307,834</b>

(\*) As of 31 March 2018, precious metal account amounting to TL 431,355 (31 December 2017 - TL 693,239) and money in transit amounting to TL 154,928 (31 December 2017 – TL 215,706) are presented in this line.

**2. Balances with the Central Bank of Turkey:**

	Current period	
	TL	FC
Unrestricted demand deposit	287,094	39
Restricted time deposit	-	-
Unrestricted time deposit	2,376	6,577,511
<b>Total</b>	<b>289,470</b>	<b>6,577,550</b>

In accordance with the “Communiqué no. 2013/15 on Reserve Requirements”, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 4% and 10.5% for TL deposits and other liabilities according to their maturities as of 31 March 2018 (31 December 2017: 4% and 10.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 March 2018 (31 December 2017: 4% and 24% for all foreign currency liabilities).

	Prior period	
	TL	FC
Unrestricted demand deposit	254,185	38
Restricted time deposit	-	-
Unrestricted time deposit	1,552	6,468,071
<b>Total</b>	<b>255,737</b>	<b>6,468,109</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**b. Information on financial assets at fair value through profit and loss:**

1. As of 31 March 2018, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2017 – None).

2. Positive differences related to marketable derivative financial assets:

<b>Derivative financial assets</b>	<b>Current period</b>	
	<b>TL</b>	<b>FC</b>
Forward transactions	8,410	3,912
Swap transactions	214	18,876
Futures transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>8,624</b>	<b>22,788</b>

<b>Derivative financial assets</b>	<b>Prior period</b>	
	<b>TL</b>	<b>FC</b>
Forward transactions	11,141	5,326
Swap transactions	3,027	7,205
Futures transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>14,168</b>	<b>12,531</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**c. Information on Banks:**

	Current period	
	TL	FC
Banks	8,737	3,760,753
Domestic	8,534	2,656,323
Foreign	203	1,104,430
Branches and head office abroad	-	-
<b>Total</b>	<b>8,737</b>	<b>3,760,753</b>

	Prior period	
	TL	FC
Banks	7,404	3,568,616
Domestic	7,245	2,413,931
Foreign	159	1,154,685
Branches and head office abroad	-	-
<b>Total</b>	<b>7,404</b>	<b>3,568,616</b>

Information on foreign bank accounts:

	Current period	
	Unrestricted Amount	Restricted Amount
EU Countries	441,882	-
USA and Canada	574,562	-
OECD Countries (*)	11,676	-
Off-shore Banking Regions	439	-
Other	76,074	-
<b>Total</b>	<b>1,104,633</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada.

	Prior Period	
	Unrestricted Amount	Restricted Amount
EU Countries	651,025	-
USA and Canada	455,757	-
OECD Countries (*)	13,107	-
Off-shore Banking Regions	945	-
Other	34,010	-
<b>Total</b>	<b>1,154,844</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**d. Information on financial assets at fair value through other comprehensive income:**

	<b>Current period</b>
Debt Securities	3,465,250
Quoted on stock exchange	3,465,250
Not quoted on stock exchange	-
Share certificates	144,453
Quoted on stock exchange	93,115
Not quoted on stock exchange	51,338
Impairment provision	(38,929)
<b>Total</b>	<b>3,570,774</b>

	<b>Prior period</b>
Debt Securities	4,293,722
Quoted on stock exchange	4,293,722
Not quoted on stock exchange	-
Share certificates	174,134
Quoted on stock exchange	124,923
Not quoted on stock exchange	49,211
Impairment provision	(39,791)
<b>Total</b>	<b>4,428,065</b>

**e. Information on loans:**

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

	<b>Current period</b>	
	<b>Cash</b>	<b>Non-Cash</b>
Direct loans granted to shareholders	<b>1,218</b>	<b>856</b>
Corporate shareholders	-	856
Real person shareholders	1,218	-
Indirect loans granted to shareholders	160,093	937
Loans granted to employees	19,292	3
<b>Total</b>	<b>180,603</b>	<b>1,796</b>

	<b>Prior period</b>	
	<b>Cash</b>	<b>Non-Cash</b>
Direct loans granted to shareholders	1,030	786
Corporate shareholders	-	786
Real person shareholders	1,030	-
Indirect loans granted to shareholders	150,924	917
Loans granted to employees	18,134	3
<b>Total</b>	<b>170,088</b>	<b>1,706</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations and notes related to assets (continued)**

**e. Information on loans (continued) :**

2. Information on first and second group loans and other receivables including restructured or rescheduled loans (continued):

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
<b>Loans</b>	<b>39,348,429</b>	<b>2,785,401</b>	<b>109,183</b>	-
Export Loans	37,316	693	3,360	-
Import Loans	2,115,244	32,895	-	-
Corporation Loans	23,217,723	2,264,304	104,352	-
Consumer Loans	6,833,364	332,794	1,471	-
Credit Cards	579,601	44,917	-	-
Loans given to financial sector	1,773,849	62	-	-
Other	4,791,332	109,736	-	-
<b>Other Receivables</b>	<b>287,546</b>	<b>89,830</b>	-	-
<b>Total</b>	<b>39,635,975</b>	<b>2,875,231</b>	<b>109,183</b>	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>34,826,622</b>	<b>632,516</b>	-	<b>1,159,692</b>	<b>653,608</b>	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	43,351	16	-	603	-	-
Imports Loans	1,687,948	-	-	168	-	-
Enterprise Loans	22,064,028	610,366	-	836,171	550,430	-
Consumer Loans	6,542,769	17,986	-	212,748	46,444	-
Credit Cards	555,456	-	-	7,250	-	-
Precious Metal Loans	55,033	-	-	-	-	-
Loans Given to Financial Sector	1,226,735	-	-	1	-	-
Loans Extended Abroad	204,313	4,148	-	60,611	56,734	-
Other	2,446,989	-	-	42,140	-	-
<b>Other Receivables</b>	<b>7,045</b>	-	-	<b>757</b>	-	-
<b>Total</b>	<b>34,833,667</b>	<b>632,516</b>	-	<b>1,160,449</b>	<b>653,608</b>	-

Current Period	Standard Loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	112,400	-
Significant Increase in Credit Risk	-	316,315

	Prior Period
<b>General Provisions</b>	<b>405,468</b>
<b>I. For Loans and Receivables in Group I (Total)</b>	<b>329,659</b>
Profit Sharing Accounts' Share	116,638
The Bank's Share	213,021
Other	-
<b>I. Additional Provision for Loans and Receivables with Extended Maturities</b>	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
<b>II. Loans and Receivables in Group II (Total)</b>	<b>22,318</b>
Profit Sharing Accounts' Share	10,982
The Bank's Share	11,336
Other	-
<b>II. Additional Provision for Loans and Receivables with Extended Maturities</b>	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
<b>Provisions for Non-Cash Loans</b>	<b>25,422</b>
<b>Other</b>	<b>28,069</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

3. Breakdown of loans and other receivables according to their maturities:

Cash Loans	Standard Loans	Loans And Other Receivables Under Close Monitoring	
		Loans And Receivables Not Subject To Restructuring	Restructured Loans And Receivables
Short-term Loans	10,585,472	369,619	2,871
Medium And Long-Term Loans	29,050,503	2,505,612	106,312
<b>Total</b>	<b>39,635,975</b>	<b>2,875,231</b>	<b>109,183</b>

Prior Period	Performing Loans and Other Receivables		Loans and other receivables under Close Monitoring	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
<b>Short-term loans and other receivables</b>	<b>8,805,147</b>	<b>15,623</b>	<b>36,151</b>	<b>10,748</b>
Loans	8,798,102	15,623	35,394	10,748
Other receivables	7,045	-	757	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>25,396,004</b>	<b>616,893</b>	<b>470,690</b>	<b>642,860</b>
Loans	25,396,004	616,893	470,690	642,860
Other receivables	-	-	-	-
<b>Total</b>	<b>34,201,151</b>	<b>632,516</b>	<b>506,841</b>	<b>653,608</b>

(\*) Loans with have original maturities longer than a year are classified as "Medium and Long Term Loans".

