

# **Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Consolidated Financial Statements and Notes for The Period  
Ended 1 January-30 June 2021 with Independent Auditor's  
Review Report**

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

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

## REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

### *Introduction*

We have reviewed the consolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (the “Bank”) and its subsidiaries (collectively referred as the “Group”) at June 30, 2021 and the related consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these consolidated of interim financial information in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Financial Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by BRSA Legislation; together referred as “BRSA Accounting and Financial Reporting Legislation”. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the consolidated financial position of the Group at June 30, 2021, and the results of its operations and its consolidated cash flows for the six-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.



**Building a better  
working world**

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

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

***Additional paragraph for convenience translation to English***

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

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



Erare Çelik, SMM  
Partner

6 August 2021  
İstanbul, Turkey

## Index

### Section One General Information

I.	History of the Parent 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 Parent Bank	1
IV.	Information on Qualified Shareholders	2
V.	Explanations of the Parent 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 Consolidated Financial Statements

I.	Consolidated Balance Sheet -Assets (Statement of Financial Position)	3
II.	Consolidated Statement of Off-Balance Sheet Items	5
III.	Consolidated Statement of Profit or Loss	6
IV.	Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
V.	Consolidated Statement of Changes in Shareholders' Equity	8
VI.	Consolidated Statement of Cash Flows	9

### Section Three Explanations on Accounting Policies

I.	Explanations on Basis of Presentation	10
II.	Explanations on Strategy of Using Financial Instruments and Foreign Currency Transactions	14
III.	Investments in Associates and Subsidiaries	15
IV.	Explanations on Forward Transactions and Option Contracts and Derivative Instruments	16
V.	Explanations on Profit Share Income and Expense	16
VI.	Explanations on Fees and Commission Income and Expenses	16
VII.	Explanations on Financial Assets	17
VIII.	Explanations on Offsetting of Financial Assets and Liabilities	18
IX.	Explanations on Sale and Repurchase Agreements and Lending of Securities	18
X.	Explanations on Assets Held for Sale and Discontinued Operations and Related Liabilities	19
XI.	Explanations on Goodwill and Other Intangible Assets	19
XII.	Explanations on Tangible Assets	20
XIII.	Explanations on Leasing Transactions	20
XIV.	Explanations on Insurance Technical Provisions	21
XV.	Explanations on Insurance Technical Income and Expenses	22
XVI.	Explanations on Provisions and Contingent Liabilities	22
XVII.	Explanations on Liabilities Relating to Employee Benefits	22
XVIII.	Explanations on Taxation	23
XIX.	Explanations on Additional Disclosures on Borrowings	24
XX.	Explanations on Share Certificates Issued	24
XXI.	Explanations on Acceptances and Availed Drafts	24
XXII.	Explanations on Government Grants	24
XXIII.	Explanations on Segment Reporting	24
XXIV.	Explanations on Other Matters	24

### Section Four Information Related to Financial Position and Risk Management of the Group

I.	Explanations on Consolidated Equity Items	25
II.	Explanations on Consolidated Credit Risk	30
III.	Explanations on Consolidated Currency Risk	30
IV.	Explanations on Stock Position Risk Arising from Banking Accounts	33
V.	Consolidated Liquidity Risk Management and Liquidity Coverage Ratio	34
VI.	Explanations on Consolidated Leverage Ratio	39
VII.	Explanations on Fair Value of Consolidated Financial Assets and Liabilities	40
VIII.	Explanations on The Activities Carried out on Behalf and Account of Other Persons, Fiduciary-Based Transactions	40
IX.	Explanations on Consolidated Hedge Accounting Practices	40
X.	Explanations on Consolidated Risk Management	40
XI.	Securitization Positions	47
XII.	The Activities Carried out on Behalf and Account of Other Persons, Fiduciary-Based Transactions	47
XIII.	Qualitative Information on Market Risk	48
XIV.	Explanations on Consolidated Business Segments	48

### Section Five Explanations and Notes on the Consolidated Financial Statements

I.	Explanations and Notes Related to Consolidated Assets	50
II.	Explanations and Notes Related to Consolidated Liabilities	65
III.	Explanations and Notes Related to Consolidated Off-Balance Sheet Contingencies and Commitments	73
IV.	Explanations and Notes Related to the Consolidated Statement of Income	74
V.	Explanations and Notes Related to the Consolidated Statement of Shareholders' Equity	79
VI.	Explanations and Notes Related to Consolidated Statement of Cash Flows	79
VII.	Explanations and Notes Related to Risk Group of the Group	79
VIII.	Information About the Branches of the Group in Domestic, Foreign and Coastal Banking Regions and Their Representative Offices Abroad	80
IX.	Significant Events and Matters Arising Subsequent to Balance Sheet Date	81

### Section Six Other Explanations

I.	Other Matters which must be Explained in Terms of Explicitness, Interpretability and Understandability of the Balance Sheet	81
----	-----------------------------------------------------------------------------------------------------------------------------	----

### Section Seven Limited Review Report

I.	Explanations on the Limited Review Report	81
II.	Notes and Disclosures Prepared by the Independent Auditor	81

### Section Eight Consolidated Interim Report

I.	The Parent Bank Explanations on Interim Annual Report Including the Evaluations of Interim Activities of the Chairman of the Board of Directors and General Manager	82
----	---------------------------------------------------------------------------------------------------------------------------------------------------------------------	----

**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2021**

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

The consolidated interim financial report for the six-month period prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- General Information About The Parent Bank
- Consolidated Financial Statements of The Parent Bank
- Explanations on Accounting Policies Applied in The Period
- Information on Financial Structure of the Group Which Is Under Consolidation
- Disclosures and Explanations on Consolidated Financial Statements
- Other Explanations
- Independent Auditors' Limited Review Report
- Consolidated Interim Activity Report

The subsidiaries, associates and jointly-controlled partners which are consolidated within the framework of this financial report are as follows:

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Jointly-Controlled Partners</b>
1.	KT Sukuk Varlık Kiralama A.Ş.		Katılım Emeklilik ve Hayat A.Ş.
2.	KT Kira Sertifikaları Varlık Kiralama A.Ş.		
3.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.		
4.	KT Bank AG.		
5.	KT Portföy Yönetimi A.Ş.		
6.	Neova Katılım Sigorta A.Ş.		

The consolidated financial statements for the six-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 the Board of Directors

---

Shadi Ahmed Yacoub ZAHRAN  
Chairman of the Audit  
Committee

---

Nadir ALPASLAN  
Member of the Audit Committee

---

Ufuk UYAN  
General Manager

---

Ahmet KARACA  
Chief Financial Officer

---

Cemil AKBEBEK  
Official and International Reporting  
Manager

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

Name-Surname/Position: Mustafa Erdem / Senior Official Reporting Manager  
Telephone: 0212 354 75 24  
Facsimile: 0212 354 11 03

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR**  
**THE PERIOD ENDED 30 JUNE 2021**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

The Parent Bank and its consolidated financial subsidiaries are named together as “Group”.

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

As of 30 June 2021, 62.24% of the Parent Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by Wafra International Investment Company in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Shadi Ahmed Yacoub ZAHARAN	Member of BOD and chairman of the audit committee	25/09/2020	04/11/2020		Master	-
Nadir ALPASLAN	Vice President of BOD and member of Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	0.010%
Burhan ERSOY	Member of BOD	18/06/2020			Bachelor	-
Mohamad Hedi MEJAL	Member of BOD and Audit Committee	25/03/2021			Master	-
Ahmad S A A AL KHARJİ	Member of BOD	26/03/2014	24/09/2014	09/09/2020	Master	-
Gehad Mohamed Elbendary ANANY	Member of BOD	25/09/2020	09/09/2020	04/11/2020	Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	0.057%
Ahmet KARACA	Assistant General Manager, Financial Control.	12/07/2006			Master	0.001%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.004%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.017%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking.	05/05/2005			Doctorate	0.009%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.001%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.010%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.005%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.005%

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.12% of the Parent Bank’s share capital (31 December 2020 – 0.12%).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR**  
**THE PERIOD ENDED 30 JUNE 2021**

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

**4. 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	2,863,098	62.24%	2,863,098	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	861,086	18.72%	861,086	-
<b>Total</b>	<b>3,724,184</b>	<b>80.96%</b>	<b>3,724,184</b>	<b>-</b>

As of 30 June 2021, the shares of parent shareholder of Parent Bank, Kuwait Finance House (“KFH”) are 51.95% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Parent Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts and lending such funds to its customers. As of 30 June 2021, the Group is operating through 445 domestic branches (31 December 2020 – 440) with 6,642 employees (31 December 2020 – 6,552). Summary of some of the Parent Bank’s operations described in the Articles of Association are as follows:

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

The Parent Bank’s activities are not limited to the list above. If another transaction is decided to be beneficial to the Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Customs and Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association. Disclosures on the differences between the Communiqué on the Preparation of Consolidated Financial Statements of Banks and the consolidation transactions made in accordance with the Turkish Accounting Standards and the entities subject to full or proportionate consolidation, deducted from equity or not included in these three methods: According to the Communiqué on the Preparation of the Consolidated Financial Statements of Banks, only While financial partnerships are included in the scope of consolidation, all financial and non-financial partnerships should be included in the scope of consolidation in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards.

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

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2021**

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

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

ASSETS		Notes	Reviewed Current Period 30.06.2021			Audited Prior Period 31.12.2020		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>18,704,978</b>	<b>67,158,323</b>	<b>85,863,301</b>	<b>18,713,223</b>	<b>42,715,415</b>	<b>61,428,638</b>
<b>1.1.</b>	<b>Cash and Cash Equivalents</b>		<b>2,676,001</b>	<b>47,737,229</b>	<b>50,413,230</b>	<b>2,258,436</b>	<b>30,222,312</b>	<b>32,480,748</b>
1.1.1.	Cash and Balances with Central Bank	(5.1.1.)	2,096,763	38,540,439	40,637,202	1,144,427	23,966,543	25,110,970
1.1.2.	Banks	(5.1.3.)	579,563	9,198,396	9,777,959	1,114,456	6,256,097	7,370,553
1.1.3.	Money Markets Placements		-	-	-	-	-	-
1.1.4.	Expected Credit Loss (-)		325	1,606	1,931	447	328	775
	<b>Financial Assets at Fair Value Through Profit or Loss</b>		<b>226,696</b>	<b>7,824,395</b>	<b>8,051,091</b>	<b>942,789</b>	<b>6,820,410</b>	<b>7,763,199</b>
1.2.1.	Government Debt Securities		117,692	7,026,627	7,144,319	315,651	6,735,347	7,050,998
1.2.2.	Equity Instruments		-	-	-	-	-	-
1.2.3.	Other Financial Assets		109,004	797,768	906,772	627,138	85,063	712,201
	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>		<b>15,615,529</b>	<b>11,286,722</b>	<b>26,902,251</b>	<b>15,383,452</b>	<b>5,339,633</b>	<b>20,723,085</b>
1.3.1.	Government Debt Securities	(5.1.4.)	15,541,709	10,673,128	26,214,837	15,299,606	5,190,032	20,489,638
1.3.2.	Equity Instruments		8,582	53,147	61,729	8,741	40,405	49,146
1.3.3.	Other Financial Assets		65,238	560,447	625,685	75,105	109,196	184,301
<b>1.4.</b>	<b>Derivative Financial Assets</b>	<b>(5.1.2.)</b>	<b>186,752</b>	<b>309,977</b>	<b>496,729</b>	<b>128,546</b>	<b>333,060</b>	<b>461,606</b>
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss	(5.1.2.)	186,752	309,977	496,729	128,546	333,060	461,606
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.11.)	-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)</b>	<b>(5.1.5.)</b>	<b>47,983,534</b>	<b>46,528,487</b>	<b>94,512,021</b>	<b>51,153,513</b>	<b>32,863,417</b>	<b>84,016,930</b>
<b>2.1.</b>	<b>Loans</b>		<b>49,779,137</b>	<b>40,586,423</b>	<b>90,365,560</b>	<b>52,228,594</b>	<b>25,726,231</b>	<b>77,954,825</b>
<b>2.2.</b>	<b>Leasing Receivables</b>	<b>(5.1.10.)</b>	<b>2,582,559</b>	<b>5,043,008</b>	<b>7,625,567</b>	<b>2,360,266</b>	<b>2,650,730</b>	<b>5,010,996</b>
	<b>Financial Assets Measured At Amortized Cost</b>		<b>276,435</b>	<b>2,989,375</b>	<b>3,265,810</b>	<b>268,323</b>	<b>6,231,487</b>	<b>6,499,810</b>
2.3.1.	Government Debt Securities	(5.1.6.)	276,435	2,782,830	3,059,265	268,323	6,049,489	6,317,812
2.3.2.	Other Financial Assets		-	206,545	206,545	-	181,998	181,998
<b>2.4.</b>	<b>Expected Credit Loss (-)</b>		<b>4,654,597</b>	<b>2,090,319</b>	<b>6,744,916</b>	<b>3,703,670</b>	<b>1,745,031</b>	<b>5,448,701</b>
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(Net)</b>	<b>(5.1.16.)</b>	<b>397,150</b>	<b>-</b>	<b>397,150</b>	<b>519,087</b>	<b>-</b>	<b>519,087</b>
3.1.	Held For Sale		397,150	-	397,150	519,087	-	519,087
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
<b>IV.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>98,910</b>	<b>-</b>	<b>98,910</b>	<b>84,991</b>	<b>-</b>	<b>84,991</b>
<b>4.1.</b>	<b>Investments in Associates (Net)</b>	<b>(5.1.7.)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1.	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2.	Unconsolidated Associates		-	-	-	-	-	-
<b>4.2.</b>	<b>Investment in Subsidiaries (Net)</b>	<b>(5.1.8.)</b>	<b>23,680</b>	<b>-</b>	<b>23,680</b>	<b>23,680</b>	<b>-</b>	<b>23,680</b>
4.2.1.	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
<b>4.3.</b>	<b>Investment in Joint Ventures (Net)</b>	<b>(5.1.9.)</b>	<b>75,230</b>	<b>-</b>	<b>75,230</b>	<b>61,311</b>	<b>-</b>	<b>61,311</b>
4.3.1.	Joint Ventures Valued Based on Equity Method		75,230	-	75,230	61,311	-	61,311
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>(5.1.12.)</b>	<b>948,950</b>	<b>16,149</b>	<b>965,099</b>	<b>909,226</b>	<b>14,856</b>	<b>924,082</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>(5.1.13.)</b>	<b>216,754</b>	<b>80,715</b>	<b>297,469</b>	<b>195,884</b>	<b>77,261</b>	<b>273,145</b>
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		216,754	80,715	297,469	195,884	77,261	273,145
<b>VII.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	<b>(5.1.14.)</b>	<b>52,470</b>	<b>-</b>	<b>52,470</b>	<b>77,457</b>	<b>-</b>	<b>77,457</b>
<b>VIII.</b>	<b>CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	<b>(5.1.15.)</b>	<b>1,027,224</b>	<b>82,064</b>	<b>1,109,288</b>	<b>761,880</b>	<b>73,642</b>	<b>835,522</b>
<b>X.</b>	<b>OTHER ASSETS</b>	<b>(5.1.17.)</b>	<b>2,417,999</b>	<b>1,662,645</b>	<b>4,080,644</b>	<b>1,710,414</b>	<b>8,326,847</b>	<b>10,037,261</b>
	<b>TOTAL ASSETS</b>		<b>71,847,969</b>	<b>115,528,383</b>	<b>187,376,352</b>	<b>74,125,675</b>	<b>84,071,438</b>	<b>158,197,113</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2021**

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

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

LIABILITIES		Notes	Reviewed Current Period 30.06.2021			Audited Prior Period 31.12.2020		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FUNDS COLLECTED</b>	(5.2.1.)	43,896,840	108,231,873	152,128,713	33,478,939	93,215,622	126,694,561
<b>II.</b>	<b>FUNDS BORROWED</b>	(5.2.3.)	231,388	4,497,585	4,728,973	175,272	5,029,049	5,204,321
<b>III.</b>	<b>MONEY MARKETS</b>		2,245,281	-	2,245,281	185,225	-	185,225
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>		4,289,304	3,971,733	8,261,037	1,821,975	3,337,298	5,159,273
<b>V.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		204,847	280,338	485,185	1,390,486	286,320	1,676,806
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	204,847	280,338	485,185	1,390,486	286,320	1,676,806
6.2.	Derivative Financial Liabilities at Fair Value Through Other		-	-	-	-	-	-
6.2.	Comprehensive Income	(5.2.7.)	-	-	-	-	-	-
<b>VII.</b>	<b>LEASE PAYABLES</b>	(5.2.6.)	357,233	608	357,841	345,320	3,974	349,294
<b>VIII.</b>	<b>PROVISIONS</b>	(5.2.8.)	3,241,490	417,933	3,659,423	3,316,160	406,642	3,722,802
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves For Employee Benefits		402,686	2,846	405,532	436,440	1,014	437,454
8.3.	Insurance For Technical Provision (Net)		2,249,680	-	2,249,680	2,118,814	-	2,118,814
8.4.	Other Provisions		589,124	415,087	1,004,211	760,906	405,628	1,166,534
<b>IX.</b>	<b>CURRENT TAX LIABILITIES</b>	(5.2.9.1.)	218,957	2,140	221,097	388,013	1,857	389,870
<b>X.</b>	<b>DEFERRED TAX LIABILITIES</b>		-	-	-	-	-	-
	<b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(5.2.10.)	-	-	-	-	-	-
11.1.	Held For Sale		-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-
<b>XII.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	(5.2.11.)	-	2,254,714	2,254,714	-	4,590,265	4,590,265
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	2,254,714	2,254,714	-	4,590,265	4,590,265
<b>XIII.</b>	<b>OTHER LIABILITIES</b>	(5.2.5.)	2,205,333	1,581,982	3,787,315	1,624,489	569,393	2,193,882
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	(5.2.12.)	9,261,550	(14,777)	9,246,773	8,064,461	(33,647)	8,030,814
14.1.	Paid-in Capital		4,595,131	-	4,595,131	4,595,131	-	4,595,131
14.2.	Capital Reserves		26,399	-	26,399	26,399	-	26,399
14.2.1.	Share Premiums		24,525	-	24,525	24,525	-	24,525
14.2.2.	Share Cancellation Profits		1,874	-	1,874	1,874	-	1,874
14.2.3.	Other Capital Reserves		-	-	-	-	-	-
14.3.	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(51,258)	-	(51,258)	(51,258)	-	(51,258)
14.4.	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		(76,247)	102,214	25,967	23,115	86,143	109,258
14.5.	Profit Reserves		3,404,591	-	3,404,591	1,996,805	-	1,996,805
14.5.1.	Legal Reserves		389,701	-	389,701	310,296	-	310,296
14.5.2.	Statutory Reserves		-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		2,936,850	-	2,936,850	1,617,135	-	1,617,135
14.5.4.	Other Profit Reserves		78,040	-	78,040	69,374	-	69,374
14.6.	Profit or Loss		1,332,400	(116,991)	1,215,409	1,444,265	(119,790)	1,324,475
14.6.1.	Retained Earnings		30,610	(119,790)	(89,180)	(295,348)	(126,315)	(421,663)
14.6.2.	Net Profit for the Period		1,301,790	2,799	1,304,589	1,739,613	6,525	1,746,138
14.7.	Minority Shares	(5.2.13.)	30,534	-	30,534	30,004	-	30,004
	<b>TOTAL LIABILITIES</b>		<b>66,152,223</b>	<b>121,224,129</b>	<b>187,376,352</b>	<b>50,790,340</b>	<b>107,406,773</b>	<b>158,197,113</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OFF-BALANCE SHEET ITEMS AS OF 30 JUNE 2021**  
*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)*

