

**KUVEYT TÜRK KATILIM BANKASI  
ANONİM ŐİRKETİ AND ITS FINANCIAL SUBSIDIARIES**

**INDEPENDENT AUDITOR'S  
LIMITED REVIEW REPORT,  
CONSOLIDATED FINANCIAL  
STATEMENTS AND NOTES  
FOR THE PERIOD  
1 JANUARY- 30 SEPTEMBER 2017**

*Translated into English  
from the Original Turkish Report*



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

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

**Introduction**

We have reviewed the accompanying consolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (“the Bank”) and its consolidated financial affiliates (together will be referred as “the Group”) as at 30 September 2017, and the consolidated statement of income, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with the Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit conducted in accordance with Independent Auditing Standards and the objective 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 audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. and its financial affiliates as at 30 September 2017, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Reporting Regulations.

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

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

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

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated financial statements differ materially from IFRS. Accordingly, the accompanying consolidated financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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

Yaman Polat, SMMM  
Partner  
İstanbul, 21 November 2017

**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL  
Phone number 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 financial report for the nine months designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT LIMITED REVIEW REPORT
- CONSOLIDATED INTERIM REPORT

The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of the reporting package are as follows:

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Jointly Controlled Entities</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.	KT Sukuk Company Limited	-	-

The consolidated financial statements and the explanatory footnotes and disclosures for the nine month, unless otherwise indicated, are prepared in thousands of Turkish Lira, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently reviewed and presented as attached.

Hamad Abdulmohsen AL-  
MARZOUQ

Deputy Chairman of the BOD

Adnan Ertem

Vice Chairman of the BOD and Head of the  
Audit Committee

Ahmad S A A AL KHARJI

Member of the Audit Committee

Mohamad AL-MIDANI

Member of the Audit Committee

Ufuk UYAN

Chief Executive Officer

Ahmet KARACA

Chief Financial Officer

İsmail Hakkı YEŞİLYURT

External Reporting Manager

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

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

Telephone: 0212 354 12 84

Facsimile: 0212 354 11 03

## 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 supervisions 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 on the titles of chairman and members of the board of directors, members of audit committee, general managers and assistant general managers and their shareholdings in the Parent Bank	1
IV.	Information on qualified shareholders at Parent Bank	2
V.	Summary information of the Parent Bank's services and field of operations	2
VI.	Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its affiliates	2

### Section Two The consolidated financial statements

I.	Consolidated balance sheet (Statement of financial position)	3
II.	Consolidated statement of off-balance sheet commitments and contingencies	5
III.	Consolidated income statement (Statement of Profit / Loss)	6
IV.	Consolidated statement of profit and loss accounted for under equity (Statement of Other Comprehensive Income and Loss)	7
V.	Consolidated statements of changes in shareholders' equity	8
VI.	Consolidated statement of cash flow	10

### Section Three Accounting principles

I.	Explanations on basis of presentation	11
II.	Explanations on strategy of using financial instruments and foreign currency transactions	12
III.	Information about the Consolidated Subsidiaries	12
IV.	Explanations on forward transactions and option contracts and derivative instruments	13
V.	Explanations on profit share income and expense	14
VI.	Explanations on fees and commission income and expenses	14
VII.	Explanations on financial assets	14
VIII.	Explanations on impairment of financial assets	15
IX.	Explanations on offsetting of financial assets and liabilities	16
X.	Explanations on sale and repurchase agreements and lending of securities	16
XI.	Explanations on assets held for sale and discontinued operations and related liabilities	16
XII.	Explanations on goodwill and other intangible assets	17
XIII.	Explanations on tangible assets	17
XIV.	Explanations on leasing transactions	18
XV.	Explanations on provisions and contingent liabilities	18
XVI.	Explanations on liabilities relating to employee benefits	18
XVII.	Explanations on taxation	20
XVIII.	Explanations on additional disclosures on borrowings	21
XIX.	Explanations on share certificates issued	21
XX.	Explanations on acceptances and availed drafts	21
XXI.	Explanations on government grants	21
XXII.	Explanations on segment reporting	21
XXIII.	Explanations on other matters	21
XXIV.	Additional paragraph for convenience translation	21

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

I.	Explanations on consolidated equity	22
II.	Explanations on consolidated currency risk	30
III.	Explanations on consolidated position risk of equity securities in banking book	32
IV.	Consolidated liquidity risk management and liquidity coverage ratio	33
V.	Explanations on consolidated leverage ratio	38
VI.	Explanations on consolidated risk management	39
VII.	Securitization positions	40
VIII.	Explanations on the activities carried out on behalf and account of other persons	40
IX.	Explanations on business segments	41

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

I.	Explanations and notes related to consolidated assets	43
II.	Explanations and notes related to consolidated liabilities	59
III.	Explanations and notes related to consolidated off-balance sheet commitments	69
IV.	Explanations and notes related to consolidated income statement	70
V.	Explanations and notes related to consolidated statement of cash flow	75
VI.	Explanations and notes related to consolidated the risk group of the Parent Bank	76
VII.	Significant Events and Matters Arising Subsequent to Balance Sheet Date	77

### Section Six Other Explanations

I.	Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet	78
----	---	----

### Section Seven Limited Review Report

I.	Explanations on the limited review report	78
II.	Notes and disclosures prepared by the independent auditor	78

### Section Eight Consolidated Interim Report

I.	Explanations on consolidated interim report	78
----	---	----



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**SECTION ONE**  
**GENERAL INFORMATION**

**I. 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” or “The Parent Bank”) was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on February 28, 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 Bank’s subsidiary, KT Bank AG which is 100% owned by the Bank was established in April, 2015. Main field of its operations are providing interest free corporate banking services, acting as investment intermediary, providing consulting services, performing asset management activities, performing investment activities and collecting funds through current and profit/loss sharing accounts in compliance with the regulation.

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

**II. Shareholding Structure, Shareholders Jointly or Individually Having Direct or Indirect, Control over the Management and Supervision of the Bank and the Disclosures on Any Related Changes in the Current Period, if any and information about the Group that the Bank belongs to**

As of 30 September 2017, 62.24% of the Parent Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

**III. Explanations on the Titles of Chairman and Members of the Board of Directors, Members of the Audit Committee, General Managers and Assistant General Managers and Their Shareholdings in the Parent Bank**

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

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.11 % of the Bank’s share capital (31 December 2016 – 0.11%).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**IV. Information on qualified shareholders at Parent Bank**

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

As of 30 September 2017, the shares of parent shareholder of the 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.

**V. Summary information 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 to operate 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 September 2017, the Group is operating through 398 branches (31 December 2016 – 391) with 5,844 employees (31 December 2016 – 5,691). 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, 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 Bank in line with the legislations.

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

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

None.

## **SECTION TWO**

### **THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2017**

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

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

		Reviewed Current Period 30.09.2017			Audited Prior Period 31.12.2016			
	Note	TL	FC	Total	TL	FC	Total	
<b>I.</b>	<b>CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>(I-a)</b>	<b>414,797</b>	<b>7,359,593</b>	<b>7,774,390</b>	<b>695,627</b>	<b>7,630,187</b>	<b>8,325,814</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>(I-b)</b>	<b>60,743</b>	<b>144,560</b>	<b>205,303</b>	<b>36,056</b>	<b>125,663</b>	<b>161,719</b>
2.1	Held for trading financial assets		60,743	144,560	205,303	36,056	125,663	161,719
2.1.1	Public sector debt securities		12,910	52,875	65,785	10,760	36,148	46,908
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		47,833	42,063	89,896	22,217	87,833	110,050
2.1.4	Other marketable securities		-	49,622	49,622	3,079	1,682	4,761
2.2	Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other marketable securities		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	<b>(I-c)</b>	<b>13,855</b>	<b>4,010,142</b>	<b>4,023,997</b>	<b>26,887</b>	<b>4,753,493</b>	<b>4,780,380</b>
<b>IV.</b>	<b>MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>(I-d)</b>	<b>1,869,329</b>	<b>2,138,906</b>	<b>4,008,235</b>	<b>1,835,182</b>	<b>1,917,545</b>	<b>3,752,727</b>
5.1	Equity securities		10,325	44,971	55,296	10,325	43,160	53,485
5.2	Public sector debt securities		1,852,454	1,881,170	3,733,624	1,821,991	1,500,041	3,322,032
5.3	Other marketable securities		6,550	212,765	219,315	2,866	374,344	377,210
<b>VI.</b>	<b>LOANS AND RECEIVABLES</b>	<b>(I-e)</b>	<b>29,555,848</b>	<b>5,884,407</b>	<b>35,440,255</b>	<b>23,266,913</b>	<b>5,367,770</b>	<b>28,634,683</b>
6.1	Loans and receivables		29,444,557	5,884,204	35,328,761	23,104,574	5,368,014	28,472,588
6.1.1	Loans to risk group of the Bank		82,729	62,998	145,727	73,485	62,891	136,376
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		29,361,828	5,821,206	35,183,034	23,031,089	5,305,123	28,336,212
6.2	Non-performing loans		926,076	963	927,039	748,062	552	748,614
6.3	Specific provisions (-)		814,785	760	815,545	585,723	796	586,519
<b>VII.</b>	<b>HELD TO MATURITY INVESTMENTS (Net)</b>	<b>(I-f)</b>	-	-	-	-	-	-
<b>VIII.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(I-g)</b>	-	-	-	-	-	-
8.1	Accounted for under equity method		-	-	-	-	-	-
8.2	Unconsolidated associates		-	-	-	-	-	-
8.2.1	Financial associates		-	-	-	-	-	-
8.2.2	Non-financial associates		-	-	-	-	-	-
<b>IX.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>(I-h)</b>	<b>23,680</b>	-	<b>23,680</b>	<b>23,680</b>	-	<b>23,680</b>
9.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2	Unconsolidated non-financial subsidiaries		23,680	-	23,680	23,680	-	23,680
<b>X.</b>	<b>ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	<b>(I-i)</b>	<b>18,218</b>	-	<b>18,218</b>	<b>15,301</b>	-	<b>15,301</b>
10.1	Accounted for under equity method		18,218	-	18,218	15,301	-	15,301
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial subsidiaries		-	-	-	-	-	-
10.2.2	Non-financial subsidiaries		-	-	-	-	-	-
<b>XI.</b>	<b>FINANCE LEASE RECEIVABLES</b>	<b>(I-j)</b>	<b>1,254,445</b>	<b>671,595</b>	<b>1,926,040</b>	<b>1,104,588</b>	<b>439,955</b>	<b>1,544,543</b>
11.1	Finance lease receivables		1,421,340	784,078	2,205,418	1,241,824	503,366	1,745,190
11.2	Operating lease receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned income (-)		166,895	112,483	279,378	137,236	63,411	200,647
<b>XII.</b>	<b>DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(I-k)</b>	-	-	-	-	-	-
12.1	Fair value hedge		-	-	-	-	-	-
12.2	Cash flow hedge		-	-	-	-	-	-
12.3	Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIII.</b>	<b>TANGIBLE ASSETS (Net)</b>		<b>435,090</b>	<b>6,108</b>	<b>441,198</b>	<b>439,614</b>	<b>5,558</b>	<b>445,172</b>
<b>XIV.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>109,924</b>	<b>47,376</b>	<b>157,300</b>	<b>95,328</b>	<b>45,138</b>	<b>140,466</b>
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		109,924	47,376	157,300	95,328	45,138	140,466
<b>XV.</b>	<b>INVESTMENT PROPERTIES (Net)</b>		<b>25,458</b>	-	<b>25,458</b>	-	-	-
<b>XVI.</b>	<b>TAX ASSET</b>	<b>(I-l)</b>	<b>97,501</b>	-	<b>97,501</b>	<b>118,111</b>	-	<b>118,111</b>
16.1	Current tax asset		-	-	-	-	-	-
16.2	Deferred tax asset		97,501	-	97,501	118,111	-	118,111
<b>XVII.</b>	<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>58,354</b>	-	<b>58,354</b>	<b>47,975</b>	-	<b>47,975</b>
17.1	Held for sale		58,354	-	58,354	47,975	-	47,975
17.2	Discontinued operations		-	-	-	-	-	-
<b>XVIII.</b>	<b>OTHER ASSETS</b>	<b>(I-m)</b>	<b>254,480</b>	<b>329,899</b>	<b>584,379</b>	<b>336,264</b>	<b>399,200</b>	<b>735,464</b>
<b>TOTAL ASSETS</b>			<b>34,191,722</b>	<b>20,592,586</b>	<b>54,784,308</b>	<b>28,041,526</b>	<b>20,684,509</b>	<b>48,726,035</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2017**