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

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

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>76,355</b>	<b>6,965,538</b>	<b>7,041,893</b>
Housing Loans	12,339	6,222,974	6,235,313
Vehicle Loans	15,750	405,043	420,793
Consumer Loans	41,850	191,161	233,011
Other	6,416	146,360	152,776
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>1,136</b>	<b>1,136</b>
Housing Loans	-	1,136	1,136
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>113,842</b>	<b>113,842</b>
Housing Loans	-	50,622	50,622
Vehicle Loans	-	36	36
Consumer Loans	-	46,655	46,655
Other	-	16,529	16,529
<b>Retail Credit Cards-TL</b>	<b>289,669</b>	<b>208</b>	<b>289,877</b>
With Installment	63,916	208	64,124
Without Installment	225,753	-	225,753
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,030</b>	<b>9,728</b>	<b>10,758</b>
Housing Loans	-	922	922
Vehicle Loans	266	4,590	4,856
Consumer Loans	762	4,216	4,978
Other	2	-	2
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>8,477</b>	<b>57</b>	<b>8,534</b>
With Installment	3,539	57	3,596
Without Installment	4,938	-	4,938
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>375,531</b>	<b>7,090,509</b>	<b>7,466,040</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

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

<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>57,159</b>	<b>6,583,441</b>	<b>6,640,600</b>
Housing Loans	13,722	5,883,855	5,897,577
Vehicle Loans	15,072	379,081	394,153
Consumer Loans	21,920	182,143	204,063
Other	6,445	138,362	144,807
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>1,604</b>	<b>1,604</b>
Housing Loans	-	1,604	1,604
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>101,624</b>	<b>101,624</b>
Housing Loans	-	34,441	34,441
Vehicle Loans	-	47	47
Consumer Loans	-	44,893	44,893
Other	-	22,243	22,243
<b>Retail Credit Cards-TL</b>	<b>259,700</b>	<b>119</b>	<b>259,819</b>
With Installment	50,251	119	50,370
Without Installment	209,449	-	209,449
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,467</b>	<b>10,222</b>	<b>11,689</b>
Housing Loans	-	1,097	1,097
Vehicle Loans	258	4,665	4,923
Consumer Loans	1,207	4,460	5,667
Other	2	-	2
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>10,151</b>	<b>51</b>	<b>10,202</b>
With Installment	3,124	51	3,175
Without Installment	7,027	-	7,027
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>328,477</b>	<b>6,697,061</b>	<b>7,025,538</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

5. Information on commercial installment loans and corporate credit cards:

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>244,547</b>	<b>5,091,761</b>	<b>5,336,308</b>
Business Loans	18,017	1,396,532	1,414,549
Vehicle Loans	159,377	1,714,817	1,874,194
Consumer Loans	67,153	1,980,411	2,047,564
Other	-	1	1
<b>Commercial Installment Loans-FC Indexed</b>	<b>30,178</b>	<b>1,748,560</b>	<b>1,778,738</b>
Business Loans	14,917	409,322	424,239
Vehicle Loans	12,642	362,072	374,714
Consumer Loans	2,619	975,601	978,220
Other	-	1,565	1,565
<b>Commercial Installment Loans-FC</b>	<b>276</b>	<b>149,786</b>	<b>150,062</b>
Business Loans	-	142,955	142,955
Vehicle Loans	276	6,831	7,107
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>326,107</b>	<b>-</b>	<b>326,107</b>
With Installment	120,530	-	120,530
Without Installment	205,577	-	205,577
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>601,108</b>	<b>6,990,107</b>	<b>7,591,215</b>

<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>203,320</b>	<b>4,618,220</b>	<b>4,821,540</b>
Business Loans	7,379	1,237,846	1,245,225
Vehicle Loans	134,318	1,517,461	1,651,779
Consumer Loans	61,623	1,862,838	1,924,461
Other	-	75	75
<b>Commercial Installment Loans-FC Indexed</b>	<b>27,462</b>	<b>1,644,797</b>	<b>1,672,259</b>
Business Loans	14,998	339,825	354,823
Vehicle Loans	9,581	374,138	383,719
Consumer Loans	2,883	923,133	926,016
Other	-	7,701	7,701
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>158,204</b>	<b>158,204</b>
Business Loans	-	149,908	149,908
Vehicle Loans	-	8,296	8,296
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>292,685</b>	<b>-</b>	<b>292,685</b>
With Installment	106,201	-	106,201
Without Installment	186,484	-	186,484
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>523,467</b>	<b>6,421,221</b>	<b>6,944,688</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

6. Breakdown of domestic and foreign loans:

	<b>Current period</b>
Domestic loans	40,144,173
Foreign loans	299,981
<b>Total</b>	<b>40,444,154</b>
	<b>Prior period</b>
Domestic loans	35,729,192
Foreign loans	264,924
<b>Total</b>	<b>35,994,116</b>

7. Loans granted to subsidiaries and associates:

	<b>Current period</b>
Loans granted directly to subsidiaries and associates (*)	4,890
Loans granted indirectly to subsidiaries and associates	-
<b>Total</b>	<b>4,890</b>

(\*) The amount of loans granted directly to subsidiaries and associates is presented under "Banks" in financial statements.

	<b>Prior period</b>
Loans granted directly to subsidiaries and associates	19
Loans granted indirectly to subsidiaries and associates	-
<b>Total</b>	<b>19</b>

8. Specific provisions for loans:

	<b>Current period</b>
Specific provisions	
Loans and receivables with limited collectability	115,456
Loans and receivables with doubtful collectability	81,908
Uncollectible loans and receivables	318,917
<b>Total</b>	<b>516,281</b>
	<b>Prior period</b>
Specific provisions	
Loans and receivables with limited collectability	145,827
Loans and receivables with doubtful collectability	97,155
Uncollectible loans and receivables	423,965
<b>Total</b>	<b>666,947</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

9. Information on non-performing loans (Net):

(i) Information on non-performing loans and other receivables restructured or rescheduled:

None (31 December 2017-None).

(ii) Information on the movement of total non-performing loans:

<b>Current Period</b>	<b>Group III</b> <b>Loans and</b> <b>receivables with</b> <b>limited</b> <b>collectability</b>	<b>Group IV</b> <b>Loans and</b> <b>receivables with</b> <b>doubtful</b> <b>collectability</b>	<b>Group V</b> <b>Uncollectible</b> <b>loans and</b> <b>receivables</b>
<b>Ending balance of prior period 31.12.2017</b>	158,589	117,234	438,307
Additions in the current period (+)	171,219	31,720	42,482
Transfers from other categories of non-performing loans(+)	-	167,326	129,141
Transfers to other categories of non-performing loans (-)	166,762	129,705	-
Collections in the current period (-)	13,013	44,418	129,060
<b>Write offs (-)</b>	-	-	-
<b>Sold Portfolio (-)</b>	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>150,033</b>	<b>142,157</b>	<b>480,870</b>
Specific provisions (-)	115,456	81,908	318,917
<b>Net balance at the balance sheet</b>	<b>34,577</b>	<b>60,249</b>	<b>161,953</b>

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2017 – None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

(iv) Gross and net amounts of non-performing loans with respect to user groups:

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>34,577</b>	<b>60,249</b>	<b>161,953</b>
Loans granted to real persons and legal entities (Gross)	150,033	142,157	480,870
Specific provision (-)	115,456	81,908	318,917
<b>Loans to real persons and legal entities (Net)</b>	<b>34,577</b>	<b>60,249</b>	<b>161,953</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (net) 31.12.2017</b>	<b>12,762</b>	<b>20,079</b>	<b>14,342</b>
Loans to real persons and legal entities (Gross)	158,589	117,234	438,307
Specific provision (-)	145,827	97,155	423,965
<b>Loans to real persons and legal entities (Net)</b>	<b>12,762</b>	<b>20,079</b>	<b>14,342</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

The Bank holds collaterals like mortgage pledge, customer cheques and other collaterals against these financial assets.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>	<b>1,282</b>	<b>250</b>	<b>836</b>
Profit share accruals, rediscount and valuation differences	4,085	382	1,117
Provision (-)	2,803	132	281

10. 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 per the decision of the Bank top management (31 December 2017 – 461,353 TL).

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.

**f. Information on financial assets measured at amortised cost:**

None (31 December 2017 – None).