**2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**

			Reviewed Current Period 30.06.2021			Audited Prior Period 31.12.2020		
		Notes	TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>70,267,567</b>	<b>66,897,060</b>	<b>137,164,627</b>	<b>86,647,683</b>	<b>77,863,364</b>	<b>164,511,047</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES (5.3.1.)</b>		<b>7,843,314</b>	<b>5,395,409</b>	<b>13,238,723</b>	<b>7,465,311</b>	<b>4,396,022</b>	<b>11,861,333</b>
1.1.	Letters of Guarantee		7,178,426	2,535,873	9,714,299	6,992,772	2,595,861	9,588,633
1.1.1.	Guarantees Subject to State Tender Law		211,189	35,561	246,750	210,252	41,900	252,152
1.1.2.	Guarantees Given For Foreign Trade Operations		404,287	31,586	435,873	408,225	60,079	468,304
1.1.3.	Other Letters of Guarantee		6,562,950	2,468,726	9,031,676	6,374,295	2,493,882	8,868,177
1.2.	Bank Loans		10,589	51,397	61,986	5,503	35,493	40,996
1.2.1.	Import Letter of Acceptances		10,589	51,397	61,986	5,503	35,493	40,996
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		21,903	2,710,607	2,732,510	14,424	1,670,598	1,685,022
1.3.1.	Documentary Letters of Credit		-	1,259,638	1,259,638	-	756,822	756,822
1.3.2.	Other Letters of Credit		21,903	1,450,969	1,472,872	14,424	913,776	928,200
1.4.	Guaranteed Refinancing		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Other Guarantees		632,396	97,532	729,928	452,612	94,070	546,682
1.7.	Other Warranties		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS (5.3.1.)</b>		<b>56,164,757</b>	<b>3,422,586</b>	<b>59,587,343</b>	<b>54,000,887</b>	<b>2,299,498</b>	<b>56,300,385</b>
2.1.	Irrevocable Commitments		7,377,392	3,422,586	10,799,978	6,228,293	2,299,498	8,527,791
2.1.1.	Forward Asset Purchase and Sales Commitments		656,905	3,414,319	4,071,224	776,088	2,299,498	3,075,586
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3.	Loan Granting Commitments		703,190	-	703,190	555,059	-	555,059
2.1.4.	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5.	Commitments For Reserve Deposits Requirements		-	-	-	-	-	-
2.1.6.	Payment Commitments For Checks Tax and Fund Liabilities From Export Commitments		1,738,216	-	1,738,216	1,372,786	-	1,372,786
2.1.7.	Commitments For Credit Card Expenditure Limits		4,258,261	-	4,258,261	3,503,366	-	3,503,366
2.1.8.	Commitments For Credit Cards and Banking Services Promotions		3,063	-	3,063	3,237	-	3,237
2.1.9.	Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.10.	Payables For Short Sale Commitments		-	-	-	-	-	-
2.1.11.	Other Irrevocable Commitments		17,757	8,267	26,024	17,757	-	17,757
2.1.12.	Revocable Commitments		48,787,365	-	48,787,365	47,772,594	-	47,772,594
2.2.	Revocable Loan Granting Commitments		48,787,365	-	48,787,365	47,772,594	-	47,772,594
2.2.1.	Other Revocable Commitments		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>6,259,496</b>	<b>58,079,065</b>	<b>64,338,561</b>	<b>25,181,485</b>	<b>71,167,844</b>	<b>96,349,329</b>
3.1.	Derivative Financial Instruments Held For Risk Management		-	-	-	-	-	-
3.1.1.	Fair Value Hedges		-	-	-	-	-	-
3.1.2.	Cash Flow Hedges		-	-	-	-	-	-
3.1.3.	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2.	Held For Trading Transactions		6,259,496	58,079,065	64,338,561	25,181,485	71,167,844	96,349,329
3.2.1.	Forward Foreign Currency Buy/Sell Transactions		483,887	1,477,043	1,960,930	1,083,945	1,651,269	2,735,214
3.2.1.1.	Forward Foreign Currency Buy Transactions		280,568	707,994	988,562	785,976	604,362	1,390,338
3.2.1.2.	Forward Foreign Currency Sell Transactions		203,319	769,049	972,368	297,969	1,046,907	1,344,876
3.2.2.	Other Forward Buy/Sell Transactions		5,775,609	56,602,022	62,377,631	24,097,540	69,516,575	93,614,115
3.3.	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>551,481,355</b>	<b>232,666,700</b>	<b>784,148,055</b>	<b>478,587,067</b>	<b>203,218,899</b>	<b>681,805,966</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>17,691,364</b>	<b>24,530,163</b>	<b>42,221,527</b>	<b>13,171,821</b>	<b>20,387,564</b>	<b>33,559,385</b>
4.1.	Customers' Securities Held		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		5,427,004	4,956,966	10,383,970	3,145,487	7,054,819	10,200,306
4.3.	Checks Received for Collection		10,577,753	1,559,458	12,137,211	8,485,888	1,082,506	9,568,394
4.4.	Commercial Notes Received for Collection		1,686,607	367,430	2,054,037	1,540,446	312,851	1,853,297
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	17,646,309	17,646,309	-	11,937,388	11,937,388
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>533,778,352</b>	<b>208,034,335</b>	<b>741,812,687</b>	<b>465,403,607</b>	<b>182,743,974</b>	<b>648,147,581</b>
5.1.	Marketable Securities		246,445	-	246,445	149,465	-	149,465
5.2.	Guarantee Notes		101,097	3,511,675	3,612,772	101,128	2,996,008	3,097,136
5.3.	Commodity		17,634,903	1,100,700	18,735,603	14,297,126	913,904	15,211,030
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		153,545,437	4,333,970	157,879,407	147,051,571	3,715,371	150,766,942
5.6.	Other Pledged Items		362,250,470	199,087,990	561,338,460	303,804,317	175,118,691	478,923,008
5.7.	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>102,202</b>	<b>113,841</b>	<b>11,639</b>	<b>87,361</b>	<b>99,000</b>
	<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>621,748,922</b>	<b>299,563,760</b>	<b>921,312,682</b>	<b>565,234,750</b>	<b>281,082,263</b>	<b>846,317,013</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**AS OF 30 JUNE 2021**

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

**3. CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		Notes	Reviewed Current Period 01.01.2021- 30.06.2021	Reviewed Current Period 01.04.2021- 30.06.2021	Reviewed Prior Period 01.01.2020- 30.06.2020	Reviewed Prior Period 01.04.2020- 30.06.2020
<b>INCOME AND EXPENSE TABLE</b>						
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>(5.4.1.)</b>	<b>5,986,667</b>	<b>3,059,199</b>	<b>4,196,927</b>	<b>2,291,219</b>
1.1.	Profit Share on Loans		3,849,379	2,019,837	2,920,859	1,456,447
1.2.	Profit Share on Reserve Deposits		83,965	55,385	12,044	11,262
1.3.	Profit Share on Banks		127,909	69,431	129,287	68,000
1.4.	Profit Share on Money Market Placements		-	-	-	-
1.5.	Profit Share on Marketable Securities Portfolio		1,641,104	744,474	957,053	664,434
1.5.1.	Fair Value Through Profit or Loss		114,655	45,070	154,390	117,890
1.5.2.	Fair Value Through Other Comprehensive Income		1,432,790	653,553	708,034	491,426
1.5.3.	Measured at Amortised Cost		93,659	45,851	94,629	55,118
1.6.	Finance Lease Income		237,249	130,447	151,675	76,759
1.7.	Other Profit Share Income		47,061	39,625	26,009	14,317
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>		<b>2,333,387</b>	<b>1,264,746</b>	<b>1,437,935</b>	<b>732,154</b>
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	1,452,764	827,710	981,079	457,452
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	203,988	95,745	173,596	93,323
2.3.	Profit Share Expense on Money Market Borrowings		268,133	104,931	80,419	77,619
2.4.	Expense on Securities Issued		383,244	223,622	169,549	87,162
2.5.	Profit Share Expense on Lease		25,258	12,738	33,292	16,598
2.6.	Other Profit Share Expense		-	-	-	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>		<b>3,653,280</b>	<b>1,794,453</b>	<b>2,758,992</b>	<b>1,559,065</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>214,436</b>	<b>111,783</b>	<b>126,137</b>	<b>65,924</b>
4.1.	Fees And Commissions Received		529,584	280,842	415,245	203,809
4.1.1.	Non-Cash Loans		68,132	34,290	90,109	43,300
4.1.2.	Other	(5.4.13.)	461,452	246,552	325,136	160,509
4.2.	Fees And Commissions Paid		315,148	169,059	289,108	137,885
4.2.1.	Non-Cash Loans		9,151	5,439	5,335	2,791
4.2.2.	Other	(5.4.13.)	305,997	163,620	283,773	135,094
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(5.4.3.)</b>	<b>5,843</b>	<b>5,087</b>	<b>8</b>	<b>8</b>
<b>VI.</b>	<b>NET TRADING INCOME / LOSS</b>	<b>(5.4.5.)</b>	<b>214,283</b>	<b>74,585</b>	<b>886,380</b>	<b>270,021</b>
6.1.	Capital Market Transaction Gains/Losses		65,668	32,630	51,983	28,313
6.2.	Gains/Losses From Derivative Financial Instruments		863,908	(301,579)	(464,933)	(469,987)
6.3.	Foreign Exchange Gains/Losses		(715,293)	343,534	1,299,330	711,695
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5.4.6.)</b>	<b>1,400,518</b>	<b>633,964</b>	<b>845,680</b>	<b>337,135</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME/LOSS(III+IV+V+VI+VII+ VIII)</b>		<b>5,488,360</b>	<b>2,619,872</b>	<b>4,617,197</b>	<b>2,232,153</b>
<b>IX.</b>	<b>EXPECTED LOSS PROVISIONS (-)</b>	<b>(5.4.7.)</b>	<b>1,713,803</b>	<b>662,778</b>	<b>1,580,339</b>	<b>743,040</b>
<b>X.</b>	<b>OTHER PROVISIONS (-)</b>	<b>(5.4.7.)</b>	<b>37,267</b>	<b>(17,368)</b>	<b>140,276</b>	<b>(17,032)</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>	<b>(5.4.8.)</b>	<b>787,518</b>	<b>375,172</b>	<b>675,328</b>	<b>315,804</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(5.4.8.)</b>	<b>1,296,555</b>	<b>668,800</b>	<b>1,115,160</b>	<b>555,943</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>		<b>1,653,217</b>	<b>930,490</b>	<b>1,106,094</b>	<b>634,398</b>
<b>XIV.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-	-	-
<b>XV.</b>	<b>INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>13,919</b>	<b>7,692</b>	<b>9,439</b>	<b>5,002</b>
<b>XVI.</b>	<b>INCOME / (LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)</b>	<b>(5.4.9.)</b>	<b>1,667,136</b>	<b>938,182</b>	<b>1,115,533</b>	<b>639,400</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(5.4.10)</b>	<b>388,027</b>	<b>240,869</b>	<b>236,129</b>	<b>130,378</b>
18.1.	Current Tax Provision		580,952	186,046	326,475	211,001
18.2.	Deferred Tax Income Effect (+)		55,877	20,375	158,891	11,072
18.3.	Deferred Tax Expense Effect (-)		248,802	(34,448)	249,237	91,695
<b>XIX.</b>	<b>CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVI)</b>	<b>(5.4.11.)</b>	<b>1,279,109</b>	<b>697,313</b>	<b>879,404</b>	<b>509,022</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
20.1.	Income on Non-Current Assets Held For Sale		-	-	-	-
	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-	-	-
20.2.	Income on Other Discontinued Operations		-	-	-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
21.1.	Expenses From Non-Current Assets Held For Sale		-	-	-	-
	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-	-	-
21.2.	Expenses From Other Discontinued Operations		-	-	-	-
21.3.	Expenses From Other Discontinued Operations		-	-	-	-
<b>XXII.</b>	<b>PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-	-	-
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
23.1.	Current Tax Provision		-	-	-	-
23.2.	Deferred Tax Expense Effect (+)		-	-	-	-
23.3.	Deferred Tax Income Effect (-)		-	-	-	-
<b>XXIV.</b>	<b>CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXV.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>(5.4.12.)</b>	<b>1,279,109</b>	<b>697,313</b>	<b>879,404</b>	<b>509,022</b>
25.1.	Group's Income/Loss		1,304,589	710,498	868,419	500,093
25.2.	Minority Interest Income/Loss (-)		(25,480)	(13,185)	10,985	8,929
	Earnings Per Share Income/Loss		-	-	-	-

(\* The effects of the restatement are explained in the note 1.5 of section III

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**AS OF 30 JUNE 2021**

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

**4. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		Reviewed Current Period 30.06.2021	Reviewed Prior Period 30.06.2020
<b>I.</b>	<b>CURRENT PROFIT (LOSS)</b>	<b>1,279,109</b>	<b>879,404</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(83,291)</b>	<b>(12,474)</b>
2.1	<b>Other Comprehensive Income Not Reclassified Through Profit Or Loss</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	-	-
2.2	<b>Other Comprehensive Income Reclassified Through Profit Or Loss</b>	<b>(83,291)</b>	<b>(12,474)</b>
2.2.1	Foreign Currency Translation Difference	132,568	109,851
2.2.2	Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	(153,759)	(68,764)
2.2.3	Cash Flow Hedge Income/Loss	-	8,368
2.2.4	Foreign Net Investment Hedge Income/Loss	(132,063)	(110,941)
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	69,963	49,012
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>1,195,818</b>	<b>866,930</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2021**

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

**5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Notes	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 Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity	
						1	2	3	4	5	6							
<b>Prior Period</b> (01/01/2020 – 30/06/2020)																		
<b>I. Prior Period Ending Balance</b>		3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,472,776	(89,157)	1,117,637	6,758,475	28,461	6,786,936	
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	21,283	228,350	156,304	405,937	-	405,937	
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	21,283	228,350	156,304	405,937	-	405,937	
<b>III. Adjusted Beginning Balance (I+II)</b>		3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,494,059	139,193	1,273,941	7,164,412	28,461	7,192,873	
<b>IV. Total Comprehensive Income (Loss)(*)</b>		-	-	-	-	-	-	109,851	(53,636)	(68,689)	-	-	-	868,419	855,945	148	856,093	
<b>V. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Capital Increase by Internal Reserves</b>		600,000	-	-	-	-	-	-	-	-	-	(600,000)	-	-	-	-	-	
<b>VII. Paid in Capital Inflation Adjustment Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Increase / Decrease by Other Changes</b>		(635)	-	635	-	-	-	-	-	-	-	(250)	(739,471)	(6,534)	(746,255)	128	(746,127)	
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	1,103,377	156,750	(1,267,407)	(7,280)	-	(7,280)	
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	(7,280)	(7,280)	-	(7,280)	
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,102,558)	-	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	819	156,750	(157,569)	-	-	-	
<b>Balances at end of the period (III+IV+.....+X+XI)</b>	(5.2.12.)	4,595,131	24,525	1,874	-	-	(19,082)	-	335,363	161,059	(254,125)	1,997,186	(443,528)	868,419	7,266,822	28,737	7,295,559	
<b>Current Period</b> (01/01/2021 – 30/06/2021)																		
<b>I. Prior Period Ending Balance</b>		4,595,131	24,525	1,874	-	-	(51,258)	-	486,343	(1,305)	(375,780)	1,996,805	1,324,475	-	8,000,810	30,004	8,030,814	
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. Adjusted Beginning Balance (I+II)</b>		4,595,131	24,525	1,874	-	-	(51,258)	-	486,343	(1,305)	(375,780)	1,996,805	1,324,475	-	8,000,810	30,004	8,030,814	
<b>IV. Total Comprehensive Income (Loss)(*)</b>		-	-	-	-	-	-	132,568	(116,812)	(99,047)	-	-	-	1,304,589	1,221,298	489	1,221,787	
<b>V. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Capital Increase by Internal Reserves</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Paid in Capital Inflation Adjustment Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Increase / Decrease by Other Changes(**)</b>		-	-	-	-	-	-	-	-	-	-	3,263	-	-	3,263	41	3,304	
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	1,404,523	(1,413,655)	-	(9,132)	-	(9,132)	
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	(9,132)	-	(9,132)	
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	1,404,523	(1,404,523)	-	-	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balances at end of the period (III+IV+.....+X+XI)</b>	(5.2.12.)	4,595,131	24,525	1,874	-	-	(51,258)	-	618,911	(118,117)	(474,827)	3,404,591	(89,180)	1,304,589	9,216,239	30,534	9,246,773	

(\*) Neova Katılım Sigorta A.Ş., a subsidiary of the group manages the risk fund formed due to the contributions of the participants separately in accordance with Article 6 of the "regulation on participation insurance and working procedures and principles" published by the Ministry of Treasury and Finance. Accordingly, the profit/(expense) amount of the risk fund, which is due to participant contributions amounting to (25,969) TL for the current period, has been classified under other liabilities in balance sheet. (30 June 2020: TL 10,837).