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

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

	Note	Reviewed Current Period 30.09.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
<b>I. FUND COLLECTED</b>	<b>(II-a)</b>	<b>19,081,003</b>	<b>19,173,661</b>	<b>38,254,664</b>	<b>17,920,145</b>	<b>14,092,833</b>	<b>32,012,978</b>
1.1 Funds from risk group of the Bank		203,868	142,878	346,746	73,536	117,619	191,155
1.2 Other		18,877,135	19,030,783	37,907,918	17,846,609	13,975,214	31,821,823
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(II-b)</b>	<b>14,393</b>	<b>24,928</b>	<b>39,321</b>	<b>40,580</b>	<b>79,147</b>	<b>119,727</b>
<b>III. FUNDS BORROWED</b>	<b>(II-c)</b>	<b>89,814</b>	<b>3,006,382</b>	<b>3,096,196</b>	<b>59,080</b>	<b>3,215,662</b>	<b>3,274,742</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>880,295</b>	<b>-</b>	<b>880,295</b>	<b>1,219,873</b>	<b>-</b>	<b>1,219,873</b>
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	<b>(II-d)</b>	<b>1,062,824</b>	<b>4,292,927</b>	<b>5,355,751</b>	<b>580,571</b>	<b>4,174,842</b>	<b>4,755,413</b>
<b>VI. SUNDRY CREDITORS</b>	<b>(II-e)</b>	<b>159,884</b>	<b>51,889</b>	<b>211,773</b>	<b>133,655</b>	<b>35,495</b>	<b>169,150</b>
<b>VII. OTHER LIABILITIES</b>	<b>(II-e)</b>	<b>310,186</b>	<b>30,615</b>	<b>340,801</b>	<b>416,174</b>	<b>23,611</b>	<b>439,785</b>
<b>VIII. FINANCE LEASE PAYABLES</b>	<b>(II-f)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226</b>	<b>226</b>
8.1 Finance lease payables		-	-	-	-	265	265
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	-	-	-	39	39
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>(II-g)</b>	<b>-</b>	<b>96,243</b>	<b>96,243</b>	<b>-</b>	<b>137,829</b>	<b>137,829</b>
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	96,243	96,243	-	137,829	137,829
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>X. PROVISIONS</b>	<b>(II-h)</b>	<b>559,608</b>	<b>136,020</b>	<b>695,628</b>	<b>455,692</b>	<b>127,312</b>	<b>583,004</b>
10.1 General loan loss provisions		307,946	81,524	389,470	238,276	80,549	318,825
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		135,697	150	135,847	129,223	15	129,238
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		115,965	54,346	170,311	88,193	46,748	134,941
<b>XI. TAX LIABILITY</b>	<b>(II-i)</b>	<b>38,197</b>	<b>-</b>	<b>38,197</b>	<b>27,842</b>	<b>-</b>	<b>27,842</b>
11.1 Current tax liability		38,197	-	38,197	27,842	-	27,842
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	<b>(II-j)</b>	<b>-</b>	<b>1,254,536</b>	<b>1,254,536</b>	<b>-</b>	<b>1,981,646</b>	<b>1,981,646</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	<b>(II-k)</b>	<b>4,602,508</b>	<b>(81,605)</b>	<b>4,520,903</b>	<b>4,091,183</b>	<b>(87,363)</b>	<b>4,003,820</b>
14.1 Paid-in capital		3,097,322	-	3,097,322	2,787,322	-	2,787,322
14.2 Capital reserves		(40,873)	19,210	(21,663)	(65,314)	(30,347)	(95,661)
14.2.1 Share premium		24,208	-	24,208	24,208	-	24,208
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		(6,070)	19,210	13,140	(4,933)	(30,347)	(35,280)
14.2.4 Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5 Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6 Investment property revaluation reserve		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.8 Hedging funds (effective portion)		(45,258)	-	(45,258)	(70,836)	-	(70,836)
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.1 Other capital reserves		-	-	-	-	-	-
0		(13,753)	-	(13,753)	(13,753)	-	(13,753)
14.3 Profit reserves		908,596	-	908,596	741,764	-	741,764
14.3.1 Legal reserves		150,389	-	150,389	122,861	-	122,861
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		688,628	-	688,628	351,949	-	351,949
14.3.4 Other profit reserves		69,579	-	69,579	266,954	-	266,954
14.4 Profit or loss		613,753	(100,815)	512,938	607,418	(57,016)	550,402
14.4.1 Prior period income/(losses)		86,367	(77,931)	8,436	1,365	(22,304)	(20,939)
14.4.2 Current period income/(losses)		527,386	(22,884)	504,502	606,053	(34,712)	571,341
14.5 Minority shares	<b>(II-l)</b>	23,710	-	23,710	19,993	-	19,993
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>26,798,712</b>	<b>27,985,596</b>	<b>54,784,308</b>	<b>24,944,795</b>	<b>23,781,240</b>	<b>48,726,035</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND**  
**CONTINGENCIES AS OF 30 SEPTEMBER 2017**

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

**II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES**

	Note	Reviewed Current period 30.09.2017			Audited Prior period 31.12.2016		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>52,042,808</b>	<b>21,856,352</b>	<b>73,899,160</b>	<b>45,504,238</b>	<b>19,739,616</b>	<b>65,243,854</b>
<b>I. GUARANTEES (III-a)</b>		<b>6,543,750</b>	<b>4,341,146</b>	<b>10,884,896</b>	<b>5,177,182</b>	<b>4,712,035</b>	<b>9,889,217</b>
1.1 Letters of guarantees		6,387,325	2,967,711	9,355,036	5,026,495	3,089,530	8,116,025
1.1.1 Guarantees subject to state tender law		221,492	-	221,492	163,646	-	163,646
1.1.2 Guarantees given for foreign trade operations		427,902	185,225	613,127	451,059	220,807	671,866
1.1.3 Other letters of guarantee		5,737,931	2,782,486	8,520,417	4,411,790	2,868,723	7,280,513
1.2 Bank loans		3,720	68,977	72,697	2,071	49,973	52,044
1.2.1 Import letter of acceptances		3,720	68,977	72,697	2,071	49,973	52,044
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letter of credits		4,137	972,768	976,905	188	1,019,598	1,019,786
1.3.1 Documentary letter of credits		78	352,944	353,022	78	302,149	302,227
1.3.2 Other letter of credits		4,059	619,824	623,883	110	717,449	717,559
1.4 Pre-financing given as guarantee		-	26,199	26,199	-	25,642	25,642
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Other guarantees		148,568	305,491	454,059	148,428	527,292	675,720
1.7 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS (III-a)</b>		<b>41,686,931</b>	<b>2,523,642</b>	<b>44,210,573</b>	<b>34,594,651</b>	<b>711,955</b>	<b>35,306,606</b>
2.1 Irrevocable commitments		3,257,483	2,523,642	5,781,125	2,569,656	711,955	3,281,611
2.1.1 Forward asset purchase commitments		298,450	2,519,345	2,817,795	316,785	710,168	1,026,953
2.1.2 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3 Loan granting commitments		307,313	-	307,313	151,838	-	151,838
2.1.4 Securities underwriting commitments		-	-	-	-	-	-
2.1.5 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		1,346,770	-	1,346,770	1,178,750	-	1,178,750
2.1.7 Tax and fund liabilities from export commitments		99	-	99	99	-	99
2.1.8 Commitments for credit card expenditure limits		1,287,094	-	1,287,094	904,427	-	904,427
2.1.9 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10 Receivables from short sale commitments		-	-	-	-	-	-
2.1.11 Payables for short sale commitments		-	-	-	-	-	-
2.1.12 Other irrevocable commitments		17,757	4,297	22,054	17,757	1,787	19,544
2.2 Revocable commitments		38,429,448	-	38,429,448	32,024,995	-	32,024,995
2.2.1 Revocable loan granting commitments		38,429,448	-	38,429,448	32,024,995	-	32,024,995
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>3,812,127</b>	<b>14,991,564</b>	<b>18,803,691</b>	<b>5,732,405</b>	<b>14,315,626</b>	<b>20,048,031</b>
3.1 Derivative financial instruments for hedging purposes		-	1,442,655	1,442,655	-	1,391,124	1,391,124
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	1,442,655	1,442,655	-	1,391,124	1,391,124
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		3,812,127	13,548,909	17,361,036	5,732,405	12,924,502	18,656,907
3.2.1 Forward foreign currency buy/sell transactions		932,366	1,768,940	2,701,306	1,499,492	1,909,112	3,408,604
3.2.1.1 Forward foreign currency transactions-buy		476,000	921,002	1,397,002	712,215	995,591	1,707,806
3.2.1.2 Forward foreign currency transactions-sell		456,366	847,938	1,304,304	787,277	913,521	1,700,798
3.2.2 Other forward buy/sell transactions		2,879,761	11,779,969	14,659,730	4,232,913	11,015,390	15,248,303
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>252,997,469</b>	<b>104,453,491</b>	<b>357,450,960</b>	<b>205,775,245</b>	<b>106,164,950</b>	<b>311,940,195</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>8,227,590</b>	<b>3,014,282</b>	<b>11,241,872</b>	<b>7,081,056</b>	<b>2,528,760</b>	<b>9,609,816</b>
4.1 Assets under management		20,794	-	20,794	20,794	-	20,794
4.2 Investment securities held in custody		921,768	72,937	994,705	738,025	58,268	796,293
4.3 Checks received for collection		6,155,133	635,558	6,790,691	5,292,095	539,190	5,831,285
4.4 Commercial notes received for collection		1,129,895	171,223	1,301,118	1,030,142	144,880	1,175,022
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		-	2,134,564	2,134,564	-	1,786,422	1,786,422
<b>V. PLEDGED ITEMS</b>		<b>244,758,240</b>	<b>101,397,441</b>	<b>346,155,681</b>	<b>198,682,550</b>	<b>103,595,106</b>	<b>302,277,656</b>
5.1 Marketable securities		201,042	68,164	269,206	222,995	63,991	286,986
5.2 Guarantee notes		101,921	1,435,958	1,537,879	101,921	1,421,085	1,523,006
5.3 Commodity		4,932,201	442,451	5,374,652	3,962,735	640,558	4,603,293
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		98,292,366	1,863,585	100,155,951	84,503,198	1,815,288	86,318,486
5.6 Other pledged items		141,230,710	97,587,283	238,817,993	109,891,701	99,654,184	209,545,885
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>41,768</b>	<b>53,407</b>	<b>11,639</b>	<b>41,084</b>	<b>52,723</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>305,040,277</b>	<b>126,309,843</b>	<b>431,350,120</b>	<b>251,279,483</b>	<b>125,904,566</b>	<b>377,184,049</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED**  
**30 SEPTEMBER 2017**