**g. Information on investment in associates (Net):**

1. The 1.69% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 4,719 (31 December 2017 – TL 4,719), 8.36% ownership of the shares of Islamic International Rating Agency amounting to TL 714 (31 December 2017 – TL 714), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,201 (31 December 2017 – TL 5,201), Swift shares amounting to TL 390 (31 December 2017 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2017 – TL 15) and VISA Inc. shares amounting to TL 7,474 (31 December 2017 – TL 7,149) 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.

2. Information about investments in unconsolidated associates: None (31 December 2017 – None).

3. Information related to consolidated associates: None (31 December 2017 – None).

**h. Information on subsidiaries (Net):**

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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

2. Information on subsidiaries:

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

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

<b>Total assets</b>	<b>Equity</b>	<b>Total fixed assets</b>	<b>Profit share income</b>	<b>Income from marketable securities</b>	<b>Current period profit/loss</b>	<b>Prior period profit/loss</b>	<b>Fair value</b>
31,773	7,452	-	-	-	31,529	3,601	-
97,379	94,272	58	-	-	(1,523)	3,546	-
176,261	405	-	-	-	191	2	-
6,241,485	101	-	-	-	(6)	1	-
699,727	438,091	64,687	-	-	(9,695)	(7,741)	-
6,455	6,177	180	-	-	(175)	(1)	-
8,247	7,574	408	-	-	888	904	-
353,236	1	-	-	-	-	-	-

(\*) As of 31 March 2018, 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 March 2018.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

Movement regarding the subsidiaries

	<b>Current period</b>
	<b>31.03.2018</b>
Balance at the beginning of the year	377,647
Movements during the year	3,242
Purchases	-
Transfers from subsidiaries	-
Bonus shares	-
Dividends from current year income	-
Sales	-
Revaluation increase (*)	3,242
Impairment	-
Capital commitment payments	-
<b>Balance at the end of the year</b>	<b>380,889</b>
Capital commitments	-
Share percentage at the end of the year (%)	-
(*) Implies a reversal of impairment.	
	<b>Prior period</b>
	<b>31.03.2017</b>
Balance at the beginning of the year	349,513
Movements during the year	118,536
Purchases	118,536
Transfers from subsidiaries	-
Bonus shares	-
Dividends from current year income	-
Sales	-
Revaluation increase	-
Impairment	-
Capital commitment payments	-
<b>Balance at the end of the year</b>	<b>468,049</b>
Capital commitments	-
Share percentage at the end of the year (%)	-



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	<b>Current period</b>
Banks	293,694
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	63,515

	<b>Prior period</b>
Banks	293,694
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	60,273

Subsidiaries that are quoted on the stock exchange

	<b>Current period</b>
Quoted in Domestic Stock Exchange	53,416
Quoted in Foreign Stock Exchange	-
<b>Toplam</b>	<b>53,416</b>

	<b>Prior period</b>
Quoted in Domestic Stock Exchange	50,173
Quoted in Foreign Stock Exchange	-
<b>Toplam</b>	<b>50,173</b>

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 March 31, 2018 is EUR 47,302,895 and the capital adequacy ratio is 33.27%.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**h. 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	1,260,604	40,000	4,955	3,318	1,256

(\*) These figures are shown per Turkish Trade Law financial statements as of 31 March 2018.

(\*\*) 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.

**i. Information on finance lease receivables (Net)**

1. Presentation of remaining maturities of net finance leases:

	Current Period	
	Gross	Net
Less than 1 year	1,753,153	1,429,948
1 to 4 years	613,355	581,535
More than 4 years	169,913	164,752
<b>Total</b>	<b>2,536,421</b>	<b>2,176,235</b>

	Prior Period	
	Gross	Net
Less than 1 year	1,499,971	1,223,929
1 to 4 years	565,336	532,824
More than 4 years	178,945	172,489
<b>Total</b>	<b>2,244,252</b>	<b>1,929,242</b>

2. Net investments in finance leases:

	Current period
Gross receivable from finance leases	2,536,421
Unearned finance lease income (-)	(360,186)
Cancelled lease amount (-)	-
<b>Net receivable from finance leases</b>	<b>2,176,235</b>

	Prior period
Gross receivable from finance leases	2,244,252
Unearned finance lease income (-)	(315,010)
Cancelled lease amount (-)	-
<b>Net receivable from finance leases</b>	<b>1,929,242</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

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 8,042 are included in the non-performing loans in the balance sheet (31 December 2017 – TL 5,040).

**j. Information on derivative financial assets for hedging purposes:**

None (31 December 2017 – None).

**k. Information on deferred tax asset**

In accordance with the related regulations deferred tax asset calculated as of 31 March 2018 is TL 141,786 (31 December 2017 – TL 157,245) and deferred tax liability is TL 19,781 (31 December 2017 – TL 18,535).

	<b>Current period</b>
Reserve for employee benefits	14,573
Retirement pay liability	18,624
Deferred income	49,586
Rediscounts for derivative instruments held for trading (net)	8,550
Impairment provision for subsidiaries, fixed assets and assets held for sale	36,436
TFRS 9 Provisions	5,211
Precious metals valuation difference	505
Other	8,301
<b>Deferred tax asset</b>	<b>141,786</b>
Effects on equity regarding TFRS 9 provisions	(8,987)
Difference between carrying value and tax base of tangible assets	(10,794)
Valuation difference on financial asset at fair value through other comprehensive income	-
Precious metals valuation difference	-
Other	-
<b>Deferred tax liability</b>	<b>(19,781)</b>
<b>Deferred tax asset, (net)</b>	<b>122,005</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

	<b>Prior period</b>
Reserve for employee benefits	20,197
Retirement pay liability	16,788
Deferred income	46,597
Rediscounts for derivative instruments held for trading (net)	26,181
Impairment provision for subsidiaries, fixed assets and assets held for sale	36,436
Precious metals valuation difference	-
Other	11,046
<b>Deferred tax asset</b>	<b>157,245</b>
Difference between carrying value and tax base of tangible assets	(10,044)
Valuation difference on financial asset at fair value through other comprehensive income	(3,556)
Precious metals valuation difference	(652)
Other	(4,283)
<b>Deferred tax liability</b>	<b>(18,535)</b>
<b>Deferred tax asset, (net)</b>	<b>138,710</b>

Table of deferred tax asset movement:

	<b>Current period</b>
As of January 1	138,710
Deferred tax (expense)/income	(3,653)
Deferred tax accounted under other comprehensive income	(4,066)
TFRS 9 opening effect	(8,986)
<b>Deferred tax asset</b>	<b>122,005</b>
	<b>Prior period</b>
As of January 1	118,112
Deferred tax (expense)/income	22,696
Deferred tax accounted under other comprehensive income	(2,098)
<b>Deferred tax asset</b>	<b>138,710</b>

**1. Information on other assets:**

As of balance sheet date, the Bank's other assets amount to TL 1,023,016 (31 December 2017 – TL 764,669). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**SECTION FIVE**