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2021**

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

**6. CONSOLIDATED STATEMENT OF CASH FLOWS**

			Reviewed Current Period	Reviewed Prior Period
		Notes	01.01.2021- 30.06.2021	01.01.2020- 30.06.2020
<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>		<b>2,018,041</b>	<b>(1,595,800)</b>
1.1.1	Profit Share Income Received		4,957,054	3,639,502
1.1.2	Profit Share Expense Paid		(2,299,813)	(1,388,449)
1.1.3	Dividends Received		5,843	8
1.1.4	Fees And Commissions Received		519,105	415,245
1.1.5	Other Income		1,013,310	1,370,658
1.1.6	Collections From Previously Written Off Loans		276,216	188,382
1.1.7	Payments to Personnel And Service Suppliers		(755,596)	(648,978)
1.1.8	Taxes Paid		(510,285)	(520,402)
1.1.9	Others		(1,187,793)	(4,651,766)
<b>1.2</b>	<b>Changes in Assets And Liabilities From Banking Operations</b>		<b>10,806,169</b>	<b>9,981,633</b>
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		437,650	(2,992,659)
1.2.2	Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(2,302,633)	(546,453)
1.2.3	Net (Increase) Decrease in Loans		(11,836,778)	(13,109,516)
1.2.4	Net (Increase) Decrease in Other Assets		5,793,449	(1,410,886)
1.2.5	Net Increase (Decrease) in Bank Deposits		1,527,962	480,848
1.2.6	Net Increase (Decrease) in Other Deposits		15,069,865	19,057,921
	Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss		(15)	(767)
1.2.7				
1.2.8	Net Increase (Decrease) in Funds Borrowed		(1,016,925)	629,365
1.2.9	Net Increase (Decrease) in Due Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities		3,133,594	7,873,780
<b>I.</b>	<b>Net Cash Provided From / (Used in) Banking Operations</b>		<b>12,824,210</b>	<b>8,385,833</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>II.</b>	<b>Net Cash Provided From / (Used in) Investing Activities</b>		<b>(1,939,933)</b>	<b>(21,907,788)</b>
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		(158,234)	(27,554)
2.4	Fixed Assets Sales		46,674	200
	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(8,278,316)	(21,446,232)
2.5				
	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		2,856,536	2,053,527
2.6				
2.7	Cash Paid For Purchase of Investment Securities		(93,355)	(3,022,691)
2.8	Cash Obtained From Sale of Investment Securities		3,748,264	562,728
2.9	Other		(61,502)	(27,766)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>III.</b>	<b>Net Cash Provided From / (Used in) Financing Activities</b>		<b>586,216</b>	<b>323,134</b>
3.1	Cash Obtained From Funds Borrowed And Securities Issued		4,484,000	2,925,500
3.2	Cash Used for Repayments Funds Borrowed And Securities Issued		(1,413,135)	(2,561,610)
3.3	Equity instruments (*)		(2,450,802)	-
3.4	Dividends Paid		(9,132)	(7,280)
3.5	Payments For Finance Leases		(24,715)	(33,476)
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents</b>		<b>3,022,090</b>	<b>3,218,186</b>
<b>V.</b>	<b>Net Increase (Decrease) in Cash And Cash Equivalents</b>		<b>14,492,583</b>	<b>(9,980,635)</b>
<b>VI.</b>	<b>Cash And Cash Equivalents at The Beginning of The Period</b>		<b>13,995,430</b>	<b>20,412,202</b>
<b>VII.</b>	<b>Cash And Cash Equivalents at The End of The Period</b>		<b>28,488,013</b>	<b>10,431,567</b>

(\*) It refers to the payment made to the issued capital instruments.

The accompanying notes are an integral part of these financial statements

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**1. Explanations on Basis of Presentation**

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

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

**Additional paragraph for convenience translation**

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

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

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

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

COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively effects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures are still being taken in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to the measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of June 30, 2021, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in third section footnote numbered 1.6 “Explanations on Expected Credit Loss”. In the upcoming periods, the Bank will update its relevant assumptions are necessary and revise the realizations of past estimates.

**1.3. Changes in accounting estimates, errors and classifications**

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

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

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

**1.5. TFRS 3 Explanations on Business Combinations Standard:**

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Business combinations are accounted in accordance with TFRS 3 "Business Combinations" except for the assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

The interests of non-controlling shareholders in the acquire is initially measured at the non-controlling's proportion of the fair value of the assets, liabilities and contingent liabilities recognized.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

- Explanations regarding the accounting policy applied for the acquisition of Neova Katılım Sigorta A.Ş.

Following the necessary legal permissions on May 5, 2020, the Bank finalized the purchase of Neova Katılım Sigorta A.Ş. by completing the share transfer process. The Parent Bank purchased 78,864,212 shares by paying TL 745,860 and increased the partnership share in Neova Katılım Sigorta A.Ş. from 7% to 100% by owning all the shares.

This acquisition has been evaluated as a merger of entities under common control and has been accounted for using the aggregation method (Pooling of interest). According to this method, the assets and liabilities of Neova Katılım Sigorta A.Ş. are included in the financial statements over the book values determined in accordance with TFRS at the merger date, and no goodwill has arisen in the financial statements as a result of the merger.

**1.6. 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

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

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

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

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

**Classification and Measurement of Financial Instruments:**

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

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

**Explanations on Expected Credit Loss:**

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

The Group has calculated the possible effects of the COVID-19 outbreak as of 30 June 2021 with the best estimate method, which it obtained on the principle of maximum effort to estimate and reasoning used in the calculation of expected credit losses. In the light of the aforementioned data, during the pandemic, the Bank revised its macroeconomic expectations in the calculation of expected credit loss, and the calculation made taking into account the change in PD with the update in the EDF model was reflected in the financial statements as of 30 June 2021. By its nature, the model effects are reflected in the financial statements with a delay due to the occurrence of the events and their effects at different times. For this reason, if deemed necessary the Group may make sectoral based valuations in order to eliminate the timing difference and establish additional provisions for the sector or customers which are considered to have a high impact due to outbreak. The Group maintains this approach as of June 30, 2021. When deemed necessary, the future will review these assumptions according to the course of the pandemic.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, due to the disruptions in economic and commercial activities resulting from the Covid-19 outbreak, the 90 days default periods for loans to be classified as non-performing loans shall be applied as 180 days; the 30 days periods for loans to be classified as stage 2 shall be applied as 90 days according to assembly's resolution dated on 17 March 2020. This measure will be effective until 30 September 2021. In this context,

- Temporarily, it is possible to classify the receivables that cannot be collected up to 90 days in stage 1, and the receivables that cannot be collected up to 180 days in Stage 2
- In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for costumers who do not want to be late in their instalments.

Terminatively, this leads the Banks continue to set aside provisions for such receivables in accordance with their own risk models used in the calculation of expected credit losses 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 forecast of future economic conditions.

The Group 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 lifetime expected credit losses for such financial assets.

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

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

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

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 30 days delay period for the classification of loans as Stage 2 will be continued to implement as 90 days until 30 September 2021; The Bank continues to provide provisions in accordance with this loan credit risk policy.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

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

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

However, based on the decision taken by the BRSA within the scope of the COVID-19 outbreak, the 90-days delay period foreseen for the classification of loans as non-performing loans has been allowed to be applied as 180 days until 30 September 2021. The BRSA extended these opportunities until 30 September 2021 with its decision numbered 9624 on 17 June 2021. The Bank continues to provide provisions for these loan customers in accordance with its risk policies. As of June 30, 2021, the Bank has a loan of TL 197,357 with a delay of 30-90 days and a total of TL 948,767 with a delay of 90-180 days within the scope of the aforementioned flexibility. As of June 30, 2021, the Bank allocated a total of TL 48,174 for loans with a delay of 30-90 days and a total of TL 674,614 for loans with a delay of 90-180 days.

#### **1.7 Revenue from TFRS 15 Customer Contracts:**

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

#### **1.8 Explanations on TFRS 16 Leases Standard**

The leasing transactions are presented by the lessor as assets (right-of-use assets) and liabilities from leasing transactions. TFRS 16 Standard eliminates the dual accounting model of leasing transactions on balance sheet and operational leasing transactions as direct expense except balance sheet.

Within the scope of TFRS 16, the Group reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Group measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Group. In addition, the Group measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments.

As of June 30, 2021, the right-of-use assets classified tangible assets amounting to gross TL 538,915 in the balance sheet of the Group and lease obligations amounting to gross TL566,193. In the six-month period that ended as of the same date, financial expenses amounting to TL 24,985 and depreciation expenses amounting to TL 59,657 were incurred.

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority (“POA”) has changed to TFRS 16 “Leases” standard by publishing Privileges Granted in Lease Payments -"Amendments to TFRS 16 Leases" concerning Covid-19. With this change, tenants are exempted from whether there has been a change in the rental privileges in lease payments due to Covid-19. This change did not have a significant impact on the financial status or performance of the Group.

#### **2. Explanations on Strategy of Using Financial Instruments and Foreign Currency Transactions**

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**3. Investments in Associates And Subsidiaries**

Consolidated and Financial Statements " Turkey Accounting Standard for Consolidated Financial Statements" (TFRS 10) has been prepared in accordance with the provisions.

Titles, locations of the headquarters, main operations and Group's shares relating the consolidated entities are as follows:

Title	Address (City/Country)	Main Operation	30.06.2021	31.12.2020	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
Neova Katılım Sigorta A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Financial Instution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/Turkey	Financial Instution	50.00%	50.00%	Accounted with equity pick-up

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

**Consolidation basis of subsidiaries:**

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**4. Explanations on Forward Transactions and Option Contracts and Derivative Instruments**

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

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

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

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with TFRS 9. 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.

As of June 30, 2021, the Group has no cash flow hedging transaction.

**5. Explanations on Profit Share Income and Expense**

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

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

**6. Explanations on Fees and Commission Income and Expenses**

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

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**7. Explanations on Financial Assets**

The Group classifies and accounts for its financial assets as ‘Fair Value Through Profit/Loss’, ‘Fair Value Through Other Comprehensive Income,’ or ‘Amortized Cost.’ Such financial assets, are recognized and derecognized as per the terms of “Recognition and Derecognition in Financial Statements” under the section three of the “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 Group recognizes a financial asset in the financial statements only when it becomes a party to the contractual terms of a financial instrument. During the initial recognition of a financial asset, the business model determined by parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Group management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to gains, losses or profit shares that were previously recorded in the financial statements.

**7.1 Financial assets at fair value through profit or loss:**

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

**7.2 Financial assets at fair value through other comprehensive income:**

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

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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**7.3 Financial assets measured at amortized cost:**

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

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

**7.4 Derivative financial assets:**

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

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

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

**7.5 Loans:**

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

**8. Explanations on Offsetting of Financial Assets And Liabilities**

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

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

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

As of 30 June 2021, the Group has repurchased agreement amounting to TL 2,245,281 (31 December 2020: 185,225).



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**10. Explanations on Assets Held for Sale and Discontinued Operations And Related Liabilities**

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

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

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

**11. Explanations on Goodwill and Other Intangible Assets:**

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

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

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

There is no goodwill related to associates and subsidiaries.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**12. Explanations on Tangible Assets:**

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

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

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

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

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

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

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

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

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

**13. Explanations on Leasing Transactions**

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

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

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

The Group has started implementing the TFRS 16 - Leases standard from 1 January 2019, the first date of the TFRS 16 standard. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Group's alternative borrowing profit rate.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**The right of the use asset**

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

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

- (a) The first measurement amount of the lease obligation,
- (b) The amount obtained by deducting all rental incentives received from all lease payments made at or before the date of the rental.

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

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

The Group applies the depreciation liabilities in TAS 16 Tangible Fixed Assets while depreciating the right of use asset.

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

**Lease Obligation**

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

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

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

**14. Explanations on Insurance Technical Provisions:**

IFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement”.

Insurance technical provisions in the consolidated financial statements; consists of unearned premiums reserve and outstanding claims reserve.

Unearned premium reserve is recognized on accrued premiums without discount or commission which extends to the next period or periods on a daily basis for the current insurance contracts.

If the outstanding claim reserve is established and confirmed by approximation and if there are unpaid or unidentified compensation amounts in both prior and current Accounting periods; it is separated for estimated yet unreported compensation amounts.

Actuarial chain ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve for the amounts of uncertain indemnity, additional reserve must be set aside for the differences.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted Insurance premiums ceded to reinsurers on contract that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Cost which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

**15. Explanations on Insurance Technical Income and Expenses:**

After deducting the shares transferred to reinsurers from the policy revenues of which premium revenues are issued in insurance companies consists of.

Damages are recorded as expense as they occur. Outstanding claims provision is provided for claims not yet paid at the end of the period and incurred but not reported claims. The reinsurer shares of outstanding and paid claims are netted off within these provisions. Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted Insurance premiums ceded to reinsurers on contract that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

**16. 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.

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

**17.1 Defined benefit plans:**

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

Liabilities amount which is related to “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm. Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**17.2 Defined contribution plans:**

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

**17.3 Short term benefits to employees:**

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

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

**18. Explanations on Taxation**

***Current Tax***

As per the terms of the provisional article 11 added to the Law No. 5520 by the Article 91 of the Law No. 7316, 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 25% over the corporation income for the tax period of the years 2021, 23% for the taxation period of 2022. (and for entities that are appointed with special accounting period, for the accounting periods beginning within the relevant year).

In this context, corporate tax will be collected at the rate of 25% for the 2021 period and 23% for the year 2022 for corporate taxpayers. In addition, in the said periods, temporary tax will be paid by the corporate taxpayers at the rate of 25% for 2021 and 23% for 2022, according to the principles specified in the Income Tax Law, to be deducted from the corporate tax of the aforementioned tax periods.

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. In accordance with the tax legislation, the temporary tax rate for 2021 will be paid at the rate of 25% for the year 2021 and 23% for the year 2022 over the tax bases formed quarterly, and the temporary taxes paid within the year are deducted from the corporate tax calculated over the annual corporate tax return of 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.

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 thirty 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

***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 asset or 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. Updated tax rates in the upcoming periods will be taken into account in the calculation of deferred tax assets and liabilities.

**19. 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 Group does not apply hedging techniques on related borrowings.

The Group has not issued convertible bonds.

**20. Explanations on Share Certificates Issued**

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

**21. 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.

**22. Explanations on Government Grants**

There are no government grants received by the Group.

**23. Explanations on Segment Reporting**

The Bank conducts its activities in three separate segments: Corporate and Commercial Banking, Retail Banking, Treasury and International Banking. Each department serves with its own products and the results of the activities are monitored on the basis of these departments.

Segment reporting is disclosed in Section Four, Note 13.

**24. Explanations on Other Matters**

The Group has no disclosures on other matters.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**SECTION FOUR**

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

**1. Explanations on Consolidated Equity Items**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 June 2021 Group’s total capital has been calculated as TL 11,738,466 (31 December 2020: 12,705,468 TL), capital adequacy ratio is 15.02% (31 December 2020: 19.97%).

Fluctuations are experienced in the financial markets mainly as a result of the COVID-19 outbreak, in the press statement made by the BRSA on March 23, 2020. Therefore, in accordance with the BRSA's Decision No. 9312 dated 08.12.2020; In the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; To be able to use the simple arithmetic average of the Central Bank foreign exchange buying rates of the last 252 business days before the calculation date, when calculating the amounts valued in accordance with the Turkish Accounting Standards and the relevant special provision amounts for monetary assets and non-monetary assets other than items in foreign currency measured in terms of historical cost,

In addition, in accordance with the BRSA's decision dated 16/04/2020 and numbered 8999; Within the scope of the Regulation on Measurement and Assessment of Capital Adequacy of Banks, it is enabled to apply 0% risk weight in the calculation of the amount subject to credit risk to the receivables of banks from the Central Government of the Republic of Turkey and arranged in FX.

The Bank used these opportunities in its Capital Adequacy calculations as of June 30, 2021.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.1. Information on consolidated equity items**

	Current Period 30/06/2021 Amount	Prior Period 31/12/2020 Amount
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,600,000
Share Premium	24,525	24,525
Reserves	3,404,591	1,996,805
Other Comprehensive Income According to TAS	249,337	204,250
Profit	1,215,409	1,324,475
Current Period Profit	1,304,589	1,746,138
Prior Period Profit	(89,180)	(421,663)
Minority Shares	-	-
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	30,534	30,004
<b>Common Equity Tier I Capital Before Deductions</b>	<b>9,524,396</b>	<b>8,180,059</b>
<b>Deductions From Common Equity Tier I Capital</b>	<b>-</b>	<b>-</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 (-)	216,586	77,641
Leasehold Improvements On Operational Leases (-)	71,620	77,771
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	285,908	260,421
Remaining after deducting from the related deferred tax liability with the deferred tax asset based on future taxable income, except for deferred tax assets based on temporary differences	-	-
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 Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	-
Net Amount Of Defined Benefit Plans	51,258	51,258
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	4,869	4,869
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>630,241</b>	<b>471,960</b>
<b>Total Common Equity Tier I Capital</b>	<b>8,894,155</b>	<b>7,708,099</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

<b>ADDITIONAL TIER I CAPITAL</b>		
Privileged stocks not included in common equity and share premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,171,273	1,851,633
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>2,171,273</b>	<b>1,851,633</b>
<b>Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</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>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>2,171,273</b>	<b>1,851,633</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>11,065,428</b>	<b>9,559,732</b>
<b>Tier II Capital</b>		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	-	2,592,281
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)	776,420	652,104
<b>Tier II Capital before deductions</b>	<b>776,420</b>	<b>3,244,385</b>
<b>Deductions From Tier II Capital</b>	<b>-</b>	<b>-</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>-</b>
<b>Total Tier II Capital</b>	<b>776,420</b>	<b>3,244,385</b>
<b>Total Equity (Total Tier I And Tier II Capital)</b>	<b>11,841,848</b>	<b>12,804,117</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

<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 (-)	6,359	5,828
Other Items To Be Defined By The BRSA (-)	97,024	92,821
<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)	11,738,465	12,705,468
Total Risk Weighted Assets	78,165,175	63,613,084
<b>Capital Adequacy Ratios</b>		
CET1 Capital Ratio (%)	11.38	12.12
Tier I Capital Ratio (%)	14.16	15.03
Capital Adequacy Ratio (%)	15.02	19.97
<b>Buffers</b>		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
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	6.88	7.62
<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)	776,420	652,104
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	776,420	652,104
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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

<b>Information on debt instruments to be included in equity calculation:</b>		
Issuer	KT ONE COMPANY LIMITED	KT AT One Company Limited
Mean Code (CUSIP, ISIN vb.)	XS2028862998	XS2227803819
Legislation to which the mean is subject	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity
<b>Consideration In Equity Calculation</b>		
Subject to consideration application reduced by 10% from 1/1/2015	Not being subject	Not being subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Means Type	Subordinated Sukuk	Subordinated Sukuk
Amount taken into account in equity calculation (as of last reporting date-TL million)	1,737	434
Nominal value of the mean (TL million))	1,737	434
The account in which the mean is followed accounting	3470003	3470003
Export date of the mean	16/07/2019	28/09/2020
Maturity structure of the mean (demand/term))	Demand	Demand
Initial maturity of the mean	Demand	Demand
Whether the issuer has the right to refund subject to BRSA approval	Yes	Yes
Date of repayment option, contingent repayment options and amount to be paid back	16/07/2024 - Complete	28/09/2025 - Complete
Subsequent repayment option dates	16/07/2024	28/09/2025
<b>Dividend payments</b>		
Fixed or variable dividend payments	Fixed dividend payments	Fixed dividend payments
Dividend ratio and index value for dividend ratio	9.13%	9.95%
Whether there are any restrictions that stop paying dividends	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative
<b>Ability to convert to stock</b>		
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertible means, if convertible to stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock
<b>Value reduction feature</b>		
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Tier – 1	Tier - 1
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the bank, and to provide the availability of adequate capital in order to cover these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Parent Banks' growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Banks' risk profile and risk appetite.

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

**2. Explanations on consolidated credit risk:**

It has not been prepared in the interim period in accordance with Article 25 of the Communiqué on Financial Statements to be Publicly Announced by Banks and the Related Explanations and Footnotes.

**3. Explanations on consolidated currency risk**

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. "Standard Method" and "Value at Risk Method" used in legal reporting are used to measure the currency risk that the Group is exposed to. Measurements made under the Standard Method are made on a monthly basis, and measurements made under the Value at Risk Method are made on a daily basis.

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

As of 30 June 2021, the Group consists of a balance sheet open position of TL 4,296,523 (December 31, 2020 - TL 21,796,612 open) and off balance sheet position of TL 4,563,824 (December 31, 2020 - TL 21,899,484 closed) with a closed position of TL 267,301 (December 31, 2020 - TL 102,872 closed).