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

**III. CONSOLIDATED INCOME STATEMENT (STATEMENT OF PROFIT / LOSS)**

		Current Period Reviewed 01.01.2017 - 30.09.2017	Prior Period Reviewed 01.01.2016 - 30.09.2016	Current Period Reviewed 01.01.2017 - 30.09.2017	Prior Period Reviewed 01.01.2016 - 30.09.2016
		Notes			
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>2,750,844</b>	<b>2,306,893</b>	<b>1,005,782</b>	<b>799,120</b>
1.1	Profit share on loans	2,382,390	2,024,242	876,339	700,424
1.2	Profit share on reserve deposits	34,527	19,243	14,176	6,100
1.3	Profit share on banks	19,496	20,112	9,547	4,980
1.4	Profit share on money market placements	-	635	-	635
1.5	Profit share on marketable securities portfolio	201,386	145,863	67,213	51,791
1.5.1	Held-for-trading financial assets	-	-	-	-
1.5.2	Financial assets at fair value through profit and loss	7,150	3,842	1,135	293
1.5.3	Available-for-sale financial assets	194,236	142,021	66,078	51,498
1.5.4	Investments held-to-maturity	-	-	-	-
1.6	Finance lease income	97,889	79,851	35,750	28,790
1.7	Other profit share income	15,156	16,947	2,757	6,400
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>	<b>1,220,142</b>	<b>1,034,547</b>	<b>432,265</b>	<b>375,093</b>
2.1	Expense on profit sharing accounts	841,009	665,420	298,803	241,345
2.2	Profit share expense on funds borrowed	147,047	142,355	44,253	52,296
2.3	Profit share expense on money market borrowings	11,190	53,795	8,786	22,074
2.4	Expense on securities issued	220,896	172,977	80,423	59,552
2.5	Other profit share expense	-	-	-	(174)
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>	<b>1,530,702</b>	<b>1,272,346</b>	<b>573,517</b>	<b>424,027</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>	<b>176,216</b>	<b>126,905</b>	<b>62,669</b>	<b>41,858</b>
4.1	Fees and commissions received	293,937	228,412	104,491	75,619
4.1.1	Non-cash loans	84,706	64,535	29,599	21,585
4.1.2	Other	209,231	163,877	74,892	54,034
4.2	Fees and commissions paid	117,721	101,507	41,822	33,761
4.2.1	Non-cash loans	11	2,603	4	697
4.2.2	Other	117,710	98,904	41,818	33,064
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>-</b>	<b>509</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	<b>233,705</b>	<b>216,152</b>	<b>32,950</b>	<b>118,435</b>
6.1	Capital market transaction gains / (losses)	3,227	7,805	27	3,668
6.2	Gains/ (losses) from derivative financial instruments	(379,823)	96,458	(77,427)	75,158
6.3	Foreign exchange gains / (losses)	610,301	111,889	110,350	39,609
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>158,088</b>	<b>141,444</b>	<b>35,666</b>	<b>2,394</b>
<b>VIII.</b>	<b>NET OPERATING INCOME (III+IV+V+VI+VII)</b>	<b>2,098,711</b>	<b>1,757,356</b>	<b>704,802</b>	<b>586,714</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>513,377</b>	<b>354,783</b>	<b>129,499</b>	<b>86,567</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>927,671</b>	<b>827,650</b>	<b>305,863</b>	<b>268,969</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>	<b>657,663</b>	<b>574,923</b>	<b>269,440</b>	<b>231,178</b>
<b>XII.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>GAIN / (LOSS) ON EQUITY METHOD</b>	<b>2,917</b>	<b>338</b>	<b>833</b>	<b>667</b>
<b>XIV.</b>	<b>GAIN / (LOSS) ON NET MONETARY POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>660,580</b>	<b>575,261</b>	<b>270,273</b>	<b>231,845</b>
<b>XVI.</b>	<b>TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	<b>(154,835)</b>	<b>(110,410)</b>	<b>(54,626)</b>	<b>(47,213)</b>
16.1	Current income tax charge	(141,387)	(97,109)	(38,211)	(54,148)
16.2	Deferred tax charge / benefit	(13,448)	(13,301)	(16,415)	6,935
<b>XVII.</b>	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>505,745</b>	<b>464,851</b>	<b>215,647</b>	<b>184,632</b>
<b>XVIII.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>589</b>	<b>-</b>	<b>316</b>
18.1	Income on assets held for sale	-	589	-	316
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-	-	-
18.3	Income on other discontinued operations	-	-	-	-
<b>XIX.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>	<b>-</b>	<b>1,860</b>	<b>-</b>	<b>539</b>
19.1	Loss from assets held for sale	-	1,860	-	539
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-	-	-
19.3	Loss from other discontinued operations	-	-	-	-
<b>XX.</b>	<b>PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>	<b>-</b>	<b>(1,271)</b>	<b>-</b>	<b>(223)</b>
<b>XXI.</b>	<b>TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1	Current income tax charge	-	-	-	-
21.2	Deferred tax charge / benefit	-	-	-	-
<b>XXII.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	<b>-</b>	<b>(1,271)</b>	<b>-</b>	<b>(223)</b>
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>505,745</b>	<b>463,580</b>	<b>215,647</b>	<b>184,409</b>
23.1	Group's income/loss	504,502	456,029	215,640	184,495
23.2	Minority interest income/loss (-)	1,243	7,551	7	(86)
	Earnings per share income/loss (full TL)	-	-	-	-

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENTS OF CONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER**  
**EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER**  
**EQUITY (STATEMENT OF OTHER COMPREHENSIVE INCOME AND LOSS)**

	Reviewed Current Period 01.01.2017- 30.09.2017	Reviewed Prior Period 01.01.2016- 30.09.2016
<b>I. Additions to marketable securities revaluation differences from available for sale financial assets</b>	59,336	13,936
<b>II. Tangible assets revaluation differences</b>	-	-
<b>III. Intangible assets revaluation differences</b>	-	-
<b>IV. Currency translation differences for foreign currency transactions</b>	29,924	11,623
<b>V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)</b>	3,635	2,088
<b>VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)</b>	(22,404)	(12,588)
<b>VII. The effect of corrections of errors and changes in accounting policies</b>	-	-
<b>VIII. Other profit loss items accounted under equity as per Turkish accounting standards</b>	-	-
<b>IX. Deferred tax on valuation differences</b>	(7,162)	(687)
<b>X. Total net profit/loss accounted under equity (I+II+...+IX)</b>	63,329	14,372
<b>XI. Profit/loss</b>	505,745	463,580
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	(1,646)	(627)
XI.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	507,391	464,207
<b>XII. Total profit/loss accounted for the period (X±XI)</b>	569,074	477,952

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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

### V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity	
Current Period – (01.01.2016-30.09.2016)																				
I.		2,527,322	-	24,208	-	100,287	-	241,553	146,000	-	423,742	5,394	-	-	(32,633)	-	3,435,873	12,258	3,448,131	
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.		2,527,322	-	24,208	-	100,287	-	241,553	146,000	-	423,742	5,394	-	-	(32,633)	-	3,435,873	12,258	3,448,131	
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.		-	-	-	-	-	-	-	-	-	-	11,149	-	-	-	-	11,149	-	11,149	
VI.		-	-	-	-	-	-	-	10,070	-	-	-	-	-	(8,400)	-	1,670	-	1,670	
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-	1,670	-	1,670	-	1,670	
6.2		-	-	-	-	-	-	-	10,070	-	-	-	-	-	(10,070)	-	-	-	-	
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.		-	-	-	-	-	-	-	1,553	-	-	-	-	-	-	-	1,553	-	1,553	
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.		260,000	-	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	-	
14.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2		260,000	-	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	-	
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIX.		-	-	-	-	-	-	-	-	456,029	-	-	-	-	-	-	456,029	7,551	463,580	
XX.		-	-	-	-	22,574	-	110,396	48,788	-	(185,157)	-	-	-	-	-	(3,399)	-	(3,399)	
20.1		-	-	-	-	-	-	-	-	-	(3,399)	-	-	-	-	-	(3,399)	-	(3,399)	
20.2		-	-	-	-	22,574	-	110,396	48,788	-	(181,758)	-	-	-	-	-	-	-	-	
20.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period																				
(III+IV+V+.....+XVIII+XIX+XX)		(II-k)	2,787,322	-	24,208	-	122,861	-	351,949	205,935	456,029	(20,939)	16,543	-	-	(41,033)	-	3,902,875	19,809	3,922,684

(\*) The Parent Bank has decided to allocate the first legal reserve amounting to TL 22,234 at the Ordinary General Assembly meeting dated 4 April 2016 and to use the proceeds of the sale of real estate amounting to TL 48,788 to distribute the proceeds of the sale of the real estate to the other deposits and then to use it for the capital increase from internal sources. , TL 3,399 dividend payment to the directors, TL 259,524 profit to be distributed to the shareholders and to be used in the capital increase to be made from the internal sources and to be distributed to the shareholders in proportion to the shareholding shares in the capital, to reserve the second legal reserve amounting to TL 340 and to leave the remaining TL 110,396 as extraordinary reserves. The support of the research and development activities carried out in accordance with Article 3 of the Law, to be used in the capital increase to be made from internal sources and to be used for capital increase from domestic sources of TL 476 transferred to other reserves obtained from immovable sales in previous periods.

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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

### V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
<b>Current Period – (01.01.2017-30.09.2017)</b>																			
I.	Balances at beginning of the period	2,787,322	-	24,208	-	122,861	-	351,949	253,201	-	550,402	(35,280)	-	-	(70,836)	-	3,983,827	19,993	4,003,820
	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	48,420	-	-	-	-	-	-	48,420
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	17,923	-	-	-	-	-	(15,015)	-	-	-	2,908
4.1.	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	2,908	-	-	-	2,908
4.2.	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	17,923	-	-	-	-	-	(17,923)	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	(136,532)	-	136,532	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	12,001	-	-	-	-	-	-	-	-	-	12,001
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	(90,767)	-	-	-	-	-	-	-	-	-	(90,767)
X.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	40,593	-	-	-	(50,174)
XI.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-
12.1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2.	Internal sources	310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,474
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	504,502	-	-	-	-	-	-	-	-	504,502
XVIII.	Profit distribution (*)	-	-	-	-	27,528	-	336,679	51,667	-	(420,165)	-	-	-	-	-	-	-	(4,291)
18.1.	Dividends distributed	-	-	-	-	-	-	-	-	-	(4,291)	-	-	-	-	-	-	-	(4,291)
18.2.	Transfers to reserves	-	-	-	-	27,528	-	336,679	51,667	-	(415,874)	-	-	-	-	-	-	-	(4,291)
18.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period</b>																			
<b>(I+II+III+...+XVI+XVII+XVIII)</b>		<b>(2-11)</b>	<b>3,097,322</b>	<b>-</b>	<b>24,208</b>	<b>-</b>	<b>150,389</b>	<b>-</b>	<b>688,628</b>	<b>504,502</b>	<b>8,436</b>	<b>13,140</b>	<b>-</b>	<b>-</b>	<b>(45,258)</b>	<b>-</b>	<b>4,497,193</b>	<b>23,710</b>	<b>4,520,903</b>

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**VI. CONSOLIDATED STATEMENT OF CASH FLOW**

		Reviewed	Reviewed
		Current period	Prior Period
		01.01.2017-30.09.2017	01.01.2016-30.09.2016
	Note		
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>1,046,874</b>	<b>628,222</b>
1.1.1	Profit share income received	3,074,687	2,258,829
1.1.2	Profit share expense paid	(1,188,813)	(1,001,426)
1.1.3	Dividend received	-	509
1.1.4	Fees and commissions received	297,684	229,870
1.1.5	Other income	243,946	223,870
1.1.6	Collections from previously written off loans	47,936	42,904
1.1.7	Payments to personnel and service suppliers	(728,476)	(627,263)
1.1.8	Taxes paid	(170,647)	(110,068)
1.1.9	Others	(529,443)	(389,003)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>	<b>(2,020,940)</b>	<b>(407,691)</b>
1.2.1	Net (increase) decrease held for trading financial assets	(63,738)	(14,197)
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	865,351	(404,020)
1.2.4	Net (increase) decrease in loans	(7,879,229)	(2,373,489)
1.2.5	Net (increase) decrease in other assets	18,628	21,883
1.2.6	Net increase (decrease) in bank deposits	(262,812)	(252,613)
1.2.7	Net increase (decrease) in other deposits	6,474,108	1,036,744
1.2.8	Net increase (decrease) in funds borrowed	(906,595)	849,602
1.2.9	Net increase (decrease) in due payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(266,653)	728,399
<b>I.</b>	<b>Net cash provided from / (used in) banking operations</b>	<b>(974,066)</b>	<b>220,531</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net cash provided from / (used in) investing activities</b>	<b>(173,789)</b>	<b>(972,411)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	-	(750)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	132,619	-
2.3	Fixed assets purchases	(50,508)	(36,359)
2.4	Fixed assets sales	1,998	6,097
2.5	Cash paid for purchase of financial assets available for sale	(1,862,547)	(2,092,870)
2.6	Cash obtained from sale of financial assets available for sale	1,643,686	1,187,083
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	-	-
2.9	Other	(39,037)	(35,612)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash provided from / (used in) financing activities</b>	<b>720,584</b>	<b>345,760</b>
3.1	Cash obtained from funds borrowed and securities issued	1,945,102	1,163,036
3.2	Cash used for repayment of funds borrowed and securities issued	(1,220,002)	(813,958)
3.3	Capital increase	-	-
3.4	Dividends paid	(4,291)	(3,399)
3.5	Payments for finance leases	(225)	81
3.6	Other	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(15,185)</b>	<b>27,046</b>
<b>V.</b>	<b>Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>	<b>(442,456)</b>	<b>(379,074)</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,898,436</b>	<b>4,777,114</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>4,455,980</b>	<b>4,398,040</b>

(\*) As a result of the liquidation of the Group's subsidiary in Dubai, cash inflows amounting to TL 202,431 have been realized and amounted to TL 69,812 has been presented as cash and cash equivalents at the beginning of the period.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**I. Explanations on basis of presentation**

**a. The preparation of the 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 Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

**b. Classifications**

None.

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

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities held for trading carried at fair value.

The preparation of consolidated financial statements in conformity with TAS requires the Bank management to make assumptions and estimates with respect to assets and liabilities on the balance sheet and contingent issues outstanding as of the balance sheet date. These assumptions and estimates are mainly related with the determination of the fair values of the financial instruments and determination of the impairments on assets and these assumptions are being reviewed regularly and, when necessary, appropriate corrections are made and the effects of these corrections are reflected to the income statement.

**d. Preparation of the financial statements in the current purchasing power of money:**

Until 31 December 2004, the financial statements of the Parent Bank were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”). BRSA explained with its decision numbered 1623 and dated 21 April 2005 and its circular dated 28 April 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied beginning from 1 January 2005.

**II. 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 Bank’s exposure to liquidity risk, currency risk and credit risk while increasing profitability and strengthening the Bank’s equity. The assets-liabilities committee (ALCO) manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee.