**II. Explanations and notes related to liabilities**

**a. Information on funds collected**

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
<b>I. Real persons current accounts-TL</b>	<b>4,847,808</b>	-	-	-	-	-	-	-	<b>4,847,808</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>4,284,897</b>	<b>6,668,508</b>	<b>479,953</b>	-	<b>241,144</b>	<b>219,135</b>	-	<b>11,893,637</b>
<b>III. Other current accounts-TL</b>	<b>2,947,713</b>	-	-	-	-	-	-	-	<b>2,947,713</b>
Public sector	101,514	-	-	-	-	-	-	-	101,514
Commercial sector	2,808,286	-	-	-	-	-	-	-	2,808,286
Other institutions	32,894	-	-	-	-	-	-	-	32,894
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	5,019	-	-	-	-	-	-	-	5,019
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	4,892	-	-	-	-	-	-	-	4,892
Participation banks	127	-	-	-	-	-	-	-	127
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>432,890</b>	<b>1,087,972</b>	<b>162,156</b>	-	<b>229,725</b>	<b>124,715</b>	-	<b>2,037,458</b>
Public sector	-	99	38,129	-	-	253	-	-	38,481
Commercial sector	-	398,219	961,155	150,885	-	221,568	122,782	-	1,854,609
Other institutions	-	34,557	88,577	11,271	-	7,901	1,729	-	144,035
Commercial and other institutions	-	15	96	-	-	3	204	-	318
Banks and participation banks	-	-	15	-	-	-	-	-	15
<b>V. Real persons current accounts-FC</b>	<b>5,011,899</b>	-	-	-	-	-	-	-	<b>5,011,899</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>2,504,114</b>	<b>4,496,849</b>	<b>909,097</b>	-	<b>455,930</b>	<b>217,924</b>	-	<b>8,583,914</b>
<b>VII. Other current accounts-FC</b>	<b>2,351,521</b>	-	-	-	-	-	-	-	<b>2,351,521</b>
Commercial residents in Turkey	2,078,202	-	-	-	-	-	-	-	2,078,202
Commercial residents in Abroad	175,541	-	-	-	-	-	-	-	175,541
Banks and participation banks	97,778	-	-	-	-	-	-	-	97,778
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	97,777	-	-	-	-	-	-	-	97,777
Participation banks	1	-	-	-	-	-	-	-	1
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>375,237</b>	<b>1,680,384</b>	<b>125,749</b>	-	<b>170,969</b>	<b>8,224</b>	-	<b>2,360,563</b>
Public sector	-	7	42	-	-	-	-	-	49
Commercial sector	-	316,930	1,456,834	95,811	-	169,898	8,138	-	2,047,611
Other institutions	-	23,550	149,988	40	-	457	-	-	174,035
Commercial and other institutions	-	34,745	64,703	29,898	-	614	-	-	129,960
Banks and participation banks	-	5	8,817	-	-	-	86	-	8,908
<b>IX. Precious metal funds</b>	<b>1,292,813</b>	<b>323,722</b>	<b>1,078,569</b>	<b>93,958</b>	-	<b>52,127</b>	<b>5</b>	-	<b>2,841,194</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16,451,754</b>	<b>7,920,860</b>	<b>15,012,282</b>	<b>1,770,913</b>	-	<b>1,149,895</b>	<b>570,003</b>	-	<b>42,875,707</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>4,089,584</b>	-	-	-	-	-	-	-	<b>4,089,584</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>3,920,064</b>	<b>6,325,033</b>	<b>449,754</b>	-	<b>245,635</b>	<b>194,490</b>	-	<b>11,134,976</b>
<b>III. Other current accounts-TL</b>	<b>2,896,840</b>	-	-	-	-	-	-	-	<b>2,896,840</b>
Public sector	70,537	-	-	-	-	-	-	-	70,537
Commercial sector	2,779,505	-	-	-	-	-	-	-	2,779,505
Other institutions	42,423	-	-	-	-	-	-	-	42,423
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	4,375	-	-	-	-	-	-	-	4,375
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	3,875	-	-	-	-	-	-	-	3,875
Participation banks	500	-	-	-	-	-	-	-	500
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>421,907</b>	<b>960,907</b>	<b>131,032</b>	-	<b>193,737</b>	<b>126,429</b>	-	<b>1,834,012</b>
Public sector	-	108	34,391	-	-	29	-	-	34,528
Commercial sector	-	394,722	852,072	122,025	-	187,200	124,735	-	1,680,754
Other institutions	-	27,062	74,334	9,007	-	6,505	1,694	-	118,602
Commercial and other institutions	-	15	96	-	-	3	-	-	114
Banks and participation banks	-	-	14	-	-	-	-	-	14
<b>V. Real persons current accounts-FC</b>	<b>4,884,717</b>	-	-	-	-	-	-	-	<b>4,884,717</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>2,399,627</b>	<b>4,032,310</b>	<b>850,291</b>	-	<b>414,946</b>	<b>202,380</b>	-	<b>7,899,554</b>
<b>VII. Other current accounts-FC</b>	<b>2,693,621</b>	-	-	-	-	-	-	-	<b>2,693,621</b>
Commercial residents in Turkey	2,444,250	-	-	-	-	-	-	-	2,444,250
Commercial residents in Abroad	158,115	-	-	-	-	-	-	-	158,115
Banks and participation banks	91,256	-	-	-	-	-	-	-	91,256
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	91,256	-	-	-	-	-	-	-	91,256
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>329,872</b>	<b>927,386</b>	<b>76,275</b>	-	<b>158,850</b>	<b>11,479</b>	-	<b>1,503,862</b>
Public sector	-	5	47	-	-	-	-	-	52
Commercial sector	-	274,980	853,938	56,189	-	157,843	11,393	-	1,354,343
Other institutions	-	24,687	25,848	48	-	423	-	-	51,006
Commercial and other institutions	-	30,195	39,112	20,038	-	584	-	-	89,929
Banks and participation banks	-	5	8,441	-	-	-	86	-	8,532
<b>IX. Precious metal funds</b>	<b>1,478,274</b>	<b>270,605</b>	<b>1,038,183</b>	<b>87,510</b>	-	<b>45,658</b>	<b>4</b>	-	<b>2,920,234</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16,043,036</b>	<b>7,342,075</b>	<b>13,283,819</b>	<b>1,594,862</b>	-	<b>1,058,826</b>	<b>534,782</b>	-	<b>39,857,400</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

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

i. 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:

	<b>Under the guarantee of saving deposit insurance</b>	<b>Exceeding the limit of saving Deposit</b>
	<b>Current period</b>	<b>Current period</b>
Real persons current and profit sharing accounts that are not subject to commercial activities		
TL accounts	10,509,977	6,168,051
FC accounts	5,772,275	10,409,679
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-

	<b>Under the guarantee of saving deposit insurance</b>	<b>Exceeding the limit of saving Deposit</b>
	<b>Prior period</b>	<b>Prior period</b>
Real persons current and profit sharing accounts that are not subject to commercial activities		
TL accounts	9,730,510	5,440,996
FC accounts	5,804,410	9,535,405
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

ii. 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

iii. 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.

	<b>Current period</b>
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	5,902
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	-
	<b>Prior period</b>
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	4,573
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**b. Information on derivative financial liabilities held for trading:**

1. Derivative financial liabilities held for trading:

	Current period	
	TL	FC
Forward transactions	8,923	3,877
Swap transactions	8,265	13,803
Futures transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>17,188</b>	<b>17,680</b>

	Prior period	
	TL	FC
Forward transactions	10,269	4,679
Swap transactions	11,177	54,572
Futures transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>21,446</b>	<b>59,251</b>

**c. Information on funds borrowed:**

1. Information on banks and other financial institutions:

	Current period	
	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-
From Domestic Banks and Institutions	1,445,738	5,060,969
From Foreign Banks, Institutions and Funds	59,959	3,105,618
<b>Total</b>	<b>1,505,697</b>	<b>8,166,587</b>

	Prior period	
	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-
From Domestic Banks and Institutions	1,199,428	4,835,605
From Foreign Banks, Institutions and Funds	58,873	2,937,603
<b>Total</b>	<b>1,258,301</b>	<b>7,773,208</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

2. Information on maturity structure of borrowings:

	<b>Current period</b>	
	<b>TL</b>	<b>FC</b>
Short-term	1,505,697	3,178,436
Medium and Long-Term	-	4,988,151
<b>Total</b>	<b>1,505,697</b>	<b>8,166,587</b>

	<b>Prior period</b>	
	<b>TL</b>	<b>FC</b>
Short-term	1,223,292	3,054,515
Medium and Long-Term	35,009	4,718,693
<b>Total</b>	<b>1,258,301</b>	<b>7,773,208</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

3. The details of some significant transactions that are accounted under the borrowings line are as follows;

**Current Period:**

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	30/03/2018	04/07/2018	TRY	12.67%	100,000,000	3,379,730
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	16/03/2018	04/07/2018	TRY	12.67%	350,000,000	13,554,100
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	23/02/2018	05/06/2018	TRY	12.53%	100,000,000	3,549,040
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	06/02/2018	17/05/2018	TRY	12.43%	150,000,000	5,178,075
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	17/01/2018	17/05/2018	TRY	12.43%	200,000,000	8,284,940
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	03/01/2018	17/04/2018	TRY	12.38%	350,000,000	12,515,615
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	01/11/2016	02/11/2021	USD	5.08%	500,000,000	128,893,846
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	15/07/2015	15/07/2020	MYR	5.64%	300,000,000	85,894,027
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	15/05/2015	15/05/2020	MYR	5.64%	200,000,000	57,262,685
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	31/03/2015	31/03/2020	MYR	5.72%	300,000,000	87,095,343
KT Issue	KT KİRA SERTİFİKALARI VARLIK KİRALAMA A.Ş.	26/06/2014	26/06/2019	USD	5.08%	500,000,000	128,767,923
Wakale	KFH - KUWAIT	02/06/2017	08/06/2018	USD	2.25%	120,000,000	2,782,500
Wakale	KFH - KUWAIT	27/06/2017	03/07/2018	USD	2.40%	100,000,000	2,473,333
Wakale	KFH - KUWAIT	07/08/2017	14/08/2018	USD	2.40%	100,000,000	2,480,000
Wakale	KFH - KUWAIT	28/09/2017	05/10/2018	USD	2.50%	100,000,000	2,583,333
Wakele	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	07/11/2017	14/11/2018	USD	2.30%	103,925,361	2,469,959