The announced current foreign exchange buying rates of the Parent Bank as of 30 June 2021 and the previous five working days are as follows (full TL):

	23/06/2021	24/06/2021	25/06/2021	28/06/2021	29/06/2021	Balance Sheet Valuation Rate
<b>USD</b>	8.62748	8.66749	8.67905	8.72987	8.71484	8.68509
<b>EURO</b>	10.30306	10.34866	10.37057	10.41367	10.37044	10.32508
<b>GBP</b>	12.05508	12.08492	12.07282	12.14303	12.06382	12.02281
<b>CHF</b>	9.39999	9.4357	9.46751	9.50047	9.45943	9.41034
<b>JPY</b>	0.07782	0.07822	0.0784	0.07882	0.07877	0.07856

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

	Monthly average FC purchase rate
USD	8.60960
EURO	10.37041
GBP	12.07598
CHF	9.48108
JPY	0.07820

**Consolidated currency risk of the Group:**

	Euro	USD	Other FC	Total
<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 (***)	14,795,119	10,932,513	12,812,623	38,540,255
Banks(****)	3,357,451	2,004,040	3,835,483	9,196,974
Financial assets at fair value through profit and loss	1,571	1,240,709	6,582,115	7,824,395
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,253,440	7,033,282	-	11,286,722
Loans and finance lease receivables (*)	22,227,483	22,913,813	17,419	45,158,715
Subsidiaries, associates and joint ventures	-	-	-	-
Financial assets at amortized cost	300,544	2,688,240	-	2,988,784
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	14,928	1,221	-	16,149
Intangible assets	80,705	10	-	80,715
Other assets (****)	1,694,591	46,026	3,561	1,744,178
<b>Total assets</b>	<b>46,725,832</b>	<b>46,859,854</b>	<b>23,251,201</b>	<b>116,836,887</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	1,839,050	249,023	287,218	2,375,291
Current and profit sharing accounts FC (***)	20,785,680	44,978,509	40,092,393	105,856,582
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	1,000,875	5,752,032	-	6,752,907
Marketable securities issued	-	3,971,733	-	3,971,733
Miscellaneous payables	709,770	562,222	6,028	1,278,020
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	247,956	614,619	36,302	898,877
<b>Total liabilities</b>	<b>24,583,331</b>	<b>56,128,138</b>	<b>40,421,941</b>	<b>121,133,410</b>
Net balance sheet position	22,142,501	(9,268,284)	(17,170,740)	(4,296,523)
Net off-balance sheet position	(22,017,467)	9,377,635	17,203,656	4,563,824
Financial derivative assets	966,790	14,014,591	18,047,223	33,028,604
Financial derivative liabilities	22,984,257	4,636,956	843,567	28,464,780
Non-cash loans (**)	2,199,380	2,963,911	232,118	5,395,409
<b>Prior period</b>				
Total assets	37,591,207	31,661,053	16,225,780	85,478,040
Total liabilities	18,020,699	51,448,283	37,805,670	107,274,652
Net balance sheet position	19,570,508	(19,787,230)	(21,579,890)	(21,796,612)
Net off-balance sheet position	(19,869,202)	20,187,707	21,580,979	21,899,484
Financial derivative assets	730,800	25,033,494	21,919,119	47,683,413
Financial derivative liabilities	20,600,002	4,845,787	338,140	25,783,929
Non-cash loans (**)	1,840,536	2,349,832	205,654	4,396,022

(\*) Includes foreign currency indexed loans amounting to TL 1,619,012 (December 31, 2020 - TL 1,740,355) followed in the balance sheet as TL and expected loss provisions amounting to TL 2,090,319.

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

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

(\*\*\*\*) Other liabilities at fair value through TL 1,698 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 176,555

(\*\*\*\*\*) Includes provisions for expected losses amounting to TL 1,606 in the balance sheet

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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 309,977 (31 December 2020 – TL 333,060)
- Prepaid expenses: TL 531 (31 December 2020 – 693 TL)
- Derivative financial liabilities held for trading: TL 280,338 (31 December 2020 – TL 286,320)
- Marketable securities of FC revaluation reverse: (109,783) (31 December 2020 - TL (94,206))
- Derivative financial liabilities held for hedging: None. (31 December 2020 – None)

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

- Forward foreign currency purchase transactions TL 1,528,359 (31 December 2020 – TL 1,121,892)
- Forward foreign currency sale transactions: TL 1,885,960 (31 December 2020 – TL 1,177,606)
- Precious metals purchase transactions TL 17,155,940 (31 December 2020 – TL 20,984,650)
- Precious metals sale transactions TL 54,356 (31 December 2020 – TL 30,525)

**Sensitivity to exchange rate risk**

The group is largely exposed to exchange rate risk in Euros, US dollars and Gold.

The following table shows the group's sensitivity to a 10% increase in US Dollar, Euro and gold exchange rates.

	Change in exchange rate %	Effect on profit / loss		Effect on equity	
		Current period	Prior period	Current period	Prior period
USD	10%	10,935	40,048	168	31,035
EUR	10%	12,503	(29,869)	12,619	(29,901)
GOLD	10%	13,022	11,870	13,022	11,870

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**4. Explanations on stock position risk arising from banking accounts**

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

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

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

<b>Current Period</b>	<b>Comparison</b>		
<b>Equity Securities (shares) investments</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Securities at Fair Value Through Other Comprehensive Income</b>	<b>61,729</b>	-	<b>61,729</b>
Quoted Securities	-	-	-
<b>Investments in Associates</b>	-	-	-
Quoted Securities	-	-	-
<b>Investment in Subsidiaries</b>	<b>23,680</b>	-	-
Quoted Securities	-	-	-
<b>Other</b>	<b>75,230</b>	-	-
Quoted Securities	-	-	-
<b>Prior Period</b>	<b>Comparison</b>		
<b>Equity Securities (shares) investments</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Securities at Fair Value Through Other Comprehensive Income</b>	<b>49,146</b>	-	<b>49,146</b>
Quoted Securities	-	-	-
<b>Investments in Associates</b>	-	-	-
Quoted Securities	-	-	-
<b>Investment in Subsidiaries</b>	<b>23,680</b>	-	-
Quoted Securities	-	-	-
<b>Other</b>	<b>61,311</b>	-	-
Quoted Securities	-	-	-

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

None.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**5. Consolidated Liquidity risk management and liquidity coverage ratio**

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

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

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

Liquidity risk is managed by the Asset-Liability Committee (ALC) and related business units within the framework of the Liquidity Risk Policy and risk appetite approved by the Board of Directors. In liquidity risk management, the measures to be taken and the practices to be carried out are determined by taking into account normal economic conditions and stress conditions. The Bank defines liquidity risk, measures risks with liquidity risk measurement methods in accordance with international standards, monitors them and periodically presents them to the interested parties. Liquidity risk stress tests are performed during monthly periods. An emergency funding plan (liquidity contingency plan) has been created to regulate the procedures and principles for the bank to maintain and maintain adequate liquidity levels under stress conditions.

The Bank's liquidity risk ratios are well above the legal limits. The Bank maintains its liquidity buffer at high levels, taking into account periods when liquidity risk may increase. Due to this approach, it is evaluated that the negative effects of the COVID-19 pandemic on the global level do not have a significant impact on the Bank's liquidity needs.

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

The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Market Management Policies and Practices approved by Board of Directors. The Groups'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 Group.

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

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

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

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

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

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

Group's 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.

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

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

**5.5. Information on liquidity risk mitigation techniques:**

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

**5.6. Information on the use of stress tests:**

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

**5.7. General information on emergency funding plan:**

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

**5.8. Presentation of financial liabilities according to contractual maturities**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**5.9 Liquidity coverage ratio**

Current 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)	47,245,598	33,627,006	45,300,264	31,690,274
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	61,353,539	14,952,040	5,432,508	1,495,342
4	Less stable deposits	14,109,129	-	705,852	-
5	Unsecured wholesale funding, of which:	47,244,410	14,952,040	4,726,656	1,495,342
6	Operational deposits	31,193,119	23,944,273	18,463,836	14,768,650
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	22,145,292	15,860,221	9,406,696	6,680,061
9	Secured wholesale funding	9,047,827	8,084,052	9,057,140	8,088,589
10	Other cash outflows of which:				
11	Outflows related to derivative exposures and other collateral requirements	20,733,109	17,367,356	20,769,701	17,391,124
12	Outflows related to restructured financial Instruments	20,733,109	17,367,356	20,769,701	17,391,124
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	20,061,387	5,277,684	1,752,178	265,265
16	<b>TOTAL CASH OUTFLOWS</b>	-	-	46,418,223	33,920,381
<b>CASH INFLOWS</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	23,536,329	14,696,781	17,859,692	13,188,957
19	Other cash inflows	21,258,824	20,401,628	21,303,538	20,432,471
20	<b>TOTAL CASH INFLOWS</b>	<b>44,795,153</b>	<b>35,098,409</b>	<b>39,163,230</b>	<b>33,621,428</b>
				<b>Upper Limit Applied Values</b>	
21	<b>TOTAL HQLA STOCK</b>			<b>45,300,264</b>	<b>31,690,274</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>11,604,556</b>	<b>8,480,095</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>390.37</b>	<b>373.70</b>

(\*) The average calculated for the last three months of the liquidity coverage ratio calculated by taking the monthly simple arithmetic average.

The lowest, highest and average Liquidity Coverage Ratios in the last 3 months of June 30, 2021 are given in the table below.

	Highest	Date	Lowest	Date	Average
<b>TL+FC</b>	451.15	21/06/2021	349.61	14/06/2021	393.80
<b>FC</b>	420.51	14/04/2021	330.15	21/05/2021	376.25

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**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)	39,648,579	25,901,529	38,662,197	24,915,147
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:		-	-	-
3	Stable deposits	55,219,940	16,267,567	4,911,996	1,626,757
4	Less stable deposits	12,199,949	-	609,997	-
5	Less stable deposits	43,019,991	16,267,567	4,301,999	1,626,757
6	Unsecured wholesale funding, of which:	26,153,465	19,781,632	15,278,159	11,939,524
7	Operational deposits	-	-	-	-
8	Non-operational deposits	19,089,094	13,698,769	8,157,205	5,800,167
9	Unsecured funding	7,064,371	6,082,863	7,120,954	6,139,357
10	Secured wholesale funding			-	-
11	Other cash outflows of which:	26,571,971	16,568,126	26,565,022	16,566,735
12	Outflows related to derivative exposures and other collateral requirements	26,566,415	16,568,126	26,565,022	16,566,735
13	Outflows related to restructured financial Instruments	5,556	-	-	-
14	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
15	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
16	Other irrevocable or conditionally revocable off-balance sheet obligations	17,403,730	4,719,856	1,534,567	239,311
17	<b>TOTAL CASH OUTFLOWS</b>			<b>48,289,744</b>	<b>30,372,327</b>
<b>CASH INFLOWS</b>					
18	Secured receivables	-	-	-	-
19	Unsecured receivables	20,624,936	12,432,686	16,488,161	11,906,245
20	Other cash inflows	26,782,067	26,152,418	26,779,564	26,149,915
21	<b>TOTAL CASH INFLOWS</b>	47,407,003	38,585,104	43,267,725	38,056,160
				<b>Upper Limit Applied Values</b>	
22	<b>TOTAL HQLA STOCK</b>			<b>38,662,197</b>	<b>24,915,147</b>
23	<b>TOTAL NET CASH OUTFLOWS</b>			<b>12,072,436</b>	<b>7,593,082</b>
24	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>320.25</b>	<b>328.13</b>

(\*) The average calculated for the last three months of the liquidity coverage ratio calculated by taking the monthly simple arithmetic average.

The lowest, highest and average Liquidity Coverage Ratios in the last 3 months of June 30, 2021 are given in the table below.

**Prior Period:**

	Highest	Date	Lowest	Date	Average
<b>TL+FC</b>	366.55	31/12/2020	298.64	21/11/2020	323.32
<b>FC</b>	399.18	31/12/2020	301.60	14/11/2020	332.10

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

Current period	Demand	Up to 1 months	1-3 months	3-12 months	1-5 Years	Over 5 years	Unallocated (**)	Total
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	19,951,283	20,685,919	-	-	-	-	-	40,637,202
Banks (*)	7,452,141	-	1,541,262	782,625	-	-	-	9,776,028
Financial assets at fair value through profit and loss	-	246,218	386,484	577,918	6,627,593	-	212,878	8,051,091
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	2,220,444	343,295	6,525,502	17,259,484	-	553,526	26,902,251
Loans (**)	-	9,559,000	10,317,270	34,325,956	35,586,273	5,154,506	(3,696,203)	91,246,802
Financial assets measured at amortised cost	-	-	-	2,644,467	621,343	-	(591)	3,265,219
Other assets (***)	1,855,524	1,432,893	330,086	89,906	1,130,859	-	2,658,491	7,497,759
<b>Total assets</b>	<b>29,258,948</b>	<b>34,144,474</b>	<b>12,918,397</b>	<b>44,946,374</b>	<b>61,225,552</b>	<b>5,154,506</b>	<b>(271,899)</b>	<b>187,376,352</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	2,402,665	21	-	-	-	-	-	2,402,686
Current and profit-sharing accounts	85,542,252	49,673,044	8,477,623	5,036,694	990,223	6,191	-	149,726,027
Funds provided from other financial institutions	-	1,493,445	1,113,909	879,123	3,826,345	28,706	-	7,341,528
Money market borrowings	-	2,245,281	-	-	-	-	-	2,245,281
Marketable securities issued	-	1,061,565	3,308,168	3,891,304	-	-	-	8,261,037
Miscellaneous payables	1,537,344	131,704	-	-	-	-	-	1,669,048
Other Liabilities (****)	-	2,192,530	615,397	6,448	10,189	-	12,906,181	15,730,745
<b>Total Liabilities</b>	<b>89,482,261</b>	<b>56,797,590</b>	<b>13,515,097</b>	<b>9,813,569</b>	<b>4,826,757</b>	<b>34,897</b>	<b>12,906,181</b>	<b>187,376,352</b>
Net liquidity gap	(60,223,313)	(22,653,116)	(596,700)	35,132,805	56,398,795	5,119,609	(13,178,080)	-
<b>Prior period</b>								
Total assets	20,556,136	30,061,101	19,722,362	29,894,129	52,673,745	4,907,794	381,846	158,197,113
Total liabilities	75,029,738	44,542,867	12,108,080	10,641,824	4,078,713	42,275	11,753,616	158,197,113
Net liquidity gap	(54,473,602)	(14,481,766)	7,614,282	19,252,305	48,595,032	4,865,519	(11,371,770)	-

(\*) Presented with netting off with the expected credit loss.

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

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

(\*\*\*\*) The other unallocated liabilities column consists mainly of equity and provision balances.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**6. Explanations on consolidated leverage ratio**

**6.1 Disclosure of leverage ratio template**

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

<b>On-balance sheet assets (*)</b>		<b>Current Period</b>	<b>Prior Period</b>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	180,309,004	160,626,497
2	(Assets amounts deducted in determining Basel III Tier I Capital)	(622,201)	(478,778)
3	Total amount on-balance sheet risks (sum of lines 1 and 2)	179,686,803	160,147,719
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative instruments and credit derivatives	1,042,309	629,764
5	The potential amount of credit risk with derivative financial instruments and credit derivatives	614,651	482,894
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,656,960	1,112,658
<b>Securities or commodity financing transactions (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	(19,618)	2,119,201
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	(19,618)	2,119,201
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	74,225,070	69,537,344
11	(Adjustments for conversion to credit equivalent amounts)	(43,618,680)	(42,998,895)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	30,606,390	26,538,449
<b>Capital and total risks</b>			
13	Tier I Capital	10,708,360	9,567,064
14	Total risks (sum of lines 3, 6, 9 and 12)	211,930,535	189,918,027
<b>Leverage ratio</b>			
15	Leverage ratio	5.05	5.04

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

The leverage ratio calculated on the basis of the arithmetic average of the amounts realized at the end of each month for the past three-month period as of the Group’s consolidated balance sheet date was %5.05 (31 December 2020 - 5.04%). 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. Accordingly, main capital increased by 12% on profit for the period, while on-balance sheet risk increased by 12% and off-balance sheet increased by 15%. Accordingly, there is a decrease of 1 basis points in the current period leverage ratio compared to the previous period.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**7. Explanations on fair value of consolidated financial assets and liabilities**

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

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

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

**9. Explanations on consolidated hedge accounting practices**

None. (31 December 2020 – None.)