Gains and losses arising from foreign currency transactions have been recorded in the period in which the transaction took place. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates published by the Central Bank of Turkey converting them into Turkish Lira. Valuation differences of foreign currencies have been recognized in the income statement under the ‘Net foreign exchange income/expense’ account. The foreign currency net investment in consolidated foreign subsidiaries is translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and average exchange rate for their income statement items. The currency translation gain arising from the consolidated subsidiaries’ foreign currency differences has been recorded in “Other Profit Reserves” under shareholders’ equity.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**II. Explanations on strategy of using financial instruments and foreign currency transactions (continued)**

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

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

**III. Information about the Consolidated Subsidiaries**

The consolidated financial statements have been prepared in accordance with the "Turkish Accounting Standard for the Consolidated and Separate Financial Statements ("TAS 27").

The subsidiaries included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

Description	Address (City/Country)	Principal Activity	30 September 2017	31 December 2016	Consolidation Method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Financial Institution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institution	50.00%	50.00%	Accounted for under equity method
KT Sukuk Company Limited	George Town/Cayman Islands	Financial Institution	100.00%	100.00%	Full consolidation

The Parent Bank and its consolidated subsidiaries of the Parent Bank, as a whole, are named as "Group".

Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**III. Information about the Consolidated Subsidiaries (continued)**

Control is received as the Bank has more than half of the voting rights directly or indirectly through subsidiaries or not has majority but has privileged shares or has half of the voting rights with respect to agreements made with other shareholders or has authority to manage financial and operating policies of the company through a regulation or an agreement or has power to control the majority of votes at the board of directors or at executive organ containing these rights or has power to appoint or disposal majority of the members of the board of directors.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, and income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group and presented separately in the Group's income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**IV. 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. The Bank classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Derivative Financial Instruments Held for Trading" in accordance with "TAS 39". Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as "held for trading" within the framework of "TAS 39", and are reflected in the "Derivative Financial Assets/Liabilities Held for Trading" account in the balance sheet. The Bank has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

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

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

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

The Group enters into profit share and cross currency swap transactions in order to hedge the change in fair value of fixed-rate financial instruments. While applying fair value hedge accounting, the changes in fair values of hedging instrument and hedged item are recognised in income statement. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of fixed-rate financial assets available for sale, such changes are reclassified from shareholders' equity to income statement.

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**V. Explanations on profit share income and expense**

Profit share income is recognized in the income statement on an accrual basis by using the method of internal rate of return and is accounted under profit share income account in the financial statements. In accordance with the related regulation, the profit share accruals of non-performing loans are cancelled and are not recorded until the profit share income is realized.

The 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.

**VI. Explanations on fees and commission income and expenses**

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

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

**VII. Explanations on financial assets**

The Group classifies and accounts for its financial assets as “Fair value through profit/loss”, “Available for sale”, and Loans and receivables” or “Held to maturity”. Sale and purchase transactions of the financial assets mentioned above are recognized at the ‘Settlement dates’. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

**a. Financial assets at fair value through profit or loss:**

This category has two sub categories: “Trading financial assets” and “Financial assets designated at fair value through profit/loss at initial recognition”.

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in prices or dealers’ margin, or are financial assets included in a portfolio and derivative instruments in which a pattern of short-term profit making exists.

Trading financial assets are initially recognized at transaction prices, which are assumed to be the fair value, and subsequently measured at fair value. All gains and losses arising from these valuations are reflected in the income statement.

Other than trading financial assets, the Group has no financial assets at fair value through profit or loss.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**b. Financial assets available for sale:**

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

Financial assets available-for-sale gains and losses are valued using internal rate of return and recorded in the income statement as profit share income. Financial assets available-for-sale profit share discounts recognized in the profit/share account, current value differences recognized in the “securities value increase fund” under the shareholders’ equity. In case of sales, the realized gain/losses in the shareholders’ equity are recognized directly in the income statement.

**c. Loans and receivables:**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market and are not classified as held for trading, financial assets at the fair value through profit or loss or as available for sale. Loans and receivables are initially recognized at cost, which is assumed to reflect their fair value and subsequently recognized at the amortized cost calculated using the internal rate of return method. The expenses incurred for the loans and receivables received as collateral are not considered as transaction costs and are recognized in the expense accounts.

**d. Held to maturity financial assets:**

Held to maturity financial assets are financial assets with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity that are not classified under ‘Loans and receivables’. Held to maturity financial assets are initially recognized at cost which is assumed to reflect their fair value, and subsequently carried at ‘Amortized Cost’ using the ‘Internal Rate of Return’. Profit share income from held to maturity financial assets is reflected in the income statement. The Group does not have any held to maturity financial assets as of the balance sheet date.

**VIII. Explanations on impairment of financial assets**

At each balance sheet date an assessment is made as to whether there is objective evidence that a financial asset or group of financial assets is impaired. If such evidence exists, impairment is provided for financial asset categories as explained below.

**i) Loans and receivables:**

If there is objective evidence that the loans might not be collected, the Parent Bank reclassifies such loans to III. IV. and V. groups and provides impairment reserve in accordance with the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on 1 November 2006 in the Official Gazette No: 26333. For the loans with poor financial position and/or payment capability, the Bank can provide a specific impairment reserve in excess of the amounts calculated using the minimum required rates for the related group.

Collections related to the provisions provided in the current period for such loans are deducted from “Provisions for Loan losses and Other Receivables” account in the income statement. Subsequent recoveries of amounts previously written off or provisions made in prior periods are included in “Other Operating Income” in the income statement.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**VIII. Explanations on impairment of financial assets**

**ii) Financial assets held to maturity:**

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present values of future estimated cash flows discounted using the original profit share and the carrying value; provision is made for impairment and the provision is associated with expense accounts.

**iii) Financial assets available for sale:**

If there is objective evidence indicating that the fair value of an available for sale financial asset, for which decreases in the fair value has been accounted under the equity, has been impaired then the total loss which was accounted directly in the equity is transferred from equity to the income statement.

Impairment losses recognized in the income statement related to the investments in equity instruments classified as available for sale financial assets cannot be reversed through the income statement. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on equity instruments cannot be reversed.

**IX. Explanations on offsetting of financial assets and liabilities**

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

**X. Explanations on sale and repurchase agreements and lending of securities**

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

As of 30 September 2017, the Group has repurchasing agreements amounting to 880,295 TL (31 December 2016 – TL 1,219,873).

**XI. Explanations on assets held for sale and discontinued operations and related liabilities**

As mandated by the Banking Act 6362 Article 57 "banks cannot participate in commercial real-estate and commodity trade with the exception of real-estate and commodity based agreements within the scope of Capital Markets Act No. 2499, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors' obligations to the bank are determined by the board."

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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.

Although the Bank has assets acquired due to receivables and debtors' obligations to the Bank, such assets are classified as fixed assets rather than assets held for sale and are amortized due to inability to dispose them or to produce a solid plan for disposal within a year within the provisions of banking legislation.

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

**XII. Explanations on goodwill and other intangible assets**

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

The other intangible assets of the 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.

There is no goodwill related to associates and subsidiaries.

**XIII. Explanations on tangible assets**

Fixed assets are stated at cost, 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 repairs are capitalized if the expenditure increases economic life of the asset; other repair costs are expensed.

Capital expenditures, which increase the capacity of the tangible asset and increase the future benefit, are added to the cost of the property, plant and equipment. Investment expenditures consist of cost elements such as extending the useful life of the asset, increasing the service capacity of the asset, increasing the quality of the produced goods or services, or decreasing the cost.

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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**XIV. Explanations on leasing transactions**

*Group as a lessee*

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

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

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

*Group as a lessor*

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

**XV. Explanations on provisions and contingent liabilities**

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

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Bank recognizes provisions for obligations which arose from prior periods in current financial year, only if, the possibility of realization is high and a reliable estimation can be made.

Provisions are recognized for obligations which arose from prior periods in current financial year, only if, the possibility of realization is high and a reliable estimation can be made. A provision is provided if liabilities have been originated 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.

**XVI. Explanations on liabilities relating to employee benefits**

**a) Defined benefit plans:**

In accordance with existing labor law, 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 fulfil the compulsory military service, because of the marriage of females employees 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.

The retirement pay provision recognized in the accompanying financial statements, is calculated based on “Turkish Accounting Standard on Employee Benefits (“TAS 19”)), 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 SEPTEMBER 2017**

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

**b) Defined contribution plans:**

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

**c) Short term benefits to employees:**

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

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

**XVII. Explanations on taxation**

***Current tax***

The corporate tax rate in Turkey is 20%. This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. According to the tax code, each quarter advance tax amount is calculated using a rate of 20% over tax base and paid, then the paid advance taxes are deducted from the corporate tax liability that is calculated for the year.

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

Each quarter advance tax amount is calculated using a rate of 20% over tax base and Corporate tax returns are filed by the fourteenth day of the second month following the balance sheet date and taxes is paid by the seventeenth day of the second until evening. Paid advance taxes are paid during the year are belong to the current year, then the paid advance taxes are deducted from the corporate tax liability that is calculated for the year. If the balance of paid advance taxes remains after deduction of paid advance taxes, it can be paid back in cash or it can be deducted from financial loans to the government.

Shares held for at least two years and 75% of real estate proceeds are exempt from tax to the extent that they are included in capital as required in Corporate Tax Law or they are held under a special account in liabilities for five years.

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 gains from the sale of the immovable property inherited from the institution applies this rate as 100% and for the immovable is not compulsory to be in assets at least for a period of two years. But the mentioned immovable's; except in case of failure to fulfill the obligations arising from the source institution, the lesser or leasing agreement, immovable in question by the asset leasing company, in case of selling a third person or institutions, these immovable's with the carrying value before its transfer to resource institution or asset leasing in lesser or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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.

As of 30 September 2017, the tax rates applied in foreign countries where the Group operates is as follow:

<u>Country</u>	<u>Tax Rate</u>
Germany	15%

**Deferred tax**

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”). Deferred tax asset is calculated on all temporary differences other than general provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. If transactions and events are recorded directly in the shareholders’ equity, the related tax effects are recognized directly in the shareholders’ equity.

**XVIII. Explanations on additional disclosures on borrowings**

Borrowings other than funds collected are measured at amortized cost using the internal rate of return method after the initial recognition. The Group does not apply hedging techniques on related borrowings.

The Group has not issued convertible bonds.

**Transactions of Investment Hedge**

The Group applies net investment hedge accounting between its net investment in foreign subsidiaries and its long-term foreign currency denominated borrowings, the differences between foreign exchange net investments and foreign exchange arising from translation of long-term foreign currency denominated long-term borrowings into TL are accounted for under other equity reserves and hedge funds.

**XIX. Explanations on share certificates issued**

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

**XX. Explanations on acceptances and availed drafts**

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

**XXI. Explanations on government grants**

There are no government grants received by the Group.

**XXII. Explanations on segment reporting**

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

Segment reporting is disclosed in Section Four, Note IX.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**XXIII. Explanations on other matters**

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

**XXIV. Additional paragraph for convenience translation**

The effects of differences between accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411, the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP**

**I. Explanations on consolidated equity**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 30 September 2017 Bank’s total capital has been calculated as TL 5,667,066. Capital adequacy ratio is 17.12 %.