**Prior Period:**

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	06/10/2017	17/01/2018	TRY	%11.93	180,000,000	6,146,136
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	08/11/2017	06/02/2018	TRY	%11.93	120,000,000	3,580,272
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	16/11/2017	16/03/2018	TRY	%12.13	250,000,000	10,109,600
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	19/09/2017	03/01/2018	TRY	%11.84	400,000,000	13,939,720
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	01/11/2016	02/11/2021	USD	%5.08	500,000,000	128,893,846
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/07/2015	15/07/2020	MYR	%5.64	300,000,000	85,894,027
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/05/2015	15/05/2020	MYR	%5.64	200,000,000	57,262,685
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	31/03/2015	31/03/2020	MYR	%5.72	300,000,000	87,095,343
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	26/06/2014	26/06/2019	USD	%5.08	500,000,000	128,767,923
Wakale	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	07/11/2017	14/11/2018	USD	%2.30	103,925,361	2,469,959
Wakale	KFH - KUWAIT	02/06/2017	08/06/2018	USD	%2.25	120,000,000	2,782,500

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

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

All of the borrowings consist of foreign currency loans and majorly they are formed by the transactions with the off-shore financial institutions.

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

**d. Information on other liabilities and miscellaneous payables:**

As of 31 March 2018, other liabilities amount to TL 616,010 (31 December 2017 – TL 334,851), sundry creditors amount to TL 237,282 (31 December 2017 - TL 198,119), both of them do not exceed 10% of the balance sheet total.

**e. Information on finance lease payables (net):**

The Bank bought some of the information technology equipment through financial lease and the liabilities originated from the agreements are paid in monthly installments to the leasing firms. These agreements do not raise any further liabilities other than already committed payments by the Bank.

- Information on the changes in agreements and new obligations originating from these changes: None (31 December 2017 – None).
- Information on Financial Lease Obligations

None (31 December 2017- None).

3. 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.

- Information on sale and leaseback transactions:  
None (31 December 2017 – None).

**f. Information on hedging derivative financial liabilities:**

	Current Period	
	TL	FC
Fair value hedge	-	-
Cash flow hedge	-	21,822
Hedge of net investment in foreign operations	-	-
<b>Total</b>	<b>-</b>	<b>21,822</b>

**f. Information on hedging derivative financial liabilities (continued)**

	Prior Period	
	TL	FC
Fair value hedge	-	-
Cash flow hedge	-	70,795
Hedge of net investment in foreign operations	-	-
<b>Total</b>	<b>-</b>	<b>70,795</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**g. Information on provisions:**

1. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 March 2018, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 4,688 (31 December 2017 – TL 19,143) and TL 141 for leasing receivables (31 December 2017 – TL 376) is offset against loans and receivables.

2. Information on other provisions:

	<b>Current period</b>
Provisions for non-liquidated non-cash loans (*)	194,780
Provisions for cheque books (*)	56,870
Provisions from equity/profit sharing accounts	126,704
Provisions for promotion activities for credit cards	1,514
Other (*)	73,094
<b>Total</b>	<b>452,962</b>
	<b>Prior period</b>
Provisions for non- liquidated non cash loans (*)	95,685
Provisions for cheque books	2,276
Provisions from equity/profit sharing accounts	30,422
Provisions for promotion activities for credit cards	1,242
Other (*)	71,298
<b>Total</b>	<b>200,923</b>

(\*) Other item includes TL 6,915 (31 December 2017 – TL 6,915) litigation provision. In addition to this, TL 14,450 (31 December 2017 – TL 14,450) includes provision amount which belongs to audit related penalty from Ministry of Customs and Trade and TL 45,060 (31 December 2017 – 40,560) includes provision amount for projected repayment of delay penalties.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**I. Explanations and notes related to liabilities (continued)**

**h. Information on provisions (continued):**

3. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 91,399 (31 December 2017 – TL 83,942), vacation pay liability amounting to TL 18,350 (31 December 2017 – TL 522), performance premium amounting to TL 15,769 (31 December 2017 – TL 69,794), retirement bonuses on payment of TL 23,500 (31 December 2017 – TL 23,500), committee fee amounting to TL 8,491 (31 December 2017 – TL 7,291)

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 5,002 (full amount) (31 December 2017 – TL 4,732) 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.

	<b>Current period</b>
Discount rate (%)	12.27
Inflation rate (%)	9.01
Salary increase rate (%)	12.00
	<b>Prior period</b>
Discount rate (%)	11.60
Inflation rate (%)	8.90
Salary increase rate (%)	9.90

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

	<b>Current period</b>
Balance at the beginning of the period	83,942
Provisions recognized during the period	9,055
Paid during the period	(3,230)
Actuarial loss	1,632
<b>Balances at the end of the period</b>	<b>91,399</b>
	<b>Prior period</b>
Balance at the beginning of the period	55,291
Provisions recognized during the period	5,756
Paid during the period	(1,933)
Actuarial loss	-
<b>Balances at the end of the period</b>	<b>59,114</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**II. Explanations and notes related to liabilities (continued)**

**h. Explanations on tax liability:**

1. Explanations on current tax liability:

i. Information on tax provisions: As of 31 March 2018, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 51,039.

	<b>Current period</b>
Provision for corporate income tax(*)	250,829
Prepaid taxes	(199,790)
<b>Total (*)</b>	<b>51,039</b>

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

	<b>Prior period</b>
Provision for corporate income tax(*)	199,529
Prepaid taxes	(143,258)
<b>Total (*)</b>	<b>56,271</b>

ii. Information on taxes payable:

	<b>Current period</b>
Taxation of marketable securities	20,379
Taxation of immovable property	1,584
Banking Insurance Transaction Tax (BITT)	20,595
Value Added Tax Payable	1,104
Income tax deducted from wages	7,820
Other	1,246
<b>Total</b>	<b>52,728</b>

	<b>Prior period</b>
Taxation of marketable securities	19,651
Taxation of immovable property	1,185
Banking Insurance Transaction Tax (BITT)	18,431
Value Added Tax Payable	1,349
Income tax deducted from wages	8,192
Other	1,128
<b>Total</b>	<b>49,936</b>

iii. Information on premiums (\*):

	<b>Current period</b>
Social Security Premiums-Employee	12,257
Social Security Premiums-Employer	13,237
Unemployment insurance-Employee	877
Unemployment insurance-Employer	2,006
<b>Total</b>	<b>28,377</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**II. Explanations and notes related to liabilities (continued)**

**h. Explanations on tax liability (continued)**

1. Explanations on current tax liability (continued)

iii. Information on premiums (\*) (continued)

	<b>Prior period</b>
Social Security Premiums-Employee	4,862
Social Security Premiums-Employer	5,234
Unemployment insurance-Employee	348
Unemployment insurance-Employer	801
<b>Total</b>	<b>11,245</b>

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

iv. Information on deferred tax liability: None (31 December 2017 - None).

**i. Information on payables related to assets held for sale:**

None (31 December 2017 – None).