**10. Explanations on Consolidated Risk Management**

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee (“ALC”) and the Risk Management Department (“RMD”) which has been composed in order to manage systemic risks that the Parent Bank is exposed. The Board of Directors is the owner of the Parent Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Parent Bank's Risk Management System is to identify, measure, monitor and control the risks that the Parent 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**10.1. Explanations on Risk Management and Risk Weighted Amounts:**

**10.1.1. Overview of Risk weighted amounts:**

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/06/2021	Prior Period 31/12/2020	Current Period 30/06/2021
1	Credit risk (excluding counterparty credit risk) (CCR)	61,703,042	51,904,896	4,936,243
2	Standardised approach (SA)	61,791,304	51,923,351	4,943,304
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	322,270	244,931	25,782
5	Standardised approach for counterparty credit risk (SA-CCR)	322,270	244,931	25,782
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	88,262	18,455	7,061
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	4,715,174	3,838,461	377,214
17	Standardised approach (SA)	4,715,174	3,838,461	377,214
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	11,336,427	7,606,341	906,914
20	Basic indicator approach	11,336,427	7,606,341	906,914
21	Standardised approach			
22	Advanced measurement approach			
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)			
24	Floor adjustment			
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>78,165,175</b>	<b>63,613,084</b>	<b>6,253,214</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**10.2. General qualitative information on credit risk:**

**10.2.1. Credit quality of assets:**

Current Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	3,196,105	94,965,654	2,721,468	95,440,291
2	Debt securities	-	30,492,978	324,917	30,168,061
3	Off-balance sheet exposures (*)	-	23,187,416	442,913	22,744,503
4	<b>Total</b>	<b>3,196,105</b>	<b>148,646,048</b>	<b>3,489,298</b>	<b>148,352,855</b>

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

Prior Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	2,970,254	80,077,369	2,524,317	80,523,306
2	Debt securities	-	27,433,847	210,952	27,222,895
3	Off-balance sheet exposures (*)	-	19,952,357	439,754	19,512,603
4	<b>Total</b>	<b>2,970,254</b>	<b>127,463,573</b>	<b>3,175,023</b>	<b>127,258,804</b>

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

**10.2.2. Changes in Stock of Defaulted Loans and Debt Securities:**

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	2,970,254	2,109,681
2	Loans and debt securities that have been defaulted since the last reporting period	503,059	1,638,811
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	992	403,794
5	Other changes	(276,216)	(374,444)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>3,196,105</b>	<b>2,970,254</b>

**10.2.3. Credit risk mitigation techniques:**

Current Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	64,366,781	25,539,653	2,173,146	5,533,857	4,366,944	-	-
2	Debt securities	30,168,061	-	-	-	-	-	-
3	<b>Total</b>	<b>94,534,842</b>	<b>25,539,653</b>	<b>2,173,146</b>	<b>5,533,857</b>	<b>4,366,944</b>	-	-
4	Overdue	333,098	83,736	12,298	57,803	33,393	-	-

Prior Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	52,894,387	20,064,424	1,520,553	7,564,495	5,961,858	-	-
2	Debt securities	27,222,895	-	-	-	-	-	-
3	<b>Total</b>	<b>80,117,282</b>	<b>20,064,424</b>	<b>1,520,553</b>	<b>7,564,495</b>	<b>5,961,858</b>	-	-
4	Overdue	112,344	231,779	1,322	101,814	62,382	-	-



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**10.2.4. Credit risk exposed and credit risk mitigation effects:**

	Risk Classes	CCF and CRM		CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		Receivable before		Receivable post			
1	Receivables from central governments and Central Banks	62,319,573	-	66,276,015	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	282,017	-	282,017	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	15,280,723	2,164,833	15,280,723	482,130	4,597,082	29
7	Receivables from corporate	32,973,322	6,549,218	29,589,862	3,023,166	31,746,158	97
8	Retail receivables	12,028,492	8,876,733	11,766,891	2,060,856	9,941,877	72
9	Receivables secured by residential property	9,862,339	922,906	9,777,944	394,857	3,520,164	35
10	Receivables secured by commercial property	11,518,931	2,254,778	11,324,488	1,046,004	8,274,035	67
11	Non-performing receivables	174,427	-	141,884	-	67,704	48
12	Receivables in high-risk categories	260,967	-	260,967	-	391,425	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	431,433	-	431,433	-	88,262	20
16	Other receivables	6,760,119	-	6,760,119	-	3,073,379	45
17	Stock investments	91,218	-	91,218	-	91,218	100
18	<b>Total</b>	<b>151,983,561</b>	<b>20,768,468</b>	<b>151,983,561</b>	<b>7,007,013</b>	<b>61,791,304</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**10.2.5 Exposures by asset classes and risk weights:**

Risk Classifications/Risk Weights (*)		0%	10%	20%	50%	75%	100%	150%	200%	Diğerleri%	Total risk amount (post-CCF and CRM sonrası)
1	Receivables from central governments and Central Banks	66,276,015	-	-	-	-	-	-	-	-	66,276,015
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	282,017	-	-	-	-	-	-	-	-	282,017
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	10,379	-	11,540,078	3,846,658	-	365,738	-	-	-	15,762,853
7	Receivables from corporate	524,460	-	428,014	-	-	31,660,555	-	-	-	32,613,029
8	Retail receivables	375,335	-	268,059	-	13,184,353	-	-	-	-	13,827,747
9	Receivables secured by residential property	78,198	-	86,314	-	-	-	-	-	10,008,289	10,172,801
10	Receivables secured by commercial property	142,251	-	132,318	7,696,702	-	4,399,221	-	-	-	12,370,492
11	Non-performing receivables	11,966	-	328	123,904	-	5,686	-	-	-	141,884
12	Receivables in high-risk categories	17	-	-	-	-	-	260,950	-	-	260,967
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	24,329	-	397,620	1,492	-	7,992	-	-	-	431,433
16	Stock investments	-	-	-	-	-	91,218	-	-	-	91,218
17	Other receivables	3,352,163	-	418,221	-	-	2,989,734	-	-	-	6,760,118
18	<b>Total</b>	<b>71,077,130</b>	<b>-</b>	<b>13,270,952</b>	<b>11,668,756</b>	<b>13,184,353</b>	<b>39,520,144</b>	<b>260,950</b>	<b>-</b>	<b>10,008,289</b>	<b>158,990,574</b>

\* 35% Risk Weight Classified in Other

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**10.3 Explanations on Counterparty Credit Risk (CCR):**

**10.3.1. Counterparty credit risk (CCR) approach analysis:**

Current Period		Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	440,534	640,813		1.4	1,081,347	285,302
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	<b>Total</b>						<b>285,302</b>

\* The Valuation Method According to Fair Value is used in the calculation of Counterparty Credit Risk.

Prior Period		Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	391,901	580,188		1.4	972,089	212,000
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	<b>Total</b>						<b>212,000</b>

\* The Valuation Method According to Fair Value is used in the calculation of Counterparty Credit Risk.

**10.3.2 Capital requirement for credit valuation adjustment (CVA):**

		Current Period		Prior Period	
		EAD post-CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation					
1	(i) VaR component (including the 3×multiplier)	-	-	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3	All portfolios subject to the Standardised CVA capital obligation	1,081,347	36,968	972,089	32,931
4	<b>Total subject to the CVA capital obligation</b>	<b>1,081,347</b>	<b>36,968</b>	<b>972,089</b>	<b>32,931</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**10.3.3 CCR exposures by risk class and risk weights:**

	Risk Classes / Risk Weights *	0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	2,057,015	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	826,864	153,416	-	-	-	-	-	242,081
7	Receivables from corporate	-	-	-	-	-	37,602	-	-	-	37,602
8	Retail receivables	-	-	-	-	5,771	-	-	-	-	4,328
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	1,193	418
10	Receivables secured by commercial property	-	-	-	245	-	750	-	-	-	873
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
<b>18</b>	<b>Total</b>	<b>2,057,015</b>	<b>-</b>	<b>826,864</b>	<b>153,661</b>	<b>5,771</b>	<b>38,352</b>	<b>-</b>	<b>-</b>	<b>1,193</b>	<b>285,302</b>

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

Prior Period - Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	456,708	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	576,986	38,929	-	-	-	-	-	134,862
7	Receivables from corporate	-	-	-	-	-	59,147	-	-	-	59,147
8	Retail receivables	-	-	-	-	17,793	-	-	-	-	13,345
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	2,648	927
10	Receivables secured by commercial property	-	-	-	507	-	3,465	-	-	-	3,719
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	<b>Total</b>	<b>456,708</b>	<b>-</b>	<b>576,986</b>	<b>39,436</b>	<b>17,793</b>	<b>62,612</b>	<b>-</b>	<b>-</b>	<b>2,648</b>	<b>212,000</b>

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

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

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

**10.3.4 Composition of collateral for CCR exposure: None**

**10.3.5 Credit derivatives exposures: None**

**10.3.6 Exposures to central counterparties: None**

**11. Securitization Positions**

None.

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**13. Qualitative explanations on market risk:**

**13.1. Market risk under standardised approach:**

		Risk Weighted Amounts	
		Current Period	Prior Period
	<b>Outright products</b>	<b>4,715,174</b>	<b>3,847,896</b>
1	Profit share risk (general and specific)	2,534,811	2,509,715
2	Equity risk (general and specific)	21,573	-
3	Foreign exchange risk	434,644	149,230
4	Commodity risk	1,724,146	1,188,951
	<b>Options</b>	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	<b>Securitisation</b>	-	-
	<b>Total</b>	<b>4,715,174</b>	<b>3,847,896</b>

**14. Explanations on consolidated business segments**

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

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

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

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long-term financing agreements with foreign banks. Besides supplying syndicated loans and issue the Sukuk for the Group, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Group, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (forward, swap) with 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

<b>Current Period</b> <b>1 January 2021-30 June 2021</b>	<b>Retail</b> <b>Banking</b>	<b>Corporate and</b> <b>Commercial</b> <b>banking</b>	<b>Treasury and</b> <b>international</b> <b>banking</b>	<b>Unallocated</b>	<b>Bank's total</b> <b>operation</b>
Operating income	3,309,368	4,447,193	343,067	-	8,099,628
Operating expenses (-)	2,645,005	1,169,884	756,700	1,874,822	6,446,411
Transfers between segments	1,500,802	(1,506,727)	5,925	-	-
<b>Net operating income(loss)</b>	<b>2,165,165</b>	<b>1,770,582</b>	<b>(407,708)</b>	<b>(1,874,822)</b>	<b>1,653,217</b>
Income from associates	-	-	-	13,919	13,919
<b>Income (loss) before tax</b>	<b>2,165,165</b>	<b>1,770,582</b>	<b>(407,708)</b>	<b>(1,860,903)</b>	<b>1,667,136</b>
Provision for taxation (-)	-	-	-	388,027	388,027
<b>Net income for the period</b>	<b>2,165,165</b>	<b>1,770,582</b>	<b>(407,708)</b>	<b>(2,248,930)</b>	<b>1,279,109</b>
<b>Current Period</b>					
<b>30 June 2021</b>					
Segment assets	30,356,482	55,904,461	94,511,529	-	180,772,472
Associates, subsidiaries and joint ventures	-	-	-	98,910	98,910
Undistributed assets	-	-	-	6,504,970	6,504,970
<b>Total assets</b>	<b>30,356,482</b>	<b>55,904,461</b>	<b>94,511,529</b>	<b>6,603,880</b>	<b>187,376,352</b>
Segment liabilities	128,807,928	25,561,724	16,092,092	-	170,461,744
Undistributed liabilities	-	-	-	7,667,835	7,667,835
Shareholders' equity	-	-	-	9,246,773	9,246,773
<b>Total liabilities</b>	<b>128,807,928</b>	<b>25,561,724</b>	<b>16,092,092</b>	<b>16,914,608</b>	<b>187,376,352</b>
<b>Prior Period</b>					
<b>1 January 2020 – 30 June 2020</b>					
Operating income	2,507,747	3,208,462	487,755	-	6,203,964
Operating expenses (-)	2,032,061	850,102	425,317	1,790,390	5,097,870
Transfers between segments	1,500,511	(376,653)	(1,123,858)	-	-
<b>Net operating income(loss)</b>	<b>1,976,197</b>	<b>1,981,707</b>	<b>(1,061,420)</b>	<b>(1,790,390)</b>	<b>1,106,094</b>
Income from associates	-	-	-	9,439	9,439
<b>Income (loss) before tax</b>	<b>1,976,197</b>	<b>1,981,707</b>	<b>(1,061,420)</b>	<b>(1,780,951)</b>	<b>1,115,533</b>
Provision for taxation (-)	-	-	-	236,129	236,129
<b>Net income for the period</b>	<b>1,976,197</b>	<b>1,981,707</b>	<b>(1,061,420)</b>	<b>(2,017,080)</b>	<b>879,404</b>
<b>Prior Period</b>					
<b>31 December 2019</b>					
Segment assets	29,924,797	43,516,111	72,523,747	-	145,964,655
Associates, subsidiaries and joint ventures	-	-	-	84,991	84,991
Undistributed assets	-	-	-	12,147,467	12,147,467
<b>Total assets</b>	<b>29,924,797</b>	<b>43,516,111</b>	<b>72,523,747</b>	<b>12,232,458</b>	<b>158,197,113</b>
<b>Prior Period</b>					
<b>31 December 2020</b>					
Segment liabilities	105,235,906	21,636,217	16,987,622	-	143,859,745
Undistributed liabilities	-	-	-	6,306,554	6,306,554
Shareholders' equity	-	-	-	8,030,814	8,030,814
<b>Total liabilities</b>	<b>105,235,906</b>	<b>21,636,217</b>	<b>16,987,622</b>	<b>14,337,368</b>	<b>158,197,113</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**SECTION FIVE**

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

**1. Explanations and notes related to consolidated assets:**

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	510,288	4,382,287	630,548	3,011,244
The Central Bank of Republic of Turkey	1,389,250	32,779,254	512,354	19,967,199
Other (*)	197,225	1,378,898	1,525	988,100
<b>Total</b>	<b>2,096,763</b>	<b>38,540,439</b>	<b>1,144,427</b>	<b>23,966,543</b>

(\*) As of 30 June 2021, precious metal account amounting to TL 1,129,704 (31 December 2020 - TL 988,021) and money in transit amounting to TL 1,446,419 (31 December 2020 - TL 1,604) are presented in this line.

**1.1.2 Balances with the Central Bank of Turkey:**

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	1,333,864	12,093,335	499,584	1,493,876
Unrestricted time deposit	-	-	-	-
Restricted time deposit	55,386	20,685,919	12,770	18,473,323
<b>Total</b>	<b>1,389,250</b>	<b>32,779,254</b>	<b>512,354</b>	<b>19,967,199</b>

**1.1.3 Explanations on required reserves:**

The Parent Bank, according to the CBRT's Communiqué on Required Reserves No. 2005/1, banks operating in Turkey; Required reserve ratios for Turkish lira and foreign currency liabilities are determined between 3% and 22% by differentiating according to the maturity of liabilities, and these rates are applied by banks as of the date of the report.

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

As of 30 June 2021, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2020 - None).

Positive differences related to marketable derivative financial assets:

Financial assets at fair value through profit or loss	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	103,167	3,260	49,633	2,693
Swap transactions	83,585	306,717	78,913	330,367
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>186,752</b>	<b>309,977</b>	<b>128,546</b>	<b>333,060</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.3 Information on Banks:**

**1.3.1. Information on Banks:**

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	<b>579,563</b>	<b>9,198,396</b>	<b>1,114,456</b>	<b>6,256,097</b>
Domestic	579,563	2,708,405	1,113,965	113,981
Foreign (*)	-	6,489,991	491	6,142,116
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
<b>Total</b>	<b>579,563</b>	<b>9,198,396</b>	<b>1,114,456</b>	<b>6,256,097</b>

(\*) As a result of the changes in the Uniform Chart of Accounts implemented by the BRSA as of January 1, 2021, the foreign currency collaterals given for the derivative transactions made by the Bank with foreign banks, which were monitored in the other assets account in the bank balance sheet in the previous periods, started to be monitored in the banks account as of the current period. As of 30 June 2021, the relevant amount is 295,574 TL.

**1.3.2 Information on foreign banks account:**

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

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

	Current period	Prior Period
<b>Debt Securities</b>	<b>26,672,616</b>	<b>20,852,757</b>
Quoted on stock exchange	26,672,616	20,852,757
Not quoted on stock exchange	-	-
<b>Share certificates / Investment Funds</b>	<b>517,005</b>	<b>90,887</b>
Quoted on stock exchange	9,133	75,105
Not quoted on stock exchange	507,872	15,782
<b>Impairment provision</b>	<b>287,370</b>	<b>220,559</b>
<b>Total</b>	<b>26,902,251</b>	<b>20,723,085</b>

**1.4.1. Information on given collateral or blocked financial assets at fair value through other comprehensive income**

As of the balance sheet date, there is given collateral financial assets amounting to TL 8,365,627 (31 December 2020: TL 8,480,912) at fair value through other comprehensive income

**1.4.2. Information on subject to repurchase agreement financial assets at fair value through other comprehensive income**

As of the balance sheet date, there is a repurchase agreement financial assets amounting to TL 2,219,529 (31 December 2020: 179,750) at fair value through other comprehensive income

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.5 Explanations on financial assets measured at amortized cost:**

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans granted to shareholders</b>	<b>5,186</b>	<b>16,115</b>	<b>4,695</b>	<b>6,709</b>
Corporate shareholders	-	16,091	-	6,677
Real person shareholders	5,186	24	4,695	32
<b>Indirect loans granted to shareholders</b>	<b>71,467</b>	<b>353</b>	<b>54,992</b>	<b>6,632</b>
<b>Loans granted to employees</b>	<b>32,933</b>	<b>639</b>	<b>27,605</b>	<b>541</b>
<b>Total</b>	<b>109,586</b>	<b>17,107</b>	<b>87,292</b>	<b>13,882</b>

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

Current Period	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>78,847,278</b>	<b>5,418,199</b>	<b>2,896,869</b>	<b>-</b>
Export Loans	7,644,376	304,607	-	-
Import Loans	2,384,312	110,632	-	-
Corporation Loans	37,196,415	3,609,102	2,824,618	-
Consumer Loans	12,579,599	300,094	49,338	-
Credit Cards	1,611,989	175,290	21,383	-
Loans given to financial sector	6,023,457	-	-	-
Other	11,407,130	918,474	1,530	-
<b>Other Receivables</b>	<b>2,119</b>	<b>4,990</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>78,849,397</b>	<b>5,423,189</b>	<b>2,896,869</b>	<b>-</b>

Prior Period	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>67,420,988</b>	<b>4,813,370</b>	<b>2,615,066</b>	<b>-</b>
Export Loans	4,967,766	230,900	-	-
Import Loans	1,971,303	87,512	-	-
Corporation Loans	33,990,065	3,495,756	2,533,424	-
Consumer Loans	12,754,463	298,219	62,118	-
Credit Cards	1,237,324	130,190	19,524	-
Loans given to financial sector	3,238,490	-	-	-
Other	9,261,577	570,793	-	-
<b>Other Receivables</b>	<b>8,295</b>	<b>117,575</b>	<b>9,277</b>	<b>-</b>
<b>Total</b>	<b>67,429,283</b>	<b>4,930,945</b>	<b>2,624,343</b>	<b>-</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

	<b>Standard Loans</b>	<b>Loans and other receivables under close monitoring</b>	<b>Standard Loans</b>	<b>Loans and other receivables under close monitoring</b>
	<b>Current Period (*)</b>	<b>Current Period (*)</b>	<b>Prior Period</b>	<b>Prior Period</b>
12 Month Expected Credit Losses (*)	1,262,042	-	1,179,791	-
Significant Increase in Credit Risk	-	2,761,406	-	1,744,593
<b>Total</b>	<b>1,262,042</b>	<b>2,761,406</b>	<b>1,179,791</b>	<b>1,744,593</b>

(\*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 591 (31 December 2020 – TL 1,094)