As of 31 December 2016, Group’s total capital amounted to TL 5,729,368 Capital adequacy ratio was 18.19 % calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**I. Explanations on consolidated equity (continued)**

**a-) Components of consolidated total capital:**

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	3,100,000	
Share Premium	24,208	
Reserves	908,596	
Other Comprehensive Income according to TAS	19,210	
Profit	512,938	
Current Period Profit	504,502	
Prior Period Profit	8,436	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Shareholder	23,710	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>4,588,662</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	65,081	
Leasehold Improvements on Operational Leases (-)	46,502	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	125,840	157,300
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,678	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios 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>240,101</b>	
<b>Total Common Equity Tier I Capital</b>	<b>4,348,561</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**I. Explanations on consolidated equity (continued)**

**a-) Components of consolidated total capital (continued):**

<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	31,460	157,300
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 Ratios 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>31,460</b>	
<b>Total Additional Tier I Capital</b>		
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>4,317,101</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,242,896	
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)	269,857	
<b>Total Deductions from Tier II Capital</b>	<b>1,512,753</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>1,512,753</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>5,829,854</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**I. Explanations on consolidated equity (continued)**

**a-) Components of consolidated total capital (continued):**

<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)		-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)		-
Other items to be Defined by the BRSA (-)		162,788
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)		-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)		-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)		-
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )		5,667,066
Total Risk Weighted Assets		33,105,303
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)		13.14
Tier I Capital Ratio (%)		13.04
Capital Adequacy Ratio (%)		17.12
<b>BUFFERS</b>		
Bank-specific total CET1 Capital Ratio		1.25
Capital Conservation Buffer Ratio (%)		1.25
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)		-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation		7.04
<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)		269,857
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets		269,857
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		-

(\*) Under this item fully loaded amounts were reported for items that are subject to phasing in according to "Bank Capital Regulation" dated 1 January 2014.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**I. Explanations on consolidated equity (continued)**

**a-) Components of consolidated total capital (continued):**

**Reconciliation of capital items to balance sheet**

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	
Paid-in Capital	3,097,322	2,678	3,100,000	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	(21,663)	-	(21,663)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Other Comprehensive Income According to TAS	(45,871)	-	(45,871)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Securities Value Increase Fund	13,140	-	13,140	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Tangible Assets	-	-	-	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(45,258)	-	(45,258)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	(13,753)	-	(13,753)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*); and Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	-	-	-	
Share Premium	24,208	-	24,208	
Profit Reserves	908,596	-	908,596	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Profit or Loss	512,938	-	512,938	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Prior Periods Profit/Loss	8,436	-	8,436	
Current Period Net Profit/Loss	504,502	-	504,502	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Minority Shareholders	23,710	-	23,710	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Deductions from Common Equity Tier I Capital (-)	190,921	-	240,101	Deductions from Common Equity Tier I Capital as per the Regulation
Common Equity Tier I Capital	<b>4,329,982</b>		<b>4,348,561</b>	
<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier I Capital as per the Regulation
<b>Tier I Capital</b>			<b>4,317,101</b>	
Subordinated Debts			1,242,896	
General Provisions			269,857	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>1,512,753</b>	
Deductions from Total Capital (-)			162,788	Deductions from Capital as per the Regulation
<b>Total</b>			<b>5,667,066</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**I. Explanations on consolidated equity (continued)**

**a-) Components of consolidated total capital (continued):**

	<i>Prior Period</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,790,000	
Share Premium	24,208	
Reserves	741,764	
Other Comprehensive Income according to TAS	-	
Profit	550,402	
Current Period Profit	571,341	
Prior Period Profit	(20,939)	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Interests	19,993	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>4,126,367</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	119,869	
Leasehold Improvements on Operational Leases (-)	47,732	
Goodwill Netted with Deferred Tax Liabilities		
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	84,280	140,466
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,678	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios 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>254,559</b>	
<b>Total Common Equity Tier I Capital</b>	<b>3,871,808</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**I. Explanations on consolidated equity (continued)**

**a-) Components of consolidated total equity (continued):**

<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	56,186	140,466
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 Ratios 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>56,186</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>3,815,622</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,794,270	
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)	220,123	
<b>Total Deductions from Tier II Capital</b>	<b>2,014,393</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>2,014,393</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>5,830,015</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**I. Explanations on consolidated equity (continued)**

**a-) Components of consolidated total capital (continued):**

<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	5,208	
Other items to be Defined by the BRSA (-)	95,439	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	5,729,368	
Total Risk Weighted Assets	31,499,103	
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)	12.29	
Tier I Capital Ratio (%)	12.11	
Capital Adequacy Ratio (%)	18.19	
<b>BUFFERS</b>		
Bank-specific total CET1 Capital Ratio	0.63	
Capital Conservation Buffer Ratio (%)	0.63	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7.79	
<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)	220,123	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	220,123	
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 SEPTEMBER 2017**

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

**II. Explanations on consolidated currency risk**

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

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

As of 30 September 2017, the Groups carries a net foreign currency short position of TL 189,876 (31 December 2016 – TL 4,261,855 long position) comprising TL 387,499 balance sheet long position (31 December 2016 - TL 4,152,382 short position) and TL 197,623 off balance sheet long position (31 December 2016 - TL 109,473 long position).

The announced current foreign exchange buying rates of the Parent Bank as of financial statements date and the previous five working days are as follows (Full TL):

	21/06/2017	22/06/2017	23/06/2017	28/06/2017	29/06/2017	Balance sheet evaluation rate
<b>USD</b>	3.5201	3.5373	3.5690	3.5712	3.5511	3.5511
<b>EURO</b>	4.1859	4.1766	4.1906	4.2022	4.1926	4.1926
<b>GBP</b>	4.7593	4.7602	4.7812	4.7852	4.7548	4.7548
<b>CHF</b>	3.6206	3.6440	3.6617	3.6692	3.6606	3.6606
<b>JPY</b>	0.0314	0.0316	0.0316	0.0317	0.0316	0.0316

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
<b>USD</b>	3.4687
<b>EURO</b>	4.1362
<b>GBP</b>	4.6161
<b>CHF</b>	3.6041
<b>JPY</b>	0.0313

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**Currency risk of the Group:**

	<b>EURO</b>	<b>USD</b>	<b>Other FC (****)</b>	<b>Total</b>
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	791,847	4,708,054	1,859,692	7,359,593
Banks	2,184,042	1,471,376	354,724	4,010,142
Financial assets at fair value through profit and loss	-	102,497	-	102,497
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	25,393	2,114,227	-	2,139,620
Loans and finance lease receivables (*)	4,655,727	8,991,863	78,588	13,726,178
Associates, Subsidiaries and Joint-Ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	5,923	185	-	6,108
Intangible assets	47,376	-	-	47,376
Other assets	304,370	22,117	3,288	329,775
<b>Total assets</b>	<b>8,014,678</b>	<b>17,410,319</b>	<b>2,296,292</b>	<b>27,721,289</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	70,907	49,526	153,898	274,331
Current and profit sharing accounts FC	3,854,770	12,574,080	2,470,480	18,899,330
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	123,711	3,356,850	780,357	4,260,918
Marketable securities issued	-	4,292,927	-	4,292,927
Miscellaneous payables	28,858	22,622	409	51,889
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	40,507	67,172	24,091	131,770
<b>Total liabilities</b>	<b>4,118,753</b>	<b>20,363,177</b>	<b>3,429,235</b>	<b>27,911,165</b>
Net balance sheet position	3,895,925	(2,952,858)	(1,132,943)	(189,876)
Net off-balance sheet position	(3,861,003)	3,122,159	1,126,343	387,499
Financial derivative assets	794,457	6,640,830	1,513,917	8,949,204
Financial derivative liabilities	4,655,460	3,518,671	387,574	8,561,705
Non-cash loans (***)	1,514,789	2,457,401	368,956	4,341,146
<b>Prior period</b>				
Total assets	9,755,657	15,530,851	2,582,901	27,869,409
Total liabilities	3,205,582	17,274,519	3,127,453	23,607,554
Net balance sheet position	6,550,075	(1,743,668)	(544,552)	4,261,855
Net off-balance sheet position	(6,447,687)	1,761,924	533,381	(4,152,382)
Financial derivative assets	311,483	3,966,378	1,158,845	5,436,706
Financial derivative liabilities	6,759,170	2,204,454	625,464	9,589,088
Non-cash loans (***)	1,653,815	2,698,112	360,108	4,712,035

(\*) Includes foreign currency indexed loans amounting to TL 7,170,176 (31 December 2016 – TL 7,272,665) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (31 December 2016 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 1,869,329 on the balance sheet.

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

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

(\*\*\*\*\*) General provision for FC indexed loans amount of TL 36,771 included in Other Liabilities. General loan provisions for the Bank’s share and provisions for financial assets at fair value through profit and loss amount of TL 70,150 and TL 1,486 respectively are not included in currency risk of the Bank.

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 42,063 (31 December 2016 – TL 87,833)
- Prepaid expenses: TL 124 (31 December 2016 – TL 646)
- Derivative financial liabilities held for trading: TL 24,928 (31 December 2016 – TL 79,147)
- Foreign currency marketable securities revaluation reserve: TL 19,210 (31 December 2016 – (30,347) TL)
- Derivative financial liabilities for hedging purposes TL 96,243 (31 December 2016 – TL 137,829)

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

- Forward foreign currency purchase transactions: TL 1,205,719 (31 December 2016 - TL 306,728)
- Forward foreign currency sale transactions: TL 1,313,626 (31 December 2016 – TL : 403,440)
- Matured purchase transactions: TL 441,131 (31 December 2016 - TL 497,032)
- Matured sale transactions: TL 222,170 (31 December 2016- TL 490,039)

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**a) Relation of risks with gains accounted under equity and analysing 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.

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

		Comparison		
	Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1	<b>Securities Available-for-Sale(*)</b>	55,296	-	-
	Quoted Securities	-	-	-
2	<b>Investments in Associates</b>	-	-	-
	Quoted Securities	-	-	-
3	<b>Investment in Subsidiaries(*)</b>	23,680	-	-
	Quoted Securities	-	-	-
4	<b>Other</b>	18,218	-	-
	Quoted Securities	-	-	-

		Comparison		
	Prior Period Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1	<b>Securities Available-for-Sale (*)</b>	53,485	-	-
	Quoted Securities	-	-	-
2	<b>Investments in Associates</b>	-	-	-
	Quoted Securities	-	-	-
3	<b>Investment in Subsidiaries(*)</b>	23,680	-	-
	Quoted Securities	-	-	-
4	<b>Other</b>	15,301	-	-
	Quoted Securities	-	-	-

(\*)Valuation of Equity shares investments are followed up at cost value because its fair value cannot be reliably measured.

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

None (31 December 2016: None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**IV. Consolidated liquidity risk management and liquidity coverage ratio**

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

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

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

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

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

The Group, with its strong capital structure and its main shareholder is Kuwait Finance House's support, spread hthe base of current and participation accounts and be stable, diversified sources of foreign borrowing has a high risk capacity. In addition, in the case that high-quality liquid assets to meet its cash outflows with the stock of the Liquidity Coverage Ratio of the Bank it is evaluated as high. There are limits to ready use in the Central Bank and financial institutions.

Senior management in the ALCO meetings are analyzed indicators of the liquidity situation and liquidity risk are weekly discussed. In addition, the Board of Directors through the Audit Committee are informed.

For the management of liquidity risk, the Risk Management Department of 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) are followed. Reports on the liquidity gap analysis Budget and Management Reporting prepared weekly by the Department and monitored by the Asset and Liability Committee. These units also possible to estimate the Bank's liquidity needs in case of emergency and urgent action plans based on these estimates. Risk Management Department, followed by limits on liquidity risk as determined by the Board. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenario will make the liquidity position of the Bank. The Treasury Department is to do at any time or from any source with regard to funding deficiency funding to prevent and manage its liquidity risk and Asset and Liability Committee regularly reports regarding the Bank's liquidity position. External Reporting Directorate to track the liquidity coverage ratio and the results are reported to the BRSA.

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

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

**e) Information on liquidity risk mitigation techniques:**

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

**f) Information on the use of stress tests:**

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**Consolidated liquidity coverage ratio**

<i>Current Period (Parent Bank)</i>		<b>Total Unweighted Value (Average) (*)</b>		<b>Total Weighted Value (Average) (*)</b>	
		<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	8,437,587	7,336,680	8,425,545	7,324,638
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	25,848,207	12,118,630	2,173,819	1,211,862
3	Stable deposits	8,220,047	-	411,003	-
4	Less stable deposits	17,628,160	12,118,630	1,762,816	1,211,862
5	Unsecured wholesale funding, of which:	8,070,269	4,247,848	3,300,962	1,617,577
6	Operational deposits	3,740,065	2,144,973	935,016	536,243
7	Non-operational deposits	3,698,146	2,006,405	1,733,888	984,864
8	Unsecured funding	632,058	96,470	632,058	96,470
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	21,637,630	10,580,985	10,491,032	6,520,074
11	Outflows related to derivative exposures and other collateral requirements	7,828,662	6,306,100	7,828,662	6,306,100
12	Outflows related to restructured financial instruments	63,333	-	63,333	-
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	13,745,635	4,274,885	2,599,037	213,974
16	<b>Total Cash Outflows</b>			<b>15,965,813</b>	<b>9,349,513</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	5,347,685	3,330,779	4,216,755	3,202,056
19	Other cash inflows	7,794,594	5,821,061	7,794,594	5,821,061
20	<b>Total Cash Inflows</b>	<b>13,142,279</b>	<b>9,151,840</b>	<b>12,011,349</b>	<b>9,023,117</b>
				Total Adjusted Value	
21	<b>Total HQLA</b>			<b>8,425,545</b>	<b>7,324,638</b>
22	<b>Total Net Cash Outflows</b>			<b>3,991,453</b>	<b>2,337,378</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>211.09</b>	<b>313.36</b>

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

The table below presents highest, lowest and average liquidity coverage ratios as at 30 September 2017:

	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>	<b>Average</b>
<b>TL+FC</b>	648.12	10.03.2017	137.26	22.09.2017	274.28
<b>FC</b>	980.02	10.03.2017	232.17	12.05.2017	459.86

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**Consolidated liquidity coverage ratio**