**j. Information on subordinated loans:**

	<b>Current Period</b>	
	<b>TL</b>	<b>FC</b>
To be included in the calculation of additional capital	-	-
Subordinated loans	-	-
Subordinated debt instruments	-	-
Debt instruments to be included in contribution capital calculation	-	1,394,348
Subordinated loans	-	1,394,348
Subordinated debt instruments	-	-
<b>Total</b>	<b>-</b>	<b>1,394,348</b>

	<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	1,360,338
From Other Foreign Institutions	-	-
<b>Total</b>	<b>-</b>	<b>1,360,338</b>

Kuwait Turkish Participation Bank, on 17 February 2016 Cayman Islands' as resident Special Purpose Vehicle (SPV) KT Sukuk Company Limited with over 350 million US dollars worth of sukuk issued by the BRSA by the issue in the Regulation on the Capital Adequacy requirements having a contribution, it has provided capital loans. BRSA dated 2 September 2015 and 20008792101.01[93]E.12819 Letter of Conformity No included in the loan be included in the calculation of capital contribution to the Bank / sukuk annual rate of return is 7.90%, 5 year maturity and repayment option at the end of the Bank 10 it is determined as years. Sukuk returns under the said payment, the implementation of the transfer price of the assets, expressed as a yearly rate of return will be calculated by and principal will be made in two equal installments on 17 July and 17 February each year.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**II. Explanations and notes related to liabilities (continued)**

**k. Information on shareholders' equity:**

1. Presentation of paid-in capital:

	<b>Current period</b>
Common shares	3,100,000
Preference shares	-
Repurchased shares amount (*)	(2,678)
<b>Total</b>	<b>3,097,322</b>

  

	<b>Prior period</b>
Common shares	3,100,000
Preference shares	-
Repurchased shares amount (*)	(2,678)
<b>Total</b>	<b>3,097,322</b>

(\*) 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. 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.

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

None.

4. Information on share capital increases from capital reserves during the current period: None (31 December 2017 – None).

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.

6. Summary of privileges given to shares representing the capital: None.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**II. Explanations and notes related to liabilities (continued)**

**j. Information on shareholders' equity (continued) :**

7. Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference(*)	(5,631)	5,716
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(5,631)</b>	<b>5,716</b>

	Prior Period	
	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference(*)	(23,192)	12,609
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(23,192)</b>	<b>12,609</b>

(\*) 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.

1. **Information on minority shares:** None (31 December 2017 – None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

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

**a. Explanations on off-balance sheet accounts:**

1. Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 31 March 2018 amounts to TL 1,494,480 (31 December 2017 – TL 1,357,354); payment commitments for cheque books amounts to TL 1,549,407 (31 December 2017 – TL 1,345,239).
2. Types and amounts of probable losses and obligations arising from off-balance sheet items including below items:
  - i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 31 March 2018, the Bank has guarantees and surety ships constituting of TL 10,116,002 (31 December 2017 – TL 9,566,138) of letters of guarantee; TL 65,255 (31 December 2017 – TL 55,958) of acceptances and TL 1,228,550 (31 December 2017 – TL 932,100) of letters of credit. Also, banks has other acceptances amounting to TL 365,474 (31 December 2017 – TL 513,959).
  - ii. Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i.)
3. (i). Total amount of non-cash loans:

	<b>Current period</b>
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	11,775,281
<b>Total</b>	<b>11,775,281</b>
	<b>Prior period</b>
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	11,068,155
<b>Total</b>	<b>11,068,155</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**IV. Explanations and notes related to the statement of income**

**a. Information on profit share income:**

1. Information on profit share received from loans:

	Current period	
	TL	FC
<b>Profit share on loans</b>	<b>969,920</b>	<b>61,877</b>
Short term loans	242,611	6,774
Medium and long term loans	723,248	55,103
Profit share on non-performing loans	4,061	-
Premiums received from resource utilization support fund	-	-
	Prior period	
	TL	FC
<b>Profit share on loans</b>	<b>667,404</b>	<b>53,190</b>
Short term loans	168,232	4,338
Medium and long term loans	497,534	48,852
Profit share on non-performing loans	1,638	-
Premiums received from resource utilization support fund	-	-

2. Information on profit share received from banks:

	Current period	
	TL	FC
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	-	16,773
Branches and head office abroad	-	-
<b>Total</b>	<b>-</b>	<b>16,773</b>
	Prior period	
	TL	FC
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	-	3,947
Branches and head office abroad	-	-
<b>Total</b>	<b>-</b>	<b>3,947</b>

3. Information on profit share income from securities portfolio:

The Bank has received TL 79,385 of profit share income from rent certificates (sukuk) which is given the details in financial assets at fair value through other comprehensive income information (1 January - 31 March 2017 - TL 65,333).

4. Information on profit share income received from associates and subsidiaries:

	Current period
Profit share income received from associates and subsidiaries	78
	Prior period
Profit share income received from associates and subsidiaries	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**IV. Explanations and notes related to the income statement (continued)**

**b. Information on profit share expenses:**

	<b>Current period</b>	
	<b>TL</b>	<b>FC</b>
Banks	-	-
The Central Bank of the Republic of Turkey	658	2,269
Domestic banks	1,409	4,842
Foreign banks	-	-
Branches and head office abroad	40,809	99,181
Other Institutions	-	-
<b>Total</b>	<b>42,876</b>	<b>106,292</b>
	<b>Prior period</b>	
	<b>TL</b>	<b>FC</b>
Banks	-	-
The Central Bank of the Republic of Turkey	70	2,299
Domestic banks	1,075	18,833
Foreign banks	-	-
Branches and head office abroad	13,103	92,953
Other Institutions	-	-
<b>Total</b>	<b>14,248</b>	<b>114,085</b>

1. Profit share expense given to associates and subsidiaries:

	<b>Current period</b>
Profit share expenses given to associates and subsidiaries	84,624
	<b>Prior period</b>
Profit share expenses given to associates and subsidiaries	97,698

2. Profit share expense paid to securities issued: None (1 January - 31 March 2017: None).

**c. Information on dividend income:**

None (1 January - 31 March 2017: None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**IV. Explanations and notes related to the income statement (continued)**

**d. Distribution of profit share on funds based on maturity of funds:**

<b>Current period</b>		<b>Profit Sharing Accounts</b>						<b>Accumulated profit sharing accounts</b>	<b>Total</b>
<b>Account name</b>	<b>Up to 1 month</b>	<b>Up to 3 month</b>	<b>Up to 6 month</b>	<b>Up to 9 month</b>	<b>Up to 1 year</b>	<b>Above 1 year</b>			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	89,938	146,833	10,788	-	5,702	5,153	-	258,414	
Public sector profit sharing account	69	1,048	-	-	-	-	-	1,117	
Commercial sector profit sharing account	9,115	21,157	3,890	-	339	256	-	34,757	
Other institutions profit sharing account	860	2,210	267	-	90	46	-	3,473	
<b>Total</b>	<b>99,982</b>	<b>171,248</b>	<b>14,945</b>	<b>-</b>	<b>6,131</b>	<b>5,455</b>	<b>-</b>	<b>297,761</b>	
<b>FC</b>									
Banks	8	42	-	-	-	-	-	50	
Real person's non-trading profit sharing account	12,656	23,398	5,039	-	2,424	1,399	-	44,916	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	1,506	8,250	448	-	936	32	-	11,172	
Other institutions profit sharing account	455	837	144	-	6	-	-	1,442	
Precious metal accounts	920	3,311	285	-	161	-	-	4,677	
<b>Total</b>	<b>15,545</b>	<b>35,838</b>	<b>5,916</b>	<b>-</b>	<b>3,527</b>	<b>1,431</b>	<b>-</b>	<b>62,257</b>	
<b>Grand Total</b>	<b>115,527</b>	<b>207,086</b>	<b>20,861</b>	<b>-</b>	<b>9,658</b>	<b>6,886</b>	<b>-</b>	<b>360,018</b>	
<b>Prior period</b>									
<b>Prior period</b>		<b>Profit Sharing Accounts</b>						<b>Accumulated profit sharing accounts</b>	<b>Total</b>
<b>Account name</b>	<b>Up to 1 month</b>	<b>Up to 3 month</b>	<b>Up to 6 month</b>	<b>Up to 9 month</b>	<b>Up to 1 year</b>	<b>Above 1 year</b>			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-	
Real person's non-trading profit sharing account	63,596	117,475	9,321	-	4,274	3,625	-	198,291	
Public sector profit sharing account	1	732	-	-	-	-	-	733	
Commercial sector profit sharing account	6,838	16,918	2,439	-	179	187	-	26,561	
Other institutions profit sharing account	501	1,054	180	-	49	8	-	1,792	
<b>Total</b>	<b>70,936</b>	<b>136,179</b>	<b>11,940</b>	<b>-</b>	<b>4,502</b>	<b>3,820</b>	<b>-</b>	<b>227,377</b>	
<b>FC</b>									
Banks	330	182	-	-	-	-	-	512	
Real person's non-trading profit sharing account	8,380	13,297	3,285	-	2,019	936	-	27,917	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	977	3,192	356	-	29	22	-	4,576	
Other institutions profit sharing account	514	396	82	-	9	75	-	1,076	
Precious metal accounts	-	2,105	168	-	101	-	-	2,374	
<b>Total</b>	<b>10,201</b>	<b>19,172</b>	<b>3,891</b>	<b>-</b>	<b>2,158</b>	<b>1,033</b>	<b>-</b>	<b>36,455</b>	
<b>Grand Total</b>	<b>81,137</b>	<b>155,351</b>	<b>15,831</b>	<b>-</b>	<b>6,660</b>	<b>4,853</b>	<b>-</b>	<b>263,832</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**IV. Explanations and notes related to the income statement (continued)**