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.5.4 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>104,297</b>	<b>12,442,607</b>	<b>12,546,904</b>
Real Estate Loans	22,382	10,132,904	10,155,286
Vehicle Loans	44,187	1,841,842	1,886,029
Consumer Loans	24,291	228,330	252,621
Other	13,437	239,531	252,968
<b>Consumer Loans-FC Indexed</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	<b>350,345</b>	<b>350,345</b>
Real Estate Loans	-	267,805	267,805
Vehicle Loans	-	55,499	55,499
Consumer Loans	-	27,041	27,041
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>722,509</b>	<b>70</b>	<b>722,579</b>
With Installment	154,627	70	154,697
Without Installment	567,882	-	567,882
<b>Retail Credit Cards-FC</b>	<b>3,994</b>	-	<b>3,994</b>
With Installment	-	-	-
Without Installment	3,994	-	3,994
<b>Personnel Loans-TL</b>	<b>1,753</b>	<b>30,029</b>	<b>31,782</b>
Real Estate Loans	119	2,737	2,856
Vehicle Loans	484	19,522	20,006
Consumer Loans	1,128	7,770	8,898
Other	22	-	22
<b>Personnel Loans-FC Indexed</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>18,709</b>	<b>21</b>	<b>18,730</b>
With Installment	6,390	21	6,411
Without Installment	12,319	-	12,319
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>851,262</b>	<b>12,823,072</b>	<b>13,674,334</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>74,023</b>	<b>12,698,649</b>	<b>12,772,672</b>
Real Estate Loans	17,783	10,717,815	10,735,598
Vehicle Loans	31,924	1,574,270	1,606,194
Consumer Loans	21,382	215,488	236,870
Other	2,934	191,076	194,010
<b>Consumer Loans-FC Indexed</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>172</b>	<b>314,708</b>	<b>314,880</b>
Real Estate Loans	-	246,690	246,690
Vehicle Loans	172	41,060	41,232
Consumer Loans	-	26,958	26,958
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>545,977</b>	<b>70</b>	<b>546,047</b>
With Installment	120,545	70	120,615
Without Installment	425,432	-	425,432
<b>Retail Credit Cards-FC</b>	<b>3,340</b>	-	<b>3,340</b>
With Installment	-	-	-
Without Installment	3,340	-	3,340
<b>Personnel Loans-TL</b>	<b>1,985</b>	<b>25,263</b>	<b>27,248</b>
Real Estate Loans	-	2,401	2,401
Vehicle Loans	466	15,844	16,310
Consumer Loans	1,519	7,018	8,537
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>13,761</b>	<b>21</b>	<b>13,782</b>
With Installment	5,696	21	5,717
Without Installment	8,065	-	8,065
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>639,258</b>	<b>13,038,711</b>	<b>13,677,969</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.5.5 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>661,888</b>	<b>9,614,710</b>	<b>10,276,598</b>
Business Loans	16,457	1,845,861	1,862,318
Vehicle Loans	531,156	5,051,057	5,582,213
Consumer Loans	114,275	2,717,792	2,832,067
Other	-	-	-
<b>Commercial Installment Loans-FC Indexed</b>	<b>4,313</b>	<b>466,029</b>	<b>470,342</b>
Business Loans	4,313	28,676	32,989
Vehicle Loans	-	3,337	3,337
Consumer Loans	-	434,016	434,016
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>584,319</b>	<b>4,970,698</b>	<b>5,555,017</b>
Business Loans	-	549,817	549,817
Vehicle Loans	4,762	482,753	487,515
Consumer Loans	-	-	-
Other	579,557	3,938,128	4,517,685
<b>Corporate Credit Cards-TL</b>	<b>1,050,276</b>	<b>-</b>	<b>1,050,276</b>
With Installment	395,779	-	395,779
Without Installment	654,497	-	654,497
<b>Corporate Credit Cards-FC</b>	<b>13,083</b>	<b>-</b>	<b>13,083</b>
With Installment	-	-	-
Without Installment	13,083	-	13,083
<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>2,313,879</b>	<b>15,051,437</b>	<b>17,365,316</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>497,383</b>	<b>9,234,322</b>	<b>9,731,705</b>
Business Loans	6,008	1,995,773	2,001,781
Vehicle Loans	405,890	4,705,779	5,111,669
Consumer Loans	85,485	2,532,770	2,618,255
Other	-	-	-
<b>Commercial Installment Loans-FC Indexed</b>	<b>11,254</b>	<b>505,184</b>	<b>516,438</b>
Business Loans	11,254	57,668	68,922
Vehicle Loans	-	11,001	11,001
Consumer Loans	-	436,515	436,515
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>453,371</b>	<b>3,565,574</b>	<b>4,018,945</b>
Business Loans	-	490,181	490,181
Vehicle Loans	2,194	112,901	115,095
Consumer Loans	-	-	-
Other	451,177	2,962,492	3,413,669
<b>Corporate Credit Cards-TL</b>	<b>816,278</b>	<b>-</b>	<b>816,278</b>
With Installment	307,667	-	307,667
Without Installment	508,611	-	508,611
<b>Corporate Credit Cards-FC</b>	<b>7,591</b>	<b>-</b>	<b>7,591</b>
With Installment	-	-	-
Without Installment	7,591	-	7,591
<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>1,785,877</b>	<b>13,305,080</b>	<b>15,090,957</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.5.6 Breakdown of loans by user:**

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

**1.5.7 Breakdown of domestic and foreign loans:**

	Current period	Prior period
Domestic loans	81,341,317	69,932,474
Foreign loans	5,828,138	5,052,097
<b>Total</b>	<b>87,169,455</b>	<b>74,984,571</b>

**1.5.8 Loans granted to subsidiaries and associates:**

	Current period	Prior period
Loans granted directly to subsidiaries and associates	99	169
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>99</b>	<b>169</b>

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

	Current period	Prior period
Loans and receivables with limited collectability	1,523	473,916
Loans and receivables with doubtful collectability	586,070	5,172
Uncollectible loans and receivables	2,133,875	2,045,229
<b>Total</b>	<b>2,721,468</b>	<b>2,524,317</b>

**1.5.10 Information on non-performing loans (Net):**

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

	III. Group Loans and Receivables with Limited Collectibility	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
<b>Current Period:</b>			
(Gross Amount Before Specific Provisions)	-	529,873	111,338
Restructured Loans and Receivables	-	529,873	111,338
<b>Prior Period:</b>			
(Gross Amount Before Specific Provisions)	-	1,577	262,750
Restructured Loans and Receivables	-	1,577	262,750

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

	<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>Ending balance of prior period 31.12.2020</b>	<b>550,571</b>	<b>11,192</b>	<b>2,408,491</b>
Additions in the current period (+)	181,376	117,695	203,988
Transfers from other categories of non-performing loans (+)	164	531,355	9,144
Transfers to other categories of non-performing loans (-)	531,368	9,132	163
Collections in the current period (-)	25,345	19,323	231,548
Write offs (-)	-	-	992
<b>Sold Portfolio (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>175,398</b>	<b>631,787</b>	<b>2,388,920</b>
Specific provisions (-)	1,523	586,070	2,133,875
<b>Net balances on balance sheet</b>	<b>173,875</b>	<b>45,717</b>	<b>255,045</b>

	<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>Prior Period</b>			
<b>Ending balance of prior period 31.12.2019</b>	<b>250,407</b>	<b>318,133</b>	<b>1,541,141</b>
Additions in the current period (+)	542,258	10,412	1,086,141
Transfers from other categories of non-performing loans (+)	-	197,258	471,969
Transfers to other categories of non-performing loans (-)	197,197	471,975	55
Collections in the current period (-)	44,897	42,636	286,911
<b>Write offs (-)</b>	<b>-</b>	<b>-</b>	<b>250,456</b>
<b>Sold Portfolio (-)(*)</b>	<b>-</b>	<b>-</b>	<b>153,338</b>
Corporate and commercial loans	-	-	153,338
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>550,571</b>	<b>11,192</b>	<b>2,408,491</b>
Specific provisions (-)	473,916	5,172	2,045,229
<b>Net balance at the balance sheet</b>	<b>76,655</b>	<b>6,020</b>	<b>363,262</b>

(\*) The group has sold a portion of its non-performing loan portfolio which 100% provision is provided and amounting to TL 153,338 to the asset management company at a cost of TL 50,000.

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
<b>Current period:</b>			
Ending balance of the current period	160,879	13,573	362,242
Provision amount (-)	-	10,082	304,070
<b>Net balance at the balance sheet</b>	<b>160,879</b>	<b>3,491</b>	<b>58,172</b>
<b>Prior period</b>			
Ending balance of the current period	532,560	1	312,782
Provision amount (-)	458,800	-	253,025
<b>Net balance at the balance sheet</b>	<b>73,760</b>	<b>1</b>	<b>59,757</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.5.10.4** 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>173,875</b>	<b>45,717</b>	<b>255,045</b>
Loans granted to real persons and legal entities (Gross)	175,398	631,787	2,388,920
Specific provision (-)	1,523	586,070	2,133,875
<b>Loans to real persons and legal entities (Net)</b>	<b>173,875</b>	<b>45,717</b>	<b>255,045</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (net) 31.12.2020</b>	<b>76,655</b>	<b>6,020</b>	<b>363,262</b>
Loans to real persons and legal entities (Gross)	550,571	11,192	2,408,491
Specific provision (-)	473,916	5,172	2,045,229
<b>Loans to real persons and legal entities (Net)</b>	<b>76,655</b>	<b>6,020</b>	<b>363,262</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

**1.5.10.5** In terms of financial instrument classes, the aging analysis of past due but not impaired financial assets is as follows:

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

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

<b>The Parent Bank</b>	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>	<b>5</b>	<b>4,938</b>	<b>30,764</b>
Profit share accruals, discount and valuation differences	17	16,717	331,465
Provision (-)	12	11,779	300,701

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Prior Period (Net)</b>	<b>371</b>	<b>460</b>	<b>51,485</b>
Profit share accruals, discount and valuation differences	4,485	865	319,370
Provision (-)	4,114	405	267,885

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

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

**1.5.10.8 Information on the write-off policy:**

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

**1.6 Information on other financial assets measured at amortised cost:**

**1.6.1 Information on other financial assets measured at amortized cost:**

	Current Period	Prior Period
<b>Debt Securities</b>	<b>3,265,810</b>	<b>6,499,810</b>
Quoted on a Stock Exchange	2,989,375	6,203,203
Not Quoted	276,435	296,607
<b>Expected Credit Loss (-)</b>	<b>591</b>	<b>1,094</b>
<b>Total</b>	<b>3,265,219</b>	<b>6,498,716</b>

**1.6.2 Movements of other financial assets measured at amortized cost during the year:**

	Current Period	Prior Period
Opening Balance	6,499,810	3,212,924
Foreign Exchange Gain/Loss	420,909	1,353,136
Purchases During the Year	93,355	1,933,750
Disposals Through Sales and Redemptions	3,748,264	-
<b>Expected Credit Loss (-)</b>	<b>591</b>	<b>1,094</b>
<b>Ending Balance</b>	<b>3,265,219</b>	<b>6,498,716</b>

**1.7 Information on investment in associates (Net):**

**1.7.1** The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2020 – TL 7,659), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 182 (31 December 2020 – TL 33), Swift shares amounting to TL 2,451 (31 December 2020 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2020 – TL 15), 2.86% ownership of the shares of Ulusal Derecelendirme A.Ş. amounting to TL 2,755 (31 December 2020 – TL 2,755), VISA shares amounting to TL 8,218 (December 31, 2020 – TL 7,008) are classified as financial assets at fair value through other comprehensive income since the Bank’s ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

**1.7.2** Information about investments in unconsolidated associates: None (31 December 2020 – None).

**1.7.3** Information related to consolidated associates: None (31 December 2020 – None).

**1.8 Information on subsidiaries (Net):**

**1.8.1** Although the Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş and Architech Bilişim Sistemleri ve Pazarlama 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.8.2 Information on subsidiaries:**

	Title	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1	KT Bank AG (*)	Frankfurt/Germany	100	100
2	Neova Katılım Sigorta A.Ş.	İstanbul/Turkey	100	100
3	KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	100	100
4	KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	100	100
5	KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	100	100
6	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	75	78.15
7	Architech Bilişim Sistemleri ve Pazarlama Tic. A.Ş. (**)	İstanbul/Turkey	100	100
8	Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Turkey	99.99	99.99

(\*) As of 30 June 2021, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(\*\*) These figures are shown per Turkish Commercial Law financial statements as at 30 June 2021.

(\*\*\*) 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.

Information on subsidiaries in the order listed above:

	Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
1	9,503,327	1,112,739	14,928	-	-	3	2,309	-
2	3,399,152	755,829	27,485	-	-	113	64	-
3	8,959,259	350	-	-	-	40	23	-
4	663	659	-	-	-	10	24	-
5	30,398	23,568	4,305	-	-	2,466	6,462	-
6	167,286	122,134	52,491	-	-	1,955	1,124	-
7	96,645	86,777	12,846	77	3,027	33,931	16,899	-
8	50,161	22,600	-	-	-	757	3,906	-

Movement regarding the subsidiaries

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	610,120	610,120
Insurance Companies	751,796	751,796
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	75,419
<b>Total</b>	<b>1,437,335</b>	<b>1,437,335</b>

Consolidated subsidiaries listed on the stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,418
Quoted in Foreign Stock Exchange	-	-
<b>Total</b>	<b>53,418</b>	<b>53,418</b>

**1.8.3 Information on capital adequacies of major subsidiaries:**

The shareholder's equity of KT Parent Bank AG, the bank's subsidiary in Germany, calculated as of June 30, 2021 is EUR 109,108,017 and the capital adequacy ratio is %20.7.

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*)	50%	4,606,877	145,306	27,955	27,838	18,877

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

**1.10 Information on finance lease receivables (Net)**

**1.10.1 Presentation of remaining maturities of net finance leases:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	3,193,417	2,613,608	2,249,517	1,783,178
1 to 4 years	4,445,099	4,188,880	2,829,259	2,631,776
More than 4 years	855,786	823,079	622,145	596,042
<b>Total</b>	<b>8,494,302</b>	<b>7,625,567</b>	<b>5,700,921</b>	<b>5,010,996</b>

**1.10.2 Net investments in finance leases:**

	Current Period	Prior Period
Gross receivable from finance leases	8,494,303	5,700,921
Unearned finance lease income (-)	868,736	689,925
Unearned finance lease income (-)	-	-
<b>Net Leasing Investment</b>	<b>7,625,567</b>	<b>5,010,996</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.10.3 Information on finance lease contracts:**

The Parent Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 53,481 are included in the non-performing loans in the balance sheet (31 December 2020 – TL 52,668).

**1.11 Information on derivative financial assets for hedging purposes:**

None (31 December 2020 – None).

**1.12 Information on tangible asset**

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

**1.13 Explanations on intangible asset**

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

**1.14 Explanations on investment properties:**

	<b>Current period</b>	<b>Previous period</b>
Opening Balance	77,457	37,646
Acquisition Are The Ones	-	39,970
Disposals ( - ), Net	24,987	-
Amortization Cost (-)	-	159
<b>Closing Net Book Value</b>	<b>52,470</b>	<b>77,457</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.15 Information on deferred tax asset**

As of 30 June 2021, deferred tax is offset as TL 1,109,288 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 30 June 2021 is TL 1,217,165 (31 December 2020 – TL 932,455) and deferred tax liability is TL 107,877 (31 December 2020 – TL 96,933 TL).

	<b>Current Period</b>	<b>Previous period</b>
Reserve for employee benefits	42,984	48,263
Retirement pay liability	42,428	37,460
Deferred income	89,779	73,122
Impairment provision for subsidiaries, fixed assets and assets held for sale	1,459	1,281
Rediscounts for derivative instruments held for trading (net)	23,406	243,384
TFRS 9 Provisions	581,874	427,891
Precious metals valuation difference	253,649	-
Transferred financial losses (*)	82,064	73,642
Difference in valuation of securities	74,608	812
Other	24,914	26,600
<b>Deferred tax asset</b>	<b>1,217,165</b>	<b>932,455</b>
Derivative Transactions Valuation Differences	(16,583)	-
Precious Metal Valuation Difference	-	(23,908)
The difference between the registered value of tangible assets and tax value	(11,577)	(12,842)
Revaluation difference of financial assets at fair value through profit or loss	(45,322)	(48,114)
Other	(34,395)	(12,069)
<b>Deferred tax liability</b>	<b>(107,877)</b>	<b>(96,933)</b>
<b>Deferred tax asset, (net)</b>	<b>1,109,288</b>	<b>835,522</b>

(\*) Since the Group is planning to generate sufficient amount of taxable income to offset financial losses in the future, a total of 82,064 TL deferred tax assets (31 December 2020: TL 73,642) have been recorded in the records.

Table of deferred tax asset movement:

	<b>Current Period</b>	<b>Previous period</b>
As of January, 1	835,522	416,853
Deferred tax (expense)/income	192,925	274,753
Deferred tax accounted under equity	69,963	120,571
Other	10,878	23,345
<b>Deferred tax asset</b>	<b>1,109,288</b>	<b>835,522</b>

**1.16 Explanations on assets held for sale and discontinued operations:**

	<b>Current period</b>	<b>Prior period</b>
Opening Balance	519,087	473,326
Acquisition Are the Ones	20,373	172,426
Transfers from Property, Plant and Equipment	-	-
Disposals (-), Net	142,310	126,665
Tangible Assets Transfer	-	-
Amortization Cost (-)	-	-
Provision for Impairment (-)	-	-
<b>Closing Net Book Value</b>	<b>397,150</b>	<b>519,087</b>

**1.17 Information on other assets:**

As of balance sheet date, the Group's other assets amount to TL 4,080,644 (31 December 2020 – TL 10,037,261). 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**2. Explanations and notes related to consolidated liabilities**

**2.1 Information on funds collected**

**2.1.1 Information on maturity structure of funds collected:**

Current period	Demand	Up to 1 months	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>13,409,037</b>	-	-	-	-	-	-	-	<b>13,409,037</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>9,476,934</b>	<b>10,293,637</b>	<b>501,960</b>	-	<b>580,012</b>	<b>727,609</b>	<b>20,285</b>	<b>21,600,437</b>
<b>III. Other current accounts-TL</b>	<b>6,396,658</b>	-	-	-	-	-	-	-	<b>6,396,658</b>
Public sector	228,839	-	-	-	-	-	-	-	228,839
Commercial sector	6,077,248	-	-	-	-	-	-	-	6,077,248
Other institutions	63,197	-	-	-	-	-	-	-	63,197
Commercial and other institutions	-	-	-	-	-	-	-	-	-
<b>Banks and participation banks</b>	<b>27,374</b>	-	-	-	-	-	-	-	<b>27,374</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	25,765	-	-	-	-	-	-	-	25,765
Participation banks	1,309	-	-	-	-	-	-	-	1,309
Others	300	-	-	-	-	-	-	-	300
<b>IV. Profit sharing accounts-TL</b>	-	<b>807,347</b>	<b>1,105,664</b>	<b>35,973</b>	-	<b>462,225</b>	<b>79,481</b>	<b>18</b>	<b>2,490,708</b>
Public sector	-	214	857	690	-	13,362	-	-	15,123
Commercial sector	-	671,325	917,485	14,544	-	428,730	78,801	18	2,110,903
Other institutions	-	133,254	187,294	20,739	-	19,759	680	-	361,726
Commercial and other institutions	-	2,554	7	-	-	374	-	-	2,935
Banks and participation banks	-	-	21	-	-	-	-	-	21
<b>V. Real persons current accounts-FC</b>	<b>23,826,443</b>	-	-	-	-	-	-	-	<b>23,826,443</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>8,633,381</b>	<b>11,479,574</b>	<b>1,246,124</b>	-	<b>2,756,742</b>	<b>2,908,675</b>	<b>5,837</b>	<b>27,030,333</b>
<b>VII. Other current accounts-FC</b>	<b>14,443,137</b>	-	-	-	-	-	-	-	<b>14,443,137</b>
Commercial residents in Turkey	10,164,557	-	-	-	-	-	-	-	10,164,557
Commercial residents in Abroad	2,132,512	-	-	-	-	-	-	-	2,132,512
<b>Banks and participation banks</b>	<b>2,146,068</b>	-	-	-	-	-	-	-	<b>2,146,068</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	2,144,438	-	-	-	-	-	-	-	2,144,438
Participation banks	1,630	-	-	-	-	-	-	-	1,630
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>1,010,406</b>	<b>1,802,362</b>	<b>264,417</b>	-	<b>402,827</b>	<b>147,975</b>	-	<b>3,627,987</b>
Public sector	-	4	-	525	-	-	-	-	529
Commercial sector	-	960,694	1,330,691	81,523	-	39,810	65,845	-	2,478,563
Other institutions	-	27,889	186,644	182,355	-	362,431	82,130	-	841,449
Commercial and other institutions	-	21,819	285,027	14	-	586	-	-	307,446
Banks and participation banks	-	-	-	-	-	-	-	-	-
<b>IX. Precious metal funds</b>	<b>29,869,642</b>	<b>5,958,185</b>	<b>2,744,323</b>	<b>410,127</b>	-	<b>310,317</b>	<b>11,379</b>	-	<b>39,303,973</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>87,944,917</b>	<b>25,886,253</b>	<b>27,425,560</b>	<b>2,458,601</b>	-	<b>4,512,123</b>	<b>3,875,119</b>	<b>26,140</b>	<b>152,128,713</b>