<i>Prior Period (Parent Bank)</i>		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)	7,248,378	6,328,808	6,144,352	5,224,782
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	23,479,779	9,318,830	1,517,332	597,257
3	Stable deposits	16,612,915	6,692,505	830,646	334,625
4	Less stable deposits	6,866,864	2,626,325	686,686	262,632
5	Unsecured wholesale funding, of which:	6,214,737	2,217,841	3,845,879	934,698
6	Operational deposits	2,319,448	1,241,513	579,862	310,379
7	Non-operational deposits	2,213,026	912,697	1,583,754	560,688
8	Unsecured funding	1,682,263	63,631	1,682,263	63,631
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	5,309,816	2,511,422	424,294	274,342
11	Outflows related to derivative exposures and other collateral requirements	10,561	-	10,561	-
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,299,255	2,511,422	413,733	274,342
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	<b>Total Cash Outflows</b>			<b>5,787,505</b>	<b>1,806,297</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	4,589,956	4,468,844	662,942	595,905
19	Other cash inflows	44,971	3,350,234	44,971	3,350,234
20	<b>Total Cash Inflows</b>	<b>4,634,927</b>	<b>7,819,078</b>	<b>707,913</b>	<b>3,946,139</b>
				Total Adjusted Value	
21	<b>Total HQLA</b>			<b>6,144,352</b>	<b>5,224,782</b>
22	<b>Total Net Cash Outflows</b>			<b>5,079,592</b>	<b>451,574</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>120.96</b>	<b>1,157.02</b>

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

The table below presents highest, lowest and average liquidity coverage ratios between 1 January and 31 December 2016:

**Prior Period**

	Highest	Date	Lowest	Date	Average
<b>TL+FC</b>	294.78	08.01.2016	110.53	30.12.2016	166.66
<b>FC</b>	1,498.10	05.08.2016	393.39	25.03.2016	1,132.26

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
<b>Current period</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	1,568,576	6,205,814	-	-	-	-	-	7,774,390
Banks	4,022,732	-	1,265	-	-	-	-	4,023,997
Financial assets at fair value through profit and loss	-	70,476	18,434	36,797	75,658	3,938	-	205,303
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	919,871	4,896	944,778	1,341,619	659,289	137,782	4,008,235
Loans(*)	-	5,767,901	4,471,409	11,931,809	12,857,194	2,226,691	111,291	37,366,295
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	5,044	465,887	111,672	-	97,501	-	725,984	1,406,088
<b>Total assets</b>	<b>5,596,352</b>	<b>13,429,949</b>	<b>4,607,676</b>	<b>12,913,384</b>	<b>14,371,972</b>	<b>2,889,918</b>	<b>975,057</b>	<b>54,784,308</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	269,947	7,943	-	-	-	-	-	277,890
Current and profit sharing accounts	14,598,295	18,613,471	3,670,539	1,008,910	85,559	-	-	37,976,774
Funds provided from other financial institutions	-	58,044	464,842	2,066,633	506,677	1,254,536	-	4,350,732
Money market borrowings	-	880,295	-	-	-	-	-	880,295
Marketable securities issued	-	-	-	1,121,816	4,233,935	-	-	5,355,751
Miscellaneous payables	153,904	55,339	2,530	-	-	-	-	211,773
Other liabilities (**)	-	346,283	50,546	12,269	96,418	-	5,225,577	5,731,093
<b>Total liabilities</b>	<b>15,022,146</b>	<b>19,961,375</b>	<b>4,188,457</b>	<b>4,209,628</b>	<b>4,922,589</b>	<b>1,254,536</b>	<b>5,225,577</b>	<b>54,784,308</b>
<b>Net liquidity gap</b>	<b>(9,425,794)</b>	<b>(6,531,426)</b>	<b>419,219</b>	<b>8,703,756</b>	<b>9,449,383</b>	<b>1,635,382</b>	<b>(4,250,520)</b>	<b>-</b>
<b>Prior period</b>								
Total assets	7,835,927	12,431,459	4,508,293	9,775,829	11,170,634	2,114,018	889,875	48,726,035
Total liabilities	12,148,944	17,951,603	3,822,475	3,717,904	5,190,194	1,267,765	4,627,150	48,726,035
Net Liquidity Gap	(4,313,017)	(5,520,144)	685,818	6,057,925	5,980,440	846,253	(3,737,275)	-

(\*) This line also includes receivables from leasing transactions.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**V. Explanations on consolidated leverage ratio**

**Disclosure of consolidated 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>		<i>Current Period</i> (*)	<i>Prior Period</i> (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	53,668,516	47,713,307
2	(Assets deducted in determining Tier I capital)	(245,088)	(218,855)
3	Total on-balance sheet risks (sum of lines 1 and 2)	53,423,428	47,494,452
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative instruments and credit derivatives	50,074	90,391
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	115,815	115,612
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	165,889	206,003
<b>Securities or commodity financing transactions (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	699,730	247,175
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	699,730	247,175
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	53,879,797	41,997,030
11	(Adjustments for conversion to credit equivalent amounts)	(34,573,311)	(24,926,904)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	19,306,486	17,070,126
<b>Capital and total risks</b>			
13	Tier I capital	4,242,583	3,810,218
14	Total risks (sum of lines 3, 6, 9 and 12)	73,595,533	65,017,756
<b>Leverage ratio</b>			
15	Leverage ratio	5.76	5.86

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

In the consolidated basis, the Group's balance sheet date in the last months of the past three months, calculated on the basis of the arithmetic average of the nominal value in the leverage ratio was 5.76% (31 December 2016 - 5.86%) were realized. The main reason for the changes compared to the previous period compared to other off-balance sheet items is higher than the increase in risk item. According to this, while the core capital is observed an increase in profit for the period increased by 11.35% and the balance-sheet risks borne amount, balance sheet items showed a %12.48 increase, also off-balance sheet items increased 13.10%. Accordingly, the leverage ratio of the current period compared to the previous year shows an increase of 10 basis points.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**VI. Explanations on consolidated risk management**

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**VI. Explanations on consolidated risk management (continued)**

**a. Explanations on Risk Management and Risk weighted amounts :**

**Risk weighted amounts:**

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/09/2017	Prior Period 31/12/2016	Current Period 30/09/2017
1	Credit risk (excluding counterparty credit risk) (CCR) <sup>(*)</sup>	28,725,049	27,753,547	2,298,004
2	Of which standardised approach (SA)	28,725,049	27,792,552	2,298,004
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	86,858	94,652	6,949
5	Of which standardised approach for counterparty credit risk (SA-CCR)	86,858	94,652	6,949
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	42,059	-	3,365
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	740,540	734,695	59,243
17	Of which standardised approach (SA)	740,540	734,695	59,243
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	3,552,856	2,877,204	284,228
20	Of which basic indicator approach	3,552,856	2,877,204	284,228
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>33,147,362</b>	<b>31,538,108</b>	<b>2,651,789</b>

**VII. Securitization Positions**

None.

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

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

**Collaterals for Counterparty Credit Risk:**

None.

**Credit Derivatives:**

None.

**Items Subject to Counterparty Risk Framework**

None.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**IX. Explanations on business segments**

The Group operates in Corporate and Commercial Banking, Retail Banking, International Banking – Treasury and Investment Banking sectors.

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

Retail Banking; there are main activities: ATMs, internet banking, telephone banking, and other banking services, as well as a wide range of products such as credit cards, funds collection, installment commercial loans, business loans, non-cash loans, consumer financing, credit cards, artisan finance, checks, POS services.

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

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

<b>Current Period</b> <b>1 January – 30 September 2017</b>	<b>Retail and enterprise Banking</b>	<b>Commercial banking</b>	<b>Corporate and international banking</b>	<b>Unallocated</b>	<b>Grup's total operation</b>
Operating income	1,570,747	1,657,681	208,146	-	3,436,574
Operating expenses	1,120,505	328,333	402,500	927,573	2,778,911
Transfers between segments	863,527	(185,516)	(678,011)	-	-
<b>Net operating income(loss)</b>	<b>1,313,769</b>	<b>1,143,832</b>	<b>(872,365)</b>	<b>(927,573)</b>	<b>657,663</b>
Income from associates	-	-	-	2,917	2,917
<b>Income (loss) before tax</b>	<b>1,313,769</b>	<b>1,143,832</b>	<b>(872,365)</b>	<b>(924,656)</b>	<b>660,580</b>
Provision for taxation	-	-	-	154,835	154,835
<b>Net income for the period</b>	<b>1,313,769</b>	<b>1,143,832</b>	<b>(872,365)</b>	<b>(1,079,491)</b>	<b>505,745</b>
<b>Current Period</b> <b>1 January – 30 September 2017</b>					
Segment assets	17,193,753	19,548,311	16,636,156	-	53,378,220
Associates, subsidiaries and joint Ventures	-	-	-	41,898	41,898
Undistributed assets	-	-	-	1,364,190	1,364,190
<b>Total assets</b>	<b>17,193,753</b>	<b>19,548,311</b>	<b>16,636,156</b>	<b>1,406,088</b>	<b>54,784,308</b>
Segment liabilities	28,957,646	9,060,921	10,958,439	-	48,977,006
Undistributed liabilities	-	-	-	1,286,399	1,286,399
Shareholders' equity	-	-	-	4,520,903	4,520,903
<b>Total liabilities</b>	<b>28,957,646</b>	<b>9,060,921</b>	<b>10,958,439</b>	<b>5,807,302</b>	<b>54,784,308</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**IX. Explanations on business segments**

**Definitive balance sheet and income statement items based on operating segments:**

<b>Prior Period (1 January 2016 – 30 September 2016)<sup>(*)</sup></b>	<b>Retail and enterprise Banking</b>	<b>Commercial banking</b>	<b>Corporate and international banking</b>	<b>Unallocated</b>	<b>Grup's total operation</b>
Operating income	1,138,957	1,573,387	181,655	-	2,893,999
Operating expenses	889,149	239,141	362,904	829,153	2,320,347
Transfers between segments	640,753	(678,783)	38,030	-	-
<b>Net operating income(loss)</b>	<b>890,561</b>	<b>655,463</b>	<b>(143,219)</b>	<b>(829,153)</b>	<b>573,652</b>
Income from associates	-	-	-	338	338
<b>Income (loss) before tax</b>	<b>890,561</b>	<b>655,463</b>	<b>(143,219)</b>	<b>(828,815)</b>	<b>573,990</b>
Provision for taxation	-	-	-	110,410	110,410
<b>Net income for the period</b>	<b>890,561</b>	<b>655,463</b>	<b>(143,219)</b>	<b>(939,225)</b>	<b>463,580</b>
<b>Prior Period (31 December 2016)</b>					
Segment assets	10,479,838	19,277,131	17,442,897	-	47,199,866
Associates, subsidiaries and joint ventures	-	-	-	38,981	38,981
Undistributed assets	-	-	-	1,487,188	1,487,188
<b>Total assets</b>	<b>10,479,838</b>	<b>19,277,131</b>	<b>17,442,897</b>	<b>1,526,169</b>	<b>48,726,035</b>
Segment liabilities	24,678,208	7,332,820	11,491,406	-	43,502,434
Undistributed liabilities	-	-	-	1,219,780	1,219,780
Shareholders' equity	-	-	-	4,003,821	4,003,821
<b>Total liabilities</b>	<b>24,678,208</b>	<b>7,332,820</b>	<b>11,491,406</b>	<b>5,223,601</b>	<b>48,726,035</b>

(\*) Discontinued operations are shown in the related lines.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**SECTION FIVE**

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	309,496	735,296	429,341	1,136,330
The Central Bank of Republic of Turkey	63,909	6,219,006	266,286	5,671,920
Other (*)	41,392	405,291	-	821,937
<b>Total</b>	<b>414,797</b>	<b>7,359,593</b>	<b>695,627</b>	<b>7,630,187</b>

(\*) As of 30 September 2017, precious metal account amounting to TL 236,558 (31 December 2016 - TL 802,280) and money in transit amounting to TL 210,125 (31 December 2016 - TL 19,657) are presented in this line.

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

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	62,969	35	259,936	20
Restricted time deposit	940	6,218,971	6,350	5,671,900
<b>Total</b>	<b>63,909</b>	<b>6,219,006</b>	<b>266,286</b>	<b>5,671,920</b>

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 4% and 10.5% for TL deposits and other liabilities according to their maturities as of 30 September 2017 (31 December 2016: 4% and 10.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 30 September 2017 (31 December 2016: 4% and 24% for all foreign currency liabilities).