**e. Information on trading income/loss (Net):**

	<b>Current period</b>
<b>Net</b>	<b>28,682</b>
<b>Income</b>	<b>2,967,942</b>
Gain on capital market transactions	7,320
Gain on derivative financial instruments	303,760
Foreign exchange profit	2,656,862
<b>Losses (-)</b>	<b>(2,939,260)</b>
Losses on capital market transactions	(1,826)
Losses on derivative financial instruments	(338,192)
Foreign exchange losses	(2,599,242)
	<b>Prior period</b>
<b>Net</b>	<b>114,314</b>
<b>Income</b>	<b>4,474,926</b>
Gain on capital market transactions	3,560
Gain on derivative financial instruments	583,359
Foreign exchange profit	3,888,007
<b>Losses (-)</b>	<b>(4,360,612)</b>
Losses on capital market transactions	(395)
Losses on derivative financial instruments	(776,614)
Foreign exchange losses	(3,583,603)

**f. 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.

	<b>Current period</b>
Reversal of prior period provisions	149,950
Income from sale of assets	9,550
Income from the real estate sales' gains by rent certificates	637
Other Income	1,434
<b>Total</b>	<b>161,571</b>

	<b>Prior period</b>
Reversal of prior period provisions	31,085
Income from sale of assets	3,426
Income from the real estate sales' gains by rent certificates	-
Other Income	1,432
<b>Total</b>	<b>35,943</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**IV. Explanations and notes related to the income statement (continued)**

**g. Impairment losses on loan and other receivables:**

	<b>Current period</b>
Expected Credit Loss	314,347
12 month expected credit loss (Stage 1)	142
Significant increase in credit risk (Stage 2)	64,545
Non-performing loans (Stage 3)	249,660
Marketable Securities Impairment Expense	733
Financial Assets at Fair Value through Profit or Loss	733
Financial Assets at Fair Value Through Other Comprehensive Income	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-
Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other (*)	10,680
<b>Total</b>	<b>325,760</b>

**h. Provisions for loan losses and other receivables of the Bank:**

	<b>Prior period</b>
Specific provisions for loans and other receivables	116,989
III. group loans and receivables	59,906
IV. group loans and receivables	22,803
V. group loans and receivables	34,280
Doubtful commissions, fees and other receivables	754
General provision expenses	14,028
Provision expenses from possible losses	-
Impairment provision of marketable securities	103
Financial Assets at fair value through profit and loss	103
Investment securities at fair value through other comprehensive income	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other (*)	8,779
<b>Total</b>	<b>140,653</b>

(\*) According to the provision regulation, it consists of the provision is allocated 5% of profit to be distributed to participation accounts for up to 5% general reserve.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**i. Information on other operating expenses:**

	<b>Current period</b>
Personnel expenses	207,458
Provision for retirement pay liability	5,825
Depreciation expenses of fixed assets	15,241
Impairment expenses of tangible assets	-
Depreciation expenses of intangible assets	6,882
Depreciation expenses of assets held for sale	-
Other operating expenses	75,290
Rent expenses	29,856
Maintenance expenses	9,410
Advertisement expenses	1,280
Communication expenses	8,755
Heating, electricity and water expenses	3,900
Cleaning expenses	1,415
Vehicle expenses	1,702
Stationery expenses	2,220
Other expenses	16,752
Losses on sales of assets	24
Deposit insurance fund expenses	22,829
Other	23,379
<b>Total</b>	<b>356,928</b>
	<b>Prior period</b>
Personnel expenses	174,915
Provision for retirement pay liability	3,823
Depreciation expenses of fixed assets	12,910
Impairment expenses of tangible assets	-
Depreciation expenses of intangible assets	5,902
Depreciation expenses of assets held for sale	-
Other operating expenses	71,423
Rent expenses	26,975
Maintenance expenses	6,519
Advertisement expenses	8,750
Communication expenses	8,506
Heating, electricity and water expenses	3,828
Cleaning expenses	1,263
Vehicle expenses	1,315
Stationery expenses	1,268
Other expenses	12,999
Losses on sales of assets	19
Deposit insurance fund expenses	19,441
Other	22,409
<b>Total</b>	<b>310,842</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**j. Information on profit/loss from continued and discontinued operations before taxes:**

Income before tax amounting to TL 258,163 increased by 34.07% as compared to the prior period (1 January – 31 March 2017 – TL 192,553). Income before tax includes TL 673,503 (1 January – 31 March 2017 – TL 440,156) net profit share income and TL 77,095 (1 January – 31 March 2017 – TL 53,635) net fees and commission income. Other operating expense amount is TL 143,645 (1 January – 31 March 2017 – TL 310,842).

**k. Information on tax provision for continued and discontinued operations:**

As of 31 March 2018, deferred tax charge of the Bank is TL 3,653 (1 January-31 March 2017 – TL 9,628 deferred tax expense) and current tax provision expense is TL 51,422 (1 January-31 September 2017 –TL 30,681 expense).

**l. 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.

**m. Information on net income/loss:**

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 March 2018, net profit share income is TL 673,503 (1 January-31 March 2017 – TL 440,156), net fees and commission income is TL 77,095 (1 January-31 March 2017 – TL 53,635).
2. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January - 31 March 2017 – None).
3. Profit/Loss attributable to minority interest: None (1 January - 31 March 2017 – None).

**n. Details of sub accounts comprising at least 20% of other items in income statement, exceeding 20% of total income statement:**

As of 31 March 2018, other fees and commissions received is TL 90,281 (1 January - 31 March 2017 – TL 62,992), TL 21,141 of this amount is related with credit card fees and commissions (1 January - 31 March 2017 – TL 13,779) and TL 16,676 of this amount is related with POS machine commissions (1 January - 31 March 2017 – TL 11,699).

As of 31 March 2018, other fees and commissions given is TL 42,250 (1 January - 31 March 2017 – TL 33,581), TL 18,862 (1 January - 31 March 2017 – TL 13,307) of this amount is related with POS clearing commissions and installation expenses, TL 3,705 (1 January - 31 March 2017 – TL 2,428) of this amount is related with fees and commissions paid for credit cards.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**V. Explanations and notes related to cash flow statement**

**a. Information regarding the balances of cash and cash equivalents at the beginning of the period:**

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.