There are no 7 days notification accounts of the Group.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

Prior period	Demand	Up to 1 months	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>9,214,591</b>	-	-	-	-	-	-	-	<b>9,214,591</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>6,461,888</b>	<b>8,497,859</b>	<b>508,942</b>	-	<b>729,392</b>	<b>956,849</b>	<b>22,604</b>	<b>17,177,534</b>
<b>III. Other current accounts-TL</b>	<b>5,029,690</b>	-	-	-	-	-	-	-	<b>5,029,690</b>
Public sector	194,879	-	-	-	-	-	-	-	194,879
Commercial sector	4,783,318	-	-	-	-	-	-	-	4,783,318
Other institutions	39,576	-	-	-	-	-	-	-	39,576
Commercial and other institutions	-	-	-	-	-	-	-	-	-
<b>Banks and participation banks</b>	<b>11,917</b>	-	-	-	-	-	-	-	<b>11,917</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	11,614	-	-	-	-	-	-	-	11,614
Participation banks	303	-	-	-	-	-	-	-	303
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>602,957</b>	<b>989,697</b>	<b>42,390</b>	-	<b>312,745</b>	<b>109,333</b>	<b>2</b>	<b>2,057,124</b>
Public sector	-	322	602	645	-	11,465	-	-	13,034
Commercial sector	-	530,069	841,232	33,935	-	287,086	108,842	2	1,801,166
Other institutions	-	72,504	147,843	7,810	-	14,186	491	-	242,834
Commercial and other institutions	-	62	-	-	-	8	-	-	70
Banks and participation banks	-	-	20	-	-	-	-	-	20
<b>V. Real persons current accounts-FC</b>	<b>21,358,154</b>	-	-	-	-	-	-	-	<b>21,358,154</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>6,979,266</b>	<b>8,866,523</b>	<b>1,111,289</b>	-	<b>2,284,117</b>	<b>2,464,048</b>	<b>4,205</b>	<b>21,709,448</b>
<b>VII. Other current accounts-FC</b>	<b>10,739,481</b>	-	-	-	-	-	-	-	<b>10,739,481</b>
Commercial residents in Turkey	8,823,743	-	-	-	-	-	-	-	8,823,743
Commercial residents in Abroad	1,282,174	-	-	-	-	-	-	-	1,282,174
<b>Banks and participation banks</b>	<b>633,564</b>	-	-	-	-	-	-	-	<b>633,564</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	628,905	-	-	-	-	-	-	-	628,905
Participation banks	4,659	-	-	-	-	-	-	-	4,659
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>745,772</b>	<b>1,656,288</b>	<b>107,516</b>	-	<b>177,058</b>	<b>123,297</b>	-	<b>2,809,931</b>
Public sector	-	3	-	-	-	-	-	-	3
Commercial sector	-	670,072	1,404,349	34,838	-	30,766	58,728	-	2,198,753
Other institutions	-	32,466	91,760	72,666	-	145,794	64,569	-	407,255
Commercial and other institutions	-	43,231	160,179	12	-	498	-	-	203,920
Banks and participation banks	-	-	-	-	-	-	-	-	-
<b>IX. Precious metal funds</b>	<b>28,025,054</b>	<b>5,342,933</b>	<b>2,559,094</b>	<b>379,540</b>	-	<b>281,184</b>	<b>10,713</b>	<b>90</b>	<b>36,598,608</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>74,366,970</b>	<b>20,132,816</b>	<b>22,569,461</b>	<b>2,149,677</b>	-	<b>3,784,496</b>	<b>3,664,240</b>	<b>26,901</b>	<b>126,694,561</b>

There are no 7 days notification of the Group.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

**2.1.2.1** Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	20,400,058	15,907,330	14,610,440	10,483,445
FC accounts	33,124,243	33,522,314	50,901,904	40,073,387
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 150.000 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

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

The headquarters of the Parent Bank is in Turkey.

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

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

	Current Period	Prior Period
Foreign branches' profit-sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit-sharing accounts of their mother, father, spouse and children in care	12,408	11,651
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 offshore banking activities solely	-	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**2.2 Information on derivative financial liabilities held for trading:**

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	11,852	2,493	23,081	2,927
Swap transactions	192,995	277,845	1,367,405	283,393
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>204,847</b>	<b>280,338</b>	<b>1,390,486</b>	<b>286,320</b>

**2.3. Information on funds borrowed:**

**2.3.1 Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	161,366	62,451	129,343	38,870
From Foreign Banks, Institutions and Funds	70,022	4,435,134	45,929	4,990,179
<b>Total</b>	<b>231,388</b>	<b>4,497,585</b>	<b>175,272</b>	<b>5,029,049</b>

**2.3.2 Information on maturity structure of borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	186,591	3,156,338	175,272	3,914,835
Medium and Long-Term	44,797	1,341,247	-	1,114,214
<b>Total</b>	<b>231,388</b>	<b>4,497,585</b>	<b>175,272</b>	<b>5,029,049</b>

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

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

**2.4. Information on securities issued**

The Group has issued sukuks, detailed below. The average return on securities issued is 18.39% for Turkish Lira and 5.08% for USD. The maturity of sukuk issued in Turkish Lira is between July 2021 and October 2021; and Maturity of sukuk issued in USD is between November 2021.

Current Period	TL		FC	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
Nominal	4,317,520	-	-	4,342,545
Remaining Income Distribution	195,433	-	-	861,638
Book Value	4,289,304	-	-	3,971,733

Perior Period	TL		FC	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
Nominal	2,430,838	-	-	3,703,265
Remaining Income Distribution	102,521	-	-	915,938
Book Value	1,821,975	-	-	3,337,298

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**2.5 Information on other liabilities and miscellaneous payables:**

As of 30 June 2021, other liabilities amount to TL 2,118,267 (31 December 2020 – TL 1,410,151), sundry creditors amount to TL 1,669,048 (31 December 2020 - TL 783,731), both of them do not exceed 10% of the balance sheet total.

**2.6 Information on finance lease payables (Net):**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	14,007	16,631	147,042	137,379
1 to 4 years	36,532	35,100	253,354	165,644
More than 4 years	480,246	306,110	127,183	46,271
<b>Total</b>	<b>530,785</b>	<b>357,841</b>	<b>527,579</b>	<b>349,294</b>

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

**2.6.1. Explanations on contract changes and the new obligations these changes bring to the Group:**

None (31 December 2020 – None).

**2.6.1.1. Explanations on financial leasing obligations**

None (31 December 2020 – None).

**2.6.1.2. Explanations on operating lease:**

Leasing is classified as an operating lease in which the lessor holds all the risks and benefits of that asset. Such transactions include lease agreements belonging to branches, which can be cancelled with prior notice.

There are no significant obligations imposed by the changes in the contract related to the operating lease to the Group.

The group registers its lease payments based on operating lease agreements with equal amounts of expenses during the lease term.

**2.7 Information on hedging derivative financial liabilities:**

None. (31 December 2020 - None)

**2.8 Information on provisions:**

**2.8.1** Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 30 June 2021, foreign currency indexed loans amounting to TL 8 (December 31, 2020 – TL 3) for loans and TL 33 (December 31, 2020 – TL 87) for financial leasing receivables are offset from foreign currency depreciation of loans and leasing receivables.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**2.8.2 Information on other provisions:**

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions for non-cash loans that are not indemnified converted into cash	443,615	440,411
General Provisions for non-cash loans	157,695	165,538
Provision for profits will be allocated to participation accounts	263,646	447,552
Credit cards of banking services applications	3,063	3,237
Other (*)	136,192	109,796
<b>Total</b>	<b>1,004,211</b>	<b>1,166,534</b>

(\*) The other item is mainly collected from customers in the current period in case of TL 52,335 (December 31, 2020 – TL 35,525) lawsuit provision, TL 0 (December 31, 2020 – TL 100) expense provision, TL 70,969 (December 31, 2020 – TL 56,211) delay penalties calculated for credit installments those are collected after their due dates which will be re-paid to customers in 5 years and the other provision of TL 12,888 (December 31, 2020 – TL 17,960).

**2.8.3 Information on provisions for employee benefits:**

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 218,412 (31 December 2020 – TL 189,033), vacation pay liability amounting to TL 27,654 (31 December 2020 – TL 2,714), performance premium amounting to TL 67,044 (31 December 2020 – TL 145,178), retirement bonuses on payment of TL 83,807 (31 December 2020 – TL 86,659), committee fee amounting to TL 8,328 (31 December 2020 – TL 13,627) and other fees amounting to TL 287 (31 December 2020 – TL 243).

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

The compensation to be paid is up to one month's salary for each service year and this amount is limited to 7,638.96 TL (full TL amount) (31 December 2020 - 6,730.15 TL (full TL amount)).The liability is not funded, as there is no funding requirement.

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

	<b>Current Period</b>	<b>Prior Period</b>
Discount rate (%)	12.80	12.10
Inflation rate (%)	10.10	8.00
Salary increase rate (%)	16.00	25.00

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

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period	189,033	122,748
Provisions recognized during the period	35,782	30,769
Paid during the period	(6,403)	(4,704)
Actuarial loss	-	40,220
<b>Balances at the end of the period</b>	<b>218,412</b>	<b>189,033</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**2.9 Explanations on tax liability:**

**2.9.1 Explanations on current tax liability:**

**2.9.1.1** Information on tax provisions: TL 221,097. (31 December 2020 – TL 389,870)

**2.9.1.2** Information on taxes payable (\*):

	Current Period	Prior Period
Taxation of marketable securities	27,570	26,382
Taxation of immovable property	1,125	969
Banking Insurance Transaction Tax (BITT)	35,165	30,458
Foreign Exchange Transaction Tax	25,309	23,676
Value Added Tax Payable	2,188	2,792
Income tax deducted from wages	15,126	15,010
Other	1,931	1,679
<b>Total</b>	<b>108,414</b>	<b>100,966</b>

(\*) Included in Other Liabilities/Miscellaneous Payables in the Balance Sheet.

**2.9.1.3** Information on premiums (\*):

	Current Period	Prior Period
Social Security Premiums-Employee	10,147	8,626
Social Security Premiums-Employer	10,846	9,270
Unemployment insurance-Employee	724	617
Unemployment insurance-Employer	1,573	1,484
Other	-	-
<b>Total</b>	<b>23,290</b>	<b>19,997</b>

(\*) Included in Other Liabilities/Miscellaneous Payables in the Balance Sheet.

**2.9.1.4** Informations on deferred tax liability:

None (31 December 2020 - None).

**2.10 Information on payables related to assets held for sale:**

None (31 December 2020 – None).

**2.11 Information on subordinated loans:**

	Current Period		Prior Period	
	TP	YP	TP	YP
From Domestic Banks	-	-	-	-
From Other Domestic Organizations	-	-	-	-
From Foreign Banks	-	-	-	-
Other Foreign Organizations	-	2,254,714	-	4,590,265
<b>Total</b>	<b>-</b>	<b>2,254,714</b>	<b>-</b>	<b>4,590,265</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**2.12 Information on shareholders' equity:**

**2.12.1 Presentation of paid-in capital:**

	<b>Current Period</b>	<b>Prior Period</b>
Common shares	4,600,000	4,600,000
Preference shares	-	-
Repurchased shares amount (*)	(4,869)	(4,869)
<b>Total</b>	<b>4,595,131</b>	<b>4,595,131</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.

**2.12.2 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 Parent Bank.

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

None

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

None

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

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

**2.12.6 Summary of privileges given to shares representing the capital:**

None (31 December 2020- None).

**2.12.7 Information on marketable securities value increase fund:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	(214,098)	109,783	(81,130)	94,206
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(214,098)</b>	<b>109,783</b>	<b>(81,130)</b>	<b>94,206</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.

**2.13 Information on minority shares:**

30 June 2021 - TL 30,534. (31 December 2020 - TL 30,004).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

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

**3.1.1** Types and amounts of irrevocable commitments:

Commitment for credit card limits, as of 30 June 2021 amounts to TL 4,258,261 (31 December 2020 – TL 3,503,366); payment commitments for cheque books amounts to TL 1,738,216 (31 December 2020 – TL 1,372,786).

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

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

As of 30 June 2021, the Group has guarantees and surety ships constituting of TL 9,714,299 (31 December 2020 – TL 9,588,633) of letters of guarantee; TL 61,986 (31 December 2020 – TL 40,996) of acceptances and TL 2,732,510 (31 December 2020 – TL 1,685,022) of letters of credit. Also, Parent Bank has other acceptances amounting to TL 729,928 (31 December 2020 – TL 546,682).

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

**3.1.3** Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	52,017	33,229
With original maturity of 1 year or less	52,017	33,229
With original maturity of more than 1 year	-	-
Other non-cash loans	13,186,706	11,828,104
<b>Total</b>	<b>13,238,723</b>	<b>11,861,333</b>

**3.1.4.** Information on sector-based risk concentration in non-cash loans:

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

**3.1.5.** Information on non-cash loans classified in Group I and II:

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

**3.2. Explanations on derivative transactions:**

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

**3.3. Explanations on credit derivatives and their risks:**

None.

**3.4. Explanations on contingent liabilities and assets:**

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

**3.5. Explanations on services provided to others names and accounts:**

None.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**3.6. Summary information on the rating of the Parent Bank to international rating agencies**

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

**4. Explanations and notes related to the consolidated statement of income**

**4.1 Information on profit share income:**

**4.1.1 Information on profit share received from loans:**

	Current period		Prior period	
	TL	FC	TL	FC
<b>Profit share on loans</b>	<b>3,194,968</b>	<b>654,411</b>	<b>2,431,639</b>	<b>489,220</b>
Short term loans	900,369	156,407	488,685	87,112
Medium- and long-term loans	2,105,563	472,339	1,918,888	400,986
Profit share on non-performing loans	189,036	25,665	24,066	1,122
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>3,194,968</b>	<b>654,411</b>	<b>2,431,639</b>	<b>489,220</b>

**4.1.2 Information on profit share received from banks:**

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	67,838	7,056	-	-
Foreign Banks	5,007	48,008	79,182	49,851
Branches and head office abroad	-	-	-	254
<b>Total</b>	<b>72,845</b>	<b>55,064</b>	<b>79,182</b>	<b>50,105</b>

**4.1.3 Information on profit share income from securities portfolio:**

	Current Period		Prior Period	
	TP	YP	TP	YP
Financial Assets at Fair Value through Profit or Loss	35,428	79,227	43,790	110,600
Financial Assets at Fair Value Through Other Comprehensive Income	1,236,166	196,624	509,315	198,719
Financial Assets valued at Amortized Cost	44,196	49,463	23,146	71,483
<b>Total</b>	<b>1,315,790</b>	<b>325,314</b>	<b>576,251</b>	<b>380,802</b>

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

	Current Period	Prior Period
Profit share income received from associates and subsidiaries	5	50



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**4.2 Information on profit share expenses:**

**4.2.1 Information on profit share given to loans used:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	<b>12,723</b>	<b>70,323</b>	<b>14,835</b>	<b>4,674</b>
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	9,786	1,198	14,835	2,687
Foreign banks	2,937	69,125	-	1,987
Branches and head office abroad	-	-	-	-
Other Institutions	-	120,942	-	154,087
<b>Total</b>	<b>12,723</b>	<b>191,265</b>	<b>14,835</b>	<b>158,761</b>

**4.2.2 Profit share expense given to associates and subsidiaries:**

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	676	465

**4.2.3 Profit share expense paid to securities issued:**

30 June 2021 – TL 383,244 (1 January - 30 June 2020 – TL 169,549).

**4.3 Information on dividend income:**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**4.4 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 months</b>	<b>Up to 3 months</b>	<b>Up to 6 months</b>	<b>Up to 9 months</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	495,498	606,220	31,767	-	39,319	48,677	1,283	1,222,764	
Public-sector profit-sharing account	17	54	45	-	17	-	-	133	
Commercial sector profit sharing account	36,997	57,964	1,163	-	996	652	-	97,772	
Other institutions profit sharing account	6,752	10,926	755	-	409	30	-	18,872	
<b>Total</b>	<b>539,264</b>	<b>675,164</b>	<b>33,730</b>	<b>-</b>	<b>40,741</b>	<b>49,359</b>	<b>1,283</b>	<b>1,339,541</b>	
<b>FC</b>									
Banks	-	-	-	-	-	-	-	-	
Real person's non-trading profit sharing account	29,967	49,054	4,006	-	6,548	8,192	38	97,805	
Public-sector profit-sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	2,613	5,201	159	-	118	34	-	8,125	
Other institutions profit sharing account	210	909	3	-	4	-	-	1,126	
Precious metal accounts	3,862	1,840	261	-	204	-	-	6,167	
<b>Total</b>	<b>36,652</b>	<b>57,004</b>	<b>4,429</b>	<b>-</b>	<b>6,874</b>	<b>8,226</b>	<b>38</b>	<b>113,223</b>	
<b>Grand Total</b>	<b>575,916</b>	<b>732,168</b>	<b>38,159</b>	<b>-</b>	<b>47,615</b>	<b>57,585</b>	<b>1,321</b>	<b>1,452,764</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 months</b>	<b>Up to 3 months</b>	<b>Up to 6 months</b>	<b>Up to 9 months</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	268,826	418,480	27,946	-	30,763	46,216	561	792,792	
Public-sector profit-sharing account	11	3	26	-	14	-	-	54	
Commercial sector profit sharing account	22,044	44,049	2,662	-	971	651	-	70,377	
Other institutions profit sharing account	2,085	5,309	631	-	209	76	-	8,310	
<b>Total</b>	<b>292,966</b>	<b>467,841</b>	<b>31,265</b>	<b>-</b>	<b>31,957</b>	<b>46,943</b>	<b>561</b>	<b>871,533</b>	
<b>FC</b>									
Banks	15	448	27	-	-	-	-	490	
Real person's non-trading profit sharing account	22,984	45,777	5,935	-	5,317	7,525	4	87,542	
Public-sector profit-sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	2,057	7,218	267	-	321	59	-	9,922	
Other institutions profit sharing account	234	875	107	-	61	-	-	1,277	
Precious metal accounts	5,242	4,086	530	-	457	-	-	10,315	
<b>Total</b>	<b>30,532</b>	<b>58,404</b>	<b>6,866</b>	<b>-</b>	<b>6,156</b>	<b>7,584</b>	<b>4</b>	<b>109,546</b>	
<b>Grand Total</b>	<b>323,498</b>	<b>526,245</b>	<b>38,131</b>	<b>-</b>	<b>38,113</b>	<b>54,527</b>	<b>565</b>	<b>981,079</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**4.5 Information on trading income/loss (Net):**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Trading profit / loss (net)</b>	<b>214,283</b>	<b>886,380</b>
<b>Profit</b>	<b>42,010,098</b>	<b>20,631,955</b>
Gain on capital market transactions	76,174	60,613
Gain on derivative financial instruments	4,717,800	2,143,032
Foreign exchange profit	37,216,124	18,428,310
<b>Losses (-)</b>	<b>(41,795,815)</b>	<b>(19,745,575)</b>
Losses on capital market transactions	(10,506)	(8,630)
Losses on derivative financial instruments	(3,853,892)	(2,607,965)
Foreign exchange losses	(37,931,417)	(17,128,980)

**4.6 Information on other operating income:**

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

	<b>Current Period</b>	<b>Prior Period</b>
Reversal of prior period provisions	1,076,636	774,920
Reversal of provisions from profits shares to be distributed to participation accounts	232,179	7,215
Income from sale of assets	62,455	38,650
Rental income	5,468	1,495
Other Income	23,780	23,400
<b>Total</b>	<b>1,400,518</b>	<b>845,680</b>

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

	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
<b>Expected Credit Loss</b>	<b>1,713,803</b>	<b>1,580,339</b>
12 month expected credit loss (Stage 1)	208,656	554,187
Significant increase in credit risk (Stage 2)	1,046,386	486,415
Non-performing loans (Stage 3)	458,761	539,737
Marketable Securities Impairment Expense	1,840	3,954
Financial Assets at Fair Value through Profit or Loss	1,840	3,954
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	35,427	136,322
<b>Total</b>	<b>1,751,070</b>	<b>1,720,615</b>

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**4.8 Information on other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Provision for retirement pay liability (*)	29,379	14,856
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	120,903	104,077
Impairment Expenses of intangible fixed assets	-	-
Depreciation expenses of intangible assets	33,936	22,258
Depreciation expenses of assets held for sale	-	-
Other operating expenses	236,307	211,180
Lease Expenses Regarding TFRS 16 Exemptions	7,357	6,152
Maintenance expenses	37,953	30,064
Advertisement expenses	13,028	16,331
Communication expenses	37,988	32,144
Heating, electricity and water expenses	13,495	13,572
Cleaning expenses	4,999	4,198
Vehicle expenses	5,688	4,170
Stationery expenses	5,711	5,244
Other expenses	110,088	99,305
Losses on sales of assets	3,482	98
Deposit insurance fund expenses	209,251	146,176
Other (**)	663,297	631,371
<b>Total</b>	<b>1,296,555</b>	<b>1,130,016</b>

(\*) In the profit or loss statement, provision for severance pay for the prior period is classified in the "Personnel Expenses" line.