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

1. As of 30 September 2017, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2016 – None).

2. Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	9,640	4,797	20,373	1,931
Swap transactions	38,193	37,266	1,844	85,902
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>47,833</b>	<b>42,063</b>	<b>22,217</b>	<b>87,833</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**c. Information on Banks:**

1. Information on banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	<b>13,855</b>	<b>4,010,142</b>	<b>26,887</b>	<b>4,753,493</b>
Domestic	13,684	3,151,268	26,859	3,555,895
Foreign	171	858,874	28	1,197,598
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>13,855</b>	<b>4,010,142</b>	<b>26,887</b>	<b>4,753,493</b>

2. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	491,895	-	689,699	-
USA and Canada	319,183	-	393,755	-
OECD Countries(*)	11,331	-	7,893	-
Off-shore Banking Regions	933	-	562	-
Other	35,703	-	105,717	-
<b>Total</b>	<b>859,045</b>	<b>-</b>	<b>1,197,626</b>	<b>-</b>

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

**d. Information on financial assets available-for-sale:**

	Current Period	Prior Period
Debt Securities	3,909,577	3,699,871
Quoted on stock exchange	3,909,577	3,699,871
Not quoted on stock exchange	-	-
Share certificates	117,388	101,212
Quoted on stock exchange	61,378	47,013
Not quoted on stock exchange	56,010	54,199
Impairment provision	(18,730)	(48,356)
<b>Total</b>	<b>4,008,235</b>	<b>3,752,727</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**d. Information on financial assets available-for-sale:**

The details of the Rent Certificates which are in Bank's Portfolio "Financial Assets Available for-Sale" are presented below as 30 September 2017.

The Bank invested in domestic currency rent certificates ("Sukuk") issued by private companies which are presented below. The "Sukuk" is classified under "Other Marketable Securities" at the accompanying financial statements.

DESCRIPTON	CURRENCY	COUPON FREQUENCY	ISSUER	ENTRY DATE	MATURITY DATE	COST	RATE
XS1082151868	USD	6	ALBARAKA TURK	30/06/2014	30/06/2019	15,980	6.26
XS0922143382	USD	6	TÜRKİYE FİNANS K.B.A.Ş.	02/05/2013	02/05/2018	86,437	3.96
XS1057852912	USD	6	TÜRKİYE FİNANS K.B.A.Ş.	24/04/2014	24/04/2019	23,653	3.96
XS1241110300	USD	6	DIB	03/06/2015	03/06/2020	7,109	0.58
XS1648209390	USD	3	IILM	19/07/2017	10/10/2017	54,193	1.08

In addition; the Bank included rent certificates which are presented below and these amounts are classified under "Government debt securities" at the accompanying financial statements.

DESCRIPTON	CURRENCY	COUPON FREQUENCY	ISSUER	ENTRY DATE	MATURITY DATE	VALUE	RATE
TRD140721T18	TRY	6	T.C. HAZİNE	20/07/2016	14/07/2021	4,499	9.40
TRD140218T18	TRY	6	T.C. HAZİNE	17/02/2016	14/02/2018	23,265	10.64
TRD220921T16	TRY	6	T.C. HAZİNE	28/09/2016	22/09/2021	10,023	2.24
TRD260918T17	TRY	6	T.C. HAZİNE	28/09/2016	26/09/2018	22,617	8.8
TRD211118T18	TRY	6	T.C. HAZİNE	23/11/2016	21/11/2018	2,060	10.16
TRD130219T18	TRY	6	T.C. HAZİNE	15/02/2017	13/02/2019	19,479	11.04
TRD190619T18	TRY	6	T.C. HAZİNE	21/06/2017	19/06/2019	89,504	10.72
TRD100822T10	TRY	6	T.C. HAZİNE	16/08/2017	10/08/2022	8,857	10.76
XS0831353361	USD	6	REPUBLIC OF TURKEY	26/09/2012	26/03/2018	164,609	2.80
XS1586385178	USD	6	REPUBLIC OF TURKEY	06/04/2017	06/04/2023	143,820	5.00
XS1141043296	USD	6	REPUBLIC OF TURKEY	25/11/2014	25/11/2024	10,097	4.48
XS0975124180	USD	6	REPUBLIC OF TURKEY	26/04/2016	10/10/2018	42,698	4.56
XS1303467077	USD	6	REPUBLIC OF TURKEY	08/06/2016	08/06/2021	40,892	4.26

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

**e. Information on loans and receivables:**

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	1,207	16,639	998	16,818
Corporate Shareholders	-	16,639	-	16,656
Real Person Shareholders	1,207	-	998	162
Indirect Loans Granted to Shareholders	144,508	20,343	135,364	20,290
Loans Granted to Employees	18,392	3	14,333	319
<b>Total</b>	<b>164,107</b>	<b>36,985</b>	<b>150,695</b>	<b>37,427</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

2. Information on first and second category loans and other receivables including restructured or rescheduled loans:

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>34,184,677</b>	<b>804,179</b>	-	<b>1,123,017</b>	<b>610,111</b>	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	48,585	-	-	458	18	-
Imports Loans	1,698,651	-	-	113	-	-
Enterprise Loans	21,923,455	783,364	-	819,520	512,774	-
Consumer Loans	6,476,822	16,888	-	214,414	45,692	-
Credit Cards	528,888	-	-	6,625	-	-
Precious Metal Loans	62,738	-	-	14,628	-	-
Loans Given to Financial Sector	951,898	-	-	-	-	-
Loans Extended Abroad	196,783	3,927	-	61,444	51,627	-
Other	2,296,857	-	-	5,815	-	-
<b>Other Receivables</b>	<b>15,539</b>	-	-	<b>5,528</b>	-	-
<b>Total</b>	<b>34,200,216</b>	<b>804,179</b>	-	<b>1,128,545</b>	<b>610,111</b>	-
Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
Cash Loans	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>26,910,523</b>	<b>547,437</b>	-	<b>1,541,100</b>	<b>1,006,339</b>	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	19,007	-	-	337	-	-
Imports Loans	1,250,992	-	-	10,420	-	-
Enterprise Loans	16,903,795	540,986	-	1,246,959	909,349	-
Consumer Loans	5,363,417	6,451	-	176,927	31,340	-
Credit Cards	319,971	-	-	8,637	-	-
Precious Metal Loans	104,024	-	-	1,736	1,736	-
Loans Given to Financial Sector	609,604	-	-	-	-	-
Loans Extended Abroad	249,977	-	-	67,766	63,914	-
Other	2,089,736	-	-	28,318	-	-
<b>Other Receivables</b>	<b>17,916</b>	-	-	<b>3,049</b>	-	-
<b>Total</b>	<b>26,928,439</b>	<b>547,437</b>	-	<b>1,544,149</b>	<b>1,006,339</b>	-

In accordance with the Communiqué “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans” published in Official Gazette dated 1 November 2006 and numbered 26333, information related to the restructuring (after publish date of the aforementioned Communiqué) of the standard loans and loans and other receivables under close monitoring with respect to the payment schedules and terms is as follows (average maturities and principals are taken into the account):

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

<b>Number of Extensions for Repayment Plan</b>		
<b>Current Period</b>	<b>Performing Loans and Other Receivables</b>	<b>Performing Loans and Other Receivables</b>
1 or 2 times	804,179	610,111
3,4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>804,179</b>	<b>610,111</b>

<b>Extension Periods for Repayment Plan Changes</b>		
<b>Extension Periods for Repayment Plan Changes</b>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-Up</b>
0 - 6 months	1,888	16,313
6 - 12 months	32,615	33,732
1 - 2 years	244,779	242,698
2 - 5 years	374,409	254,296
5 years and over	150,488	63,072
<b>Total</b>	<b>804,179</b>	<b>610,111</b>

<b>Prior Period</b>	<b>Number of Extensions for Repayment Plan</b>	
	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-Up</b>
1 or 2 times	547,437	1,006,339
3,4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>547,437</b>	<b>1,006,339</b>

<b>Extension Periods for Repayment Plan Changes</b>		
	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-Up</b>
0 - 6 months	4,633	31,479
6 - 12 months	15,611	107,110
1 - 2 years	153,136	313,943
2 - 5 years	238,648	497,695
5 years and over	135,409	56,112
<b>Total</b>	<b>547,437</b>	<b>1,006,339</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**e. Information on loans and receivables:**

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

<b>Current Period</b>	<b>Performing Loans and Other Receivables</b>		<b>Loans and other receivables under Follow-Up</b>	
	<b>Loans and other receivables (Total)</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and other receivables (Total)</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>8,791,498</b>	<b>9,708</b>	<b>53,502</b>	<b>5,664</b>
Loans	8,775,959	9,708	47,974	5,664
Other receivables	15,539	-	5,528	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>25,408,718</b>	<b>794,471</b>	<b>1,075,043</b>	<b>604,447</b>
Loans	25,408,718	794,471	1,075,043	604,447
Other receivables	-	-	-	-
<b>Total</b>	<b>34,200,216</b>	<b>804,179</b>	<b>1,128,545</b>	<b>610,111</b>

<b>Prior Period</b>	<b>Performing Loans and Other Receivables</b>		<b>Loans and other receivables under Follow-Up</b>	
	<b>Loans and other receivables (Total)</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and other receivables (Total)</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>6,732,534</b>	<b>7,459</b>	<b>107,062</b>	<b>40,937</b>
Loans	6,714,618	7,459	104,013	40,937
Other receivables	17,916	-	3,049	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>20,195,905</b>	<b>539,978</b>	<b>1,437,087</b>	<b>965,402</b>
Loans	20,195,905	539,978	1,437,087	965,402
Other receivables	-	-	-	-
<b>Total</b>	<b>26,928,439</b>	<b>547,437</b>	<b>1,544,149</b>	<b>1,006,339</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**e. Information on loans and receivables:**

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>57,674</b>	<b>6,432,612</b>	<b>6,490,286</b>
Housing Loans	15,108	5,758,467	5,773,575
Vehicle Loans	13,071	367,140	380,211
Consumer Loans	22,013	179,826	201,839
Other	7,482	127,179	134,661
<b>Consumer Loans-FC Indexed</b>	-	<b>2,043</b>	<b>2,043</b>
Housing Loans	-	2,043	2,043
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	<b>187,125</b>	<b>187,125</b>
Housing Loans	-	106,099	106,099
Vehicle Loans	-	7,950	7,950
Consumer Loans	-	43,008	43,008
Other	-	30,068	30,068
<b>Retail Credit Cards-TL</b>	<b>259,390</b>	<b>72</b>	<b>259,462</b>
With Instalment	52,328	72	52,400
Without Instalment	207,062	-	207,062
<b>Retail Credit Cards-FC</b>	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,311</b>	<b>10,471</b>	<b>11,782</b>
Housing Loans	-	1,180	1,180
Vehicle Loans	261	4,929	5,190
Consumer Loans	1,048	4,362	5,410
Other	2	-	2
<b>Personnel Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>10,541</b>	<b>22</b>	<b>10,563</b>
With Instalment	3,421	22	3,443
Without Instalment	7,120	-	7,120
<b>Personnel Credit Cards-FC</b>	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>328,916</b>	<b>6,632,345</b>	<b>6,961,261</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**e. Information on loans and receivables:**

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

<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>36,077</b>	<b>5,327,039</b>	<b>5,363,116</b>
Housing Loans	8,603	4,832,622	4,841,225
Vehicle Loans	8,669	286,162	294,831
Consumer Loans	16,578	156,424	173,002
Other	2,227	51,831	54,058
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>4,754</b>	<b>4,754</b>
Housing Loans	-	4,754	4,754
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>16</b>	<b>162,231</b>	<b>162,247</b>
Housing Loans	-	96,990	96,990
Vehicle Loans	16	5,298	5,314
Consumer Loans	-	13,065	13,065
Other	-	46,878	46,878
<b>Retail Credit Cards-TL</b>	<b>179,305</b>	<b>79</b>	<b>179,384</b>
With Instalment	31,809	79	31,888
Without Instalment	147,496	-	147,496
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Instalment	-	-	-
Without Instalment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,064</b>	<b>9,163</b>	<b>10,227</b>
Housing Loans	-	1,396	1,396
Vehicle Loans	302	4,632	4,934
Consumer Loans	760	3,135	3,895
Other	2	-	2
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>7,614</b>	<b>22</b>	<b>7,636</b>
With Instalment	2,256	22	2,278
Without Instalment	5,358	-	5,358
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Instalment based	-	-	-
Without-instalment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>224,076</b>	<b>5,503,288</b>	<b>5,727,364</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**e. Information on loans and receivables:**

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 Instalment Loans-TL</b>	<b>208,433</b>	<b>4,476,287</b>	<b>4,684,720</b>
Business Loans	5,929	1,234,149	1,240,078
Vehicle Loans	142,664	1,380,834	1,523,498
Consumer Loans	59,840	1,861,227	1,921,067
Other	-	77	77
<b>Commercial Instalment Loans-FC Indexed</b>	<b>19,699</b>	<b>1,598,191</b>	<b>1,617,890</b>
Business Loans	7,832	351,492	359,324
Vehicle Loans	8,993	381,359	390,352
Consumer Loans	2,874	865,340	868,214
Other	-	-	-
<b>Commercial Instalment Loans-FC</b>	<b>30,645</b>	<b>500,869</b>	<b>531,514</b>
Business Loans	30,645	322,755	353,400
Vehicle Loans	-	33,021	33,021
Consumer Loans	-	-	-
Other	-	145,093	145,093
<b>Corporate Credit Cards-TL</b>	<b>265,488</b>	<b>-</b>	<b>265,488</b>
With Instalment	96,354	-	96,354
Without Instalment	169,134	-	169,134
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Instalment	-	-	-
Without Instalment	-	-	-
<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>524,265</b>	<b>6,575,347</b>	<b>7,099,612</b>

<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Instalment Loans-TL</b>	<b>131,542</b>	<b>3,350,939</b>	<b>3,482,481</b>
Business Loans	8,363	805,525	813,888
Vehicle Loans	53,877	899,076	952,953
Consumer Loans	69,302	1,646,104	1,715,406
Other	-	234	234
<b>Commercial Instalment Loans-FC Indexed</b>	<b>19,738</b>	<b>1,600,468</b>	<b>1,620,206</b>
Business Loans	518	361,055	361,573
Vehicle Loans	13,966	401,823	415,789
Consumer Loans	5,254	836,926	842,180
Other	-	664	664
<b>Commercial Instalment Loans-FC</b>	<b>44,004</b>	<b>279,574</b>	<b>323,578</b>
Business Loans	-	144,340	144,340
Vehicle Loans	-	13,693	13,693
Consumer Loans	44,004	41,386	85,390
Other	-	80,155	80,155
<b>Corporate Credit Cards-TL</b>	<b>141,588</b>	<b>-</b>	<b>141,588</b>
With Instalment	20,605	-	20,605
Without Instalment	120,983	-	120,983
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Instalment	-	-	-
Without Instalment	-	-	-
<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>336,872</b>	<b>5,230,981</b>	<b>5,567,853</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**e. Information on loans and receivables:**

6. Breakdown of domestic and foreign loans:

	<b>Current period</b>	<b>Prior period</b>
Domestic loans	35,070,534	28,154,845
Foreign loans	258,227	317,743
<b>Total</b>	<b>35,328,761</b>	<b>28,472,588</b>

7. Loans granted to subsidiaries and associates:

	<b>Current period</b>	<b>Prior period</b>
Loans granted directly to subsidiaries and associates (*)	12	14
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>12</b>	<b>14</b>

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

8. Specific provisions for loans:

	<b>Current period</b>	<b>Prior period</b>
Specific provisions		
Loans and receivables with limited collectability	35,826	71,172
Loans and receivables with doubtful collectability	225,975	211,227
Uncollectible loans and receivables	553,744	304,120
<b>Total</b>	<b>815,545</b>	<b>586,519</b>

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

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

	<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</b>			
(Gross amounts before specific provision)			
Restructured loans and other receivables			
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	-	-	-
(Gross amounts before specific provision)			
Restructured loans and other receivables			
Rescheduled loans and other receivables	-	-	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**e. Information on loans and receivables:**

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

(ii). 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-31.12.2016</b>	<b>128,436</b>	<b>278,874</b>	<b>341,304</b>
Additions in the current period (+)	132,551	59,744	78,134
Transfers from other categories of non-performing loans(+)	-	99,108	207,103
Transfers to other categories of non-performing loans (-)	99,117	207,094	-
Collections in the current period (-)	4,153	17,882	26,582
<b>Write offs (-)</b>	<b>-</b>	<b>-</b>	<b>110,830</b>
Corporate and commercial loans	-	-	73,407
Retail loans	-	-	34,304
Credit Cards	-	-	3,119
Other	-	-	-
<b>Ending balance of the current period</b>	<b>69,516</b>	<b>273,011</b>	<b>584,512</b>
Specific provisions (-)	35,826	225,975	553,744
<b>Net balance at the balance sheet</b>	<b>33,690</b>	<b>47,036</b>	<b>30,768</b>

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2016- None).

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>33,690</b>	<b>47,036</b>	<b>30,768</b>
Loans granted to real persons and legal entities (Gross)	69,516	273,011	584,512
Specific provision (-)	35,826	225,975	553,744
<b>Loans to real persons and legal entities (Net)</b>	<b>33,690</b>	<b>47,036</b>	<b>30,768</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (net)</b>	<b>57,264</b>	<b>67,647</b>	<b>37,184</b>
Loans to real persons and legal entities (Gross)	128,436	278,874	341,304
Specific provision (-)	71,172	211,227	304,120
<b>Loans to real persons and legal entities (Net)</b>	<b>57,264</b>	<b>67,647</b>	<b>37,184</b>
<b>Banks (Gross)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Specific provision (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other loans and receivables (Gross)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Specific provision (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**e. Information on loans and receivables:**

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

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. In 2017, non-performing loans amounting to TL 110,830 have been written-off (31 December 2016 – TL 150,682).

11. Information on the write-off policy:

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

**f. Information on held-to-maturity investments:**

None (31 December 2016 – None).

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

1. The 1.69% ownership of Kredi Garanti Fonu A.Ş. of TL 4,719 (31 December 2016 – TL 4,719), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2016 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 5,201 (31 December 2016 – TL 5,201), TL 390 amount of swift shares (31 December 2016 – TL 390) and 0.0035% ownership of share of TL 15 (31 December 2016 – TL 15) that is traded in Borsa İstanbul A.Ş. and VISA Inc. share of TL 6,720 (31 December 2016 – TL 6,660) are classified as financial assets available for sale since the Bank’s ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.
2. Information about investments in unconsolidated associates: None (31 December 2016 – None).
3. Information related to consolidated associates: None (31 December 2016 – None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

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

2. Information on subsidiaries:

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

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
37,537	34,672	-	-	-	5,480	5,279	-
111,967	100,155	73	-	-	14,865	30,203	-
50,409	198	-	-	-	44	6	-
5,414,051	106	-	-	-	12	13	-
692,778	377,331	53,299	-	-	(23,992)	(29,406)	-
7,011	6,747	181	-	-	(823)	(860)	-
6,145	6,005	369	-	-	3,333	1,500	-
1,254,537	1	-	-	-	-	-	-

(\*) As of 30 September 2017, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations.

(\*\*) These figures are shown per Turkish Commercial Code financial statements as of 30 September 2017.

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

(\*\*\*\*) The Bank decided to sell KT Portföy Yönetimi A.Ş., which is still in progress.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

Movement for subsidiaries

	Current period	Prior period
Balance at the beginning of the year	23,680	22,930
Movements during the year	-	-
Purchases	-	750
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
(Impairment)/reversal of impairment	-	-
Capital commitment payments	-	-
<b>Balance at the end of the year</b>	<b>23,680</b>	<b>23,680</b>
Capital commitments	23,680	23,680
Share percentage at the end of the year (%)	-	-

**3. Information on consolidated subsidiaries:**

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	100.00%	100.00%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	100.00%	100.00%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	75.00%	97.61%
KT Bank AG (*)	Frankfurt/Germany	100.00%	100.00%
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	100.00%	100.00%
KT Sukuk Company Limited (**)	George Town/Cayman Islands	100.00%	100.00%

(\*) Financial figures as of 30 September 2017 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.

(\*\*) KT Sukuk Varlık Kiralama A.Ş. ("Special Purpose Entity"), which had 100% control power established for the issuance of Islamic Bond ("Sukuk") in the absence of a subsidiary of the Parent Bank. Has been included in the scope of consolidation.

**3. Information on subsidiaries:**

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	293,694	270,560
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	60,273	55,273

Subsidiaries that are quoted on the stock exchange: None (31 December 2016- None).

**4. Information on capital adequacies of major subsidiaries:**

Equity amount calculated by the Parent Bank's subsidiary KT Bank AG in Germany as of 30 September 2017 is EUR 61,454,267 and the capital adequacy ratio is 83.31%.

a.) The consolidation of unconsolidated subsidiaries accounted for their causes and methods used in the:

Companies excluded from the scope of consolidation because they are not financial subsidiaries are stated at their value after impairment losses, if any cost.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

**i. Information on joint ventures (business partnerships) (Net):**

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	%50	1,000,298	33,923	1,538	5,775	677

(\*) As of 30 September 2017, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations

(\*\*) 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.

**j. Information on finance lease receivables (Net):**

**1. Presentation of remaining maturities of net finance leases:**

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	1,190,002	978,816	1,119,851	958,746
1 to 4 years	698,257	646,065	493,529	461,817
More than 4 years	317,159	301,159	131,810	123,980
<b>Total</b>	<b>2,205,418</b>	<b>1,926,040</b>	<b>1,745,190</b>	<b>1,544,543</b>

**2. Net investments in finance leases:**

	Current period	Prior period
Gross receivable from finance leases	2,205,418	1,745,190
Unearned finance lease income (-)	(279,378)	(200,647)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>1,926,040</b>	<b>1,544,543</b>

**j. Information on finance lease receivables (Net):**

**3. Information on finance lease contracts:**

The Group 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, 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 17,936 are included in the non-performing loans in the balance sheet (31 December 2016– TL 13,086).

Impairment provision amounting to TL 15,523 (31 December 2016– TL 12,126) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

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

None. (31 December 2016 – None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**1. Information on deferred tax asset:**

In accordance with the related regulations deferred tax asset calculated as of 30 September 2017 is TL 115,311 (31 December 2016 – TL 130,520) and deferred tax liability is TL 17,810 (31 December 2016 – TL 12,409).

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee benefits	13,527	14,755
Retirement pay liability	13,642	11,058
Deferred income	40,959	29,683
Rediscount on held for trading transactions (Net)	8,096	27,731
Impairment provision for subsidiaries, fixed assets and assets held for sale, precious metals valuation difference	36,425	36,425
Other	2,662	10,868
<b>Deferred tax asset</b>	<b>115,311</b>	<b>130,520</b>
Difference between carrying value and tax base of tangible assets	(7,779)	(7,754)
Valuation difference on available for sale financial asset	(6,322)	(220)
Precious metals valuation difference	(650)	(3,131)
Other	(3,059)	(1,304)
<b>Deferred tax liability</b>	<b>(17,810)</b>	<b>(12,409)</b>
<b>Deferred tax asset, (net)</b>	<b>97,501</b>	<b>118,111</b>

Table of deferred tax asset movement:

	<b>Current period</b>	<b>Prior period</b>
As of January 1	118,111	107,150
Deferred tax (expense)/income	(13,448)	(13,301)
Deferred tax accounted under other comprehensive income	(7,162)	(687)
<b>Deferred tax asset</b>	<b>97,501</b>	<b>93,162</b>

**m. Information on other assets**

As of balance sheet date, the Group's other assets amount to TL 584,379 (31 December 2016 - TL 735,464). 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 SEPTEMBER 2017**

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

**SECTION FIVE**

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

**a. Information on funds collected:**

1. Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>3,868,945</b>	-	-	-	-	-	-	-	<b>3,868,945</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>3,626,958</b>	<b>6,094,868</b>	<b>447,825</b>	-	<b>229,656</b>	<b>176,659</b>	-	<b>10,575,966</b>
<b>III. Other current accounts-TL</b>	<b>2,761,532</b>	-	-	-	-	-	-	-	<b>2,761,532</b>
Public sector	93,879	-	-	-	-	-	-	-	93,879
Commercial sector	2,631,320	-	-	-	-	-	-	-	2,631,320
Other institutions	32,788	-	-	-	-	-	-	-	32,788
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	3,545	-	-	-	-	-	-	-	3,545
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	2,768	-	-	-	-	-	-	-	2,768
Participation banks	777	-	-	-	-	-	-	-	777
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>378,533</b>	<b>987,536</b>	<b>152,714</b>	-	<b>206,481</b>	<b>149,296</b>	-	<b>1,874,560</b>
Public sector	-	114	9,545	25,020	-	32	-	-	34,711
Commercial sector	-	352,278	915,454	118,596	-	196,021	147,633	-	1,729,982
Other institutions	-	26,127	62,523	9,098	-	10,427	1,663	-	109,838
Commercial and other institutions	-	14	-	-	-	1	-	-	15
Banks and participation banks	-	-	14	-	-	-	-	-	14
<b>V. Real persons current accounts-FC</b>	<b>4,520,037</b>	-	-	-	-	-	-	-	<b>4,520,037</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>2,416,770</b>	<b>3,977,164</b>	<b>799,941</b>	-	<b>432,676</b>	<b>186,754</b>	-	<b>7,813,305</b>
<b>VII. Other current accounts-FC</b>	<b>2,529,283</b>	-	-	-	-	-	-	-	<b>2,529,283</b>
Commercial residents in