(i). Cash and cash equivalents at the beginning of the period:

	<b>Current period</b>
<b>Cash</b>	<b>4,078,048</b>
Cash in TL/foreign currency, others	606,825
Demand deposits at banks	3,471,223
<b>Cash equivalents</b>	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
<b>Total cash and cash equivalents</b>	<b>4,078,048</b>
	<b>Prior period</b>
<b>Cash</b>	<b>5,595,655</b>
Cash in TL/foreign currency, others	740,629
Demand deposits at banks	4,855,026
<b>Cash equivalents</b>	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
<b>Total cash and cash equivalents</b>	<b>5,595,655</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

(ii). Cash and cash equivalents at the end of the period:

	<b>Current period</b>
<b>Cash</b>	<b>4,164,318</b>
Cash in TL/foreign currency, others	537,302
Demand deposits at banks	3,627,016
<b>Cash equivalents</b>	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
<b>Total cash and cash equivalents</b>	<b>4,164,318</b>
	<b>Prior period</b>
<b>Cash</b>	<b>3,336,299</b>
Cash in TL/foreign currency, others	57,161
Demand deposits at banks	3,279,138
<b>Cash equivalents</b>	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
<b>Total cash and cash equivalents</b>	<b>3,336,299</b>

**b. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:** None.

**c. Information on other account in cash flow statement**

“Other items” amounting to TL 43,738 (1 January – 31 March 2017: TL (87,657)) 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 (581,268) (1 January – 31 March 2017: TL (1,862,456)) 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 (47,868) (1 January – 31 March 2017: TL (39,026)) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

**d. 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 (86,172) as of 31 March 2018 (31 March 2017 – TL (11,284)). 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

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

**a. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:**

1. 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	19	1,253	1,030	786	150,924	917
Balance at end of period	4,890	1,500	1,218	856	160,093	937
Profit share and commission income	-	78	15	-	3,085	1

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

2. 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	14	883	998	16,818	135,364	20,290
Balance at end of period	19	1,253	1,030	786	150,924	917
Profit share and commission income	-	-	1,262	-	10,648	-

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

3. 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 and profit sharing accounts						
Balance at beginning of period	33,887		60,187		417,813	
Balance at end of period	55,549		71,866		311,009	
Profit share expense	256		1,168		5,023	

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

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	
		Prior period		Prior Period		Prior Period
Current and profit sharing accounts						
Balance at beginning of period		113,140		58,441		113,915
Balance at end of period		33,887		60,187		417,813
Profit share expense		966		939		2,009

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

4. Forward and option agreements and other similar agreements with the risk group of the Bank: None.

5. 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	Current period	Current period
Borrowings			
Balance at beginning of period	7,063,526	2,175,759	-
Balance at end of period	7,635,645	2,287,961	-
Profit share expense	84,368	19,656	-

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
	Prior period	Prior Period	Prior Period
Borrowings			
Balance at beginning of period	6,031,523	2,954,769	-
Balance at end of period	7,063,526	2,175,759	-
Profit share expense	96,732	12,646	-

**b. Information on remunerations provided to top management:**

As of 1 January - 31 March 2018, the Bank has paid TL 17,967 to top management (1 January - 31 March 2017- TL 15,604).

**VII. Significant events and matters arising subsequent to balance sheet date**

At the ordinary general assembly meeting held on April 3, 2018, the Bank has decided to reserve TRY 33,700 of primary reserve, transferring TRY 12,419 obtained from real estate sales to other reserves instead of distributing to shareholders, not to make dividend payments in cash to shareholders, to make TRY 4,894 of dividend payment to management, TRY 387,142 to be used in the capital increase to be made from the internal sources without being distributed to the shareholders and to be given to the shareholders in the form of bonus shares proportionate to the shareholding shares in the capital, to allocate the secondary reserve amounting to TL 489 and to leave the remaining TL 234,908 as extraordinary reserves; to support the research and development activities numbered 5746, TRY 439 support received for development activities shall be distributed to the other reserves without being distributed.

The Bank has issued sukuk with nominal value of TL 285,000 thousand, 114 days maturity and 12.82% cost via KT Kira Sertifikaları Varlık Kiralama A.Ş.

**SECTION SIX**

**OTHER EXPLANATIONS**

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

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

**SECTION SEVEN**

**LIMITED REVIEW REPORT**

- I- Explanations on the limited review report:**

The unconsolidated financial statements have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 15 May 2018 is presented preceding the financial statements.

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

**SECTION EIGHT**  
**INTERIM REPORT**

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

- a. About Kuveyt Türk**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

**b. Financial Informations Summary**

<b>CONSOLIDATED BALANCE SHEET</b>	<b>31 March 2018</b>
CASH BALANCES AND CENTRAL BANK	8,421,960
BANKS	3,769,490
LOANS	40,272,218
FINANCE LEASE RECEIVABLES (Net)	2,176,235
TANGIBLE ASSETS (Net)	408,690
OTHER ASSETS	5,605,609
<b>TOTAL ASSETS</b>	<b>60,654,202</b>
FUND COLLECTED	42,875,707
FUNDS BORROWED	9,672,284
MARKETABLE SECURITIES ISSUED (Net)	-
FINANCE LEASE PAYABLES (Net)	-
SUBORDINATED LOANS	1,394,348
OTHER LIABILITIES	1,871,728
EQUITY	4,840,135
<b>TOTAL LIABILITIES</b>	<b>60,654,202</b>
<b>UNCONSOLIDATED BALANCE SHEET</b>	<b>31 December 2017</b>
CASH BALANCES AND CENTRAL BANK	8,932,856
BANKS	3,576,020
LOANS	36,041,299
FINANCE LEASE RECEIVABLES (Net)	1,929,242
TANGIBLE ASSETS (Net)	409,743
OTHER ASSETS	6,233,935
<b>TOTAL ASSETS</b>	<b>57,123,095</b>
FUND COLLECTED	39,857,400
FUNDS BORROWED	9,031,509
MARKETABLE SECURITIES ISSUED (Net)	-
FINANCE LEASE PAYABLES (Net)	-
SUBORDINATED LOANS	1,360,338
OTHER LIABILITIES	2,282,697
EQUITY	4,591,151
<b>TOTAL LIABILITIES</b>	<b>57,123,095</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

<b>UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<b>31 March 2018</b>
PROFIT SHARE INCOME	1,197,046
PROFIT SHARE EXPENSE	523,543
NET PROFIT SHARE INCOME/EXPENSE	673,503
NET FEES AND COMMISSION INCOME/EXPENSE	77,095
PERSONNEL EXPENSES	213,283
DIVIDEND INCOME	-
NET TRADING INCOME / LOSS	28,682
OTHER OPERATING INCOME	161,571
EXPECTED LOSS PROVISIONS (-)	325,760
OTHER OPERATING EXPENSES (-)	143,645
INCOME/ LOSS BEFORE TAX	258,163
TAX CHARGE	(55,075)
<b>CURRENT PERIOD INCOME/LOSSES</b>	<b>203,088</b>

<b>UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<b>31 March 2017</b>
PROFIT SHARE INCOME	834,725
PROFIT SHARE EXPENSE	394,569
NET PROFIT SHARE INCOME/EXPENSE	440,156
NET FEES AND COMMISSION INCOME/EXPENSE	53,635
PERSONNEL EXPENSES	178,382
DIVIDEND INCOME	-
NET TRADING INCOME / LOSS	114,314
OTHER OPERATING INCOME	35,943
EXPECTED LOSS PROVISIONS (-)	140,653
OTHER OPERATING EXPENSES (-)	132,460
INCOME/ LOSS BEFORE TAX	192,553
TAX CHARGE	(40,309)
<b>CURRENT PERIOD INCOME/LOSSES</b>	<b>152,244</b>

	<b>31 March 2018</b>
Total Loans/Total Assets*	% 69.98
Total Loans/Fund Collected*	% 99.00
Average Equity Profit **	% 17.23
Average Assets Profit **	% 1.38
Capital Adequacy Ratio	% 16.02

\* Finance Lease Receivables is included in total loans.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2018**

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

	31 December 2017
Total Loans/Total Assets*	%66.47
Total Loans/Fund Collected*	%95.27
Average Equity Profit **	%15.85
Average Assets Profit **	%1.28
Capital Adequacy Ratio	%17.66

**b. Financial Position, Performance and Assessment of the Prospects for the Future**

As of 31 March 2018, unconsolidated financial statements asset size is TL 60 million 654 thousand, amount of the utilization of funds is TL 42 million 448 thousand and funds collected amount is TL 42 million 876 thousand. Due to the effect of the first three months' profit of TL 203 thousand, the ratio of shareholder equity increased 5,42% by reaching TL 4 million 840 thousand. As of 31 March 2018, unconsolidated capital adequacy ratio has been realized as 16,02%.

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

**c. Announcement regarding important developments during the period**

The Bank has issued sukuk with a total nominal value of TL 1,250,000 thousand with six separate transactions over KT Kira Sertifikaları Varlık Kiralama A.Ş. with a minimum 12.38% and maximum 12.67% cost in different maturity periods.

**d. Assessment of the expectations related to the subsequent interim period**

The Bank continues to open new branches after the subsequent interim. The number of branches is planned to reach 429 by the end of 2018.