(\*) In the current period, 534,934 TL (1 January-30 June 2020 – 491,273 TL) includes the damage payment made to the risks for which insurance coverage is given.

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

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

**4.10 Information on tax provision for continued and discontinued operations:**

Current period tax provision for the period amounting to TL 580,952 (1 January-30 June 2020 – TL 326,475), deferred tax expense of TL 55,877 (1 January-30 June 2020 – TL 158,891) and TL 248,802 (1 January-30 June 2020 – TL 249,237) deferred tax income is recognized.

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

There is no profit/loss arising from discontinued operations within the operating profit/loss after tax.

**4.12 Information on net income/loss:**

**4.12.1** The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 30 June 2021, net profit share income is TL 3,653,280 (1 January-30 June 2020 – TL 2,758,992) net fees and commission income is TL 214,436 (1 January-30 June 2020 – TL 126,137).

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

None (1 January - 30 June 2020 – None).

**4.12.3 Profit/Loss attributable to minority interest:**

	<b>Current Period</b>	<b>Prior Period</b>
Profit / (Loss) of Minority Shares	(25,480)	10,985

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

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

As of 30 June 2021, other fees and commissions received is TL 461,452 (1 January – 30 June 2020 – TL 325,136), TL 120,796 of this amount is related with credit card fees and commissions (1 January – 30 June 2020 – TL63,501) and TL 85,682 of this amount is related with POS machine commissions (1 January - 30 June 2020 – TL 55,564).

As of 30 June 2021, other fees and commissions given is TL 305,997 (1 January - 30 June 2020 – TL 283,773), TL 94,512 (1 January - 30 June 2020 – TL 49,089) of this amount is related with POS clearing commissions and installation expenses, TL 29,161 (1 January - 30 June 2020 – TL 15,852) of this amount is related with fees and commissions paid for credit cards.

**5. Explanations and Notes Related to the Consolidated Statement of Shareholders' Equity**

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

**6. Explanations and Notes Related to Consolidated Statement of Cash Flows**

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

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

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

Current period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Balance at beginning of period	169	16,291	4,695	6,709	54,992	6,632
Balance at end of period	99	18,977	5,186	16,115	71,467	353
Profit share and commission income	-	5	241	50	2,274	-

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

Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Balance at beginning of period	182	18,827	1,868	7,206	780,512	723
Balance at end of period	169	16,291	4,695	6,709	54,992	6,632
Profit share and commission income	-	50	69	44	2,600	-

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**7.2 Information on current and profit-sharing accounts of the Group's risk group:**

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior period	Current period	Prior Period	Current period	Prior period
Current and profit-sharing accounts						
Balance at beginning of period	24,405	54,178	58,677	151,321	203,570	137,061
Balance at end of period	15,030	24,405	72,763	58,677	230,460	203,570
Profit share expense	676	465	558	325	149	130

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

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior period	Current period	Prior Period	Current period	Prior period
<b>Transactions at Fair Value through Profit or Loss</b>						
Balance at beginning of period	-	-	716,065	607,498	-	-
Balance at end of period	-	-	833,570	716,065	-	-
Total Profit / Loss	-	-	(9,596)	(13,619)	-	-
<b>Hedging Transactions</b>						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Borrowings						
Balance at beginning of period	-	-	1,481,347	68,696	-	-
Balance at end of period	-	-	174,987	1,481,347	-	-
Profit share expense	-	-	1,244	-	-	-

**7.5 Information on subordinated loans used by the Group from its risk group:**

Subordinated additional capital (Tier-I) sukuks amounting to USD 200,000,000 (full amount) executed by the Bank on 16/07/2019 and USD 50,000,000 (full amount) executed by the Bank on 28/09/2020 are provided by Kuwait Finance House.

**7.6 Information on remunerations provided to top management:**

As of 1 January - 30 June 2021, the Bank has paid TL 82,869 to top management (1 January – 30 June 2020- TL 65,022).

**8. Information about the branches of the group in domestic, foreign and coastal banking regions and their representative offices abroad**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

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

Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 262,110 on 2 July 2021 and a maturity of 89 days with a cost of 18.54%

Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 143,890 on 5 July 2021 and a maturity of 72 days with a cost of 18.00%

Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 200,000 on 16 July 2021 and a maturity of 91 days with a cost of 18.74%

Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 700,000 on 28 July 2021 and a maturity of 91 days with a cost of 18.15%

**SECTION SIX**

**OTHER EXPLANATIONS**

**1. Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet:**

None

**SECTION SEVEN**

**LIMITED REVIEW REPORT**

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

The consolidated financial statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 6 August 2021 is presented preceding the financial statements.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

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

**1. The Parent Bank explanations on interim annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager**

**1.1 About Kuveyt Türk**

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

62.24% of the Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by Wafra International Investment Company 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

**1.2 Financial Informations Summary:**

<b>CONSOLIDATED BALANCE SHEET</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
CASH BALANCES AND CENTRAL BANK	40,637,202	25,110,970
BANKS	9,777,959	7,370,553
SECURITIES	38,219,152	34,986,094
LOANS	90,365,560	77,954,825
FINANCE LEASE RECEIVABLES (Net)	7,625,567	5,010,996
EXPECTED CREDIT LOSS	6,746,847	5,449,476
TANGIBLE ASSETS (Net)	965,099	924,082
OTHER ASSETS	6,532,660	12,289,069
<b>TOTAL ASSETS</b>	<b>187,376,352</b>	<b>158,197,113</b>
FUND COLLECTED	152,128,713	126,694,561
FUNDS BORROWED	4,728,973	5,204,321
MARKETABLE SECURITIES ISSUED (Net)	8,261,037	5,159,273
FINANCE LEASE PAYABLES (Net)	357,841	349,294
SUBORDINATED LOANS	2,254,714	4,590,265
OTHER LIABILITIES	10,398,301	8,168,585
EQUITY	9,246,773	8,030,814
<b>TOTAL LIABILITIES</b>	<b>187,376,352</b>	<b>158,197,113</b>
<b>CONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
PROFIT SHARE INCOME	5,986,667	4,196,927
PROFIT SHARE EXPENSE	2,333,387	1,437,935
NET PROFIT SHARE INCOME/EXPENSE	3,653,280	2,758,992
NET FEES AND COMMISSION INCOME/EXPENSE	214,436	126,137
PERSONNEL EXPENSES	787,518	675,328
DIVIDEND INCOME	5,843	8
NET TRADING INCOME / LOSS	214,283	886,380
OTHER OPERATING INCOME	1,400,518	845,680
EXPECTED CREDIT LOSS (-)	1,713,803	1,580,339
OTHER PROVISION EXPENSES (-)	37,267	140,276
OTHER OPERATING EXPENSES (-)	1,296,555	1,115,160
PROFIT / LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING	13,919	9,439
INCOME/ LOSS BEFORE TAX	1,667,136	1,115,533
TAX CHARGE	388,027	236,129
<b>CURRENT PERIOD INCOME/LOSSES</b>	<b>1,279,109</b>	<b>879,404</b>
	<b>30.06.2021</b>	<b>31.12.2020</b>
Total Loans/Total Assets*	52.30%	52.44%
Total Loans/Fund Collected*	64.41%	65.48%
Average Equity Profit **	29.61%	22.94%
Average Assets Profit **	1.48%	1.31%
Capital Adequacy Ratio	15.02%	19.97%

\* 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

**1.3 Message from the Chairman**

Dear shareholders,

In the second quarter of 2021, the coronavirus epidemic, which continues to be the main agenda item of the country's economies, is tried to be brought under control with the ongoing vaccination process around the world. Although many countries have started normalization practices with the increase in the vaccination rate, the rapid spread of the delta variant of the virus, which was first seen in India, on a global scale brings with it the concern of a new wave in the epidemic.

The Organization for Economic Cooperation and Development (OECD), in its May Economic Outlook Report, stated that the global economy continues to recover despite many problems, and that as a result of the decisions taken, new waves in the coronavirus epidemic are more successfully combated in many countries. On the other hand, the report emphasized that low-income countries do not have sufficient access to the vaccine, and it was noted that unless the vast majority of the global population is vaccinated, the whole world will not be successful in the fight against new variants of the coronavirus and an environment of trust in the global economy will not be established.

In the report, in which the OECD also shared its growth projections, the global economy growth forecast, which was announced as 5.6 percent for 2021 in March, was increased to 5.8 percent. The organization revised its global economic growth forecast for 2022 from 4 percent to 4.4 percent. The growth forecast for the US economy, which was announced as 6.5 percent for 2021, was revised to 6.9 percent, while the Euro Area growth forecast was revised from 3.9 percent to 4.3 percent. In the report, the growth forecast for the Turkish economy was reduced from 5.9 percent to 5.7 percent for 2021, while it was increased from 3 percent to 3.4 percent for 2022.

In its meeting held in June, the US Federal Reserve (FED) kept the policy rate constant in the range of 0-0.25 percent, in line with the expectations. In the statement, it was stated that the progress in vaccination and strong policy support strengthened the indicators of economic activity and data on the employment market. While the economic activity in the USA continues to improve, the fact that the annual CPI is 5.4 percent, which is above the expectations and at the peak of the last 13 years, strengthened the expectations in the markets that the FED might tighten sooner than expected. However, the FED maintains its view that inflation is rising faster than expected, that this increase will be temporary, that price increases will decrease with the normalization steps in the economy, and that inflation will converge to the level of 2% in 2022. FED's determination to continue expansionary monetary policies in order to reach inflation and employment targets has reduced the perception of global risk.

In its meeting held in June, the European Central Bank (ECB) did not change interest rates in line with market expectations. The ECB has announced that it will continue to make purchases within the scope of the Pandemic Urgent Asset Purchase Program faster than in the first months of the year. European Central Bank President Christine Lagarde stated that they expect annual CPI inflation to continue to rise in the second half of the year due to temporary factors.

The CBRT kept the policy rate unchanged at 19 percent at the meeting held in June. In the statement, it was stated that the acceleration of vaccination worldwide supports the recovery process in the global economy. With this development, it was stated that the rapid recovery in global demand, the upward trend in commodity prices, supply constraints in some sectors and the increase in transportation costs led to an increase in producer and consumer prices on an international scale.

In the decision of the CBRT Monetary Policy Committee published after the meeting, it was emphasized that the current tight stance in monetary policy would be maintained decisively until a significant decrease in the inflation report forecasting policy was achieved, taking into account the high levels of inflation and inflation expectations.

In the first quarter of 2021, the Turkish economy showed a growth performance of 7 percent with the strong impact of domestic demand and the support from foreign demand due to the recovery in global activity. In the second half of the year, stronger growth is expected due to the base effect.

Kuveyt Türk continues to support the real sector in a challenging 2020 year as well. Aiming a significant growth in the funds provided in 2021, Kuveyt Türk aims to focus on products and services for foreign trade customers, especially in order to bring foreign currency resources to the real sector effectively. Kuveyt Türk considers it important to increase sectoral diversity on the financing side, particularly in the agriculture, tourism and energy sectors, in the context of supporting the real economy.

Our expert, educated, young and dynamic employees will be the carrier of our success in the 2021 operating period. I would like to express my gratitude to our employees who contributed to our success and to our shareholders for their unwavering support.

Regards,

**Hamad Abdulmohsen ALMARZOUQ**

Head of the BOD

Kuveyt Türk Katılım Bankası

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2021

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

---

#### 1.4 Message from the General Manager

The global economy, which contracted in 2020 due to the coronavirus epidemic, continues its recovery process with the acceleration of vaccination activities worldwide and the increase in supportive policies. With the relaxation of the social isolation rules of the countries that have made progress in vaccination programs, a revival in economic activity has begun to be seen. However, the cost and demand-side inflation caused by the recovery in global demand and the increase in commodity prices are closely followed by the financial markets.

Turkey's leading participation finance institution, Kuveyt Türk, shaped its main focus within the framework of the health of customers and employees in the second quarter of 2021, when the epidemic continued, and continued to meet the financial needs of customers in an easy, fast and secure manner through digital channels with its strong technological infrastructure. Kuveyt Türk continued to increase its support for the real sector despite the epidemic conditions.

Offering interest-free financial services to its customers for 32 years with its products and services developed in line with the principles of participation finance, Kuveyt Türk continued its steady growth by increasing its profitability in the second quarter of 2021, increasing its net profit by 37 percent compared to the same period of the previous year, to TL 1 billion. The size of the funds collected by Kuveyt Türk increased by 18 percent compared to 2020 and reached 144.5 billion TRY, while the size of the funds extended increased by 18 percent to 93 billion TRY. Having reached TL 8.9 billion in equity and TL 177.6 billion in asset size, Kuveyt Türk strengthened its position in the first rank among participation finance institutions in terms of asset size, while maintaining its position in the 10th rank in the banking sector.

Providing services to its customers in the field of participation finance through its 439 branches and digital channels throughout Turkey, Kuveyt Türk started the period of being a remote customer with video calls, with the legal regulation that came into effect as of May 1, 2021. Those who want to be a Kuveyt Türk customer can become a remote customer within minutes with a simple and fluent customer experience, without going to the branch, with a video call from anywhere. Bringing the convenience of being a customer to the distance of the phone, Kuveyt Türk aims to be one of the financial institutions that offer the best customer experience in Turkey in terms of being a customer via remote call.

As of 2021, Kuveyt Türk became a member of the FCI, which has nearly 400 members in more than 90 countries, which was established to contribute to the development of international trade volume and supports forward exports. Being the first participation finance institution to become a member of the FCI from Turkey, Kuveyt Türk aims to provide all its exporting legal customers with a comprehensive service that combines collection management, receivables guarantee and financing products for overseas sales of goods and services.

Focusing on innovative products and services, Kuveyt Türk developed the On-Site Financing service in the first half of 2021 in order to meet its customers' financing needs in a straightforward, easy and fast manner. Customers can apply for financing online by scanning the QR code through the Kuveyt Türk Mobile application for the purchases they want to make from contracted workplaces and e-commerce sites. The On-Site Financing service, where approved customers can make their purchases in 36 installments, can be used 24 hours a day, 7 days a week.

Standing out with its innovative products and services, Kuveyt Türk was deemed worthy of three different awards at the IDC Turkey Finance Technology Awards. At the award ceremony held within the scope of the IDC Finance Summit, gold with the XTM concept, which was made by a team of entirely domestic engineers at Kuveyt Türk's R&D centers, combining branch services and ATM practicality, and offering services for the hearing impaired with sign language; The Digital Explorer product, which was developed for our children, the future of our country, to gain financial literacy skills and a culture of savings, won the silver award. Architekt, a 100 percent subsidiary of Kuveyt Türk, won the first prize with the Airplatform solution it developed.

Acting with the principle of "people first, employee first" and implementing original human resources practices in this direction, Kuveyt Türk ranked first in the category of "The Best Employers of Turkey in 2021, 5000+ Employees" organized by the Great Place to Work Institute in the field of human resources, and ranked fourth in a row. has been selected as "Turkey's Best Employer" for the first time. The technology company Architekt, a 100 percent subsidiary of Kuveyt Türk, managed to enter the list of the best employers for the second time in the 50-250 Number of Employees category. Kuveyt Türk also received the "Best Islamic Financial Institution of Turkey" award at the World's Best Banks Awards organized by Global Finance Magazine.

Kuveyt Türk, with its strong capital and liquidity structure, high asset quality, dynamic corporate management approach, customer service model focused on continuous development, ongoing investments in technology, accelerated digital transformation efforts and overseas expansion, will be the leading institution of the participation finance sector in Turkey in the coming period aims to remain.

Regards,  
**Ufuk UYAN**  
Member of BOD and General Manager  
Kuveyt Türk Katılım Bankası

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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

---

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

As of 30 June 2021, consolidated financial statements asset size is TL 187 billion 376 million, amount of the utilization of funds is TL 98 billion and funds collected amount is TL 152 billion 129 million. Due to the effect of the first six months' profit of TL 1 billion 279 million, the ratio of shareholder equity increased 15.14% by reaching TL 9 billion 247 million. As of 30 June 2021, consolidated capital adequacy ratio has been realized as 15.02%.

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

**1.6 Significant Events and Transactions Occurring During the Six Months Period**

The Group, KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued sukuk with a total nominal value of 4 billion 484 million TL, with a minimum 17.65% and a maximum 18.74% cost in different maturity brackets in fourteen separate transactions.

**1.7 Assessment of the expectations related to the subsequent interim period**

Although the acceleration of vaccination studies and the reduction of quarantine measures around the world support the economic recovery, the rapid spread of the delta variant on a global scale raises concerns that a new wave of the epidemic will be encountered in the coming periods. The rapid recovery period in the economies, the supply constraints in some sectors and the high course of commodity prices cause producer and consumer prices to rise more than expected, and the impact of this process on the markets remains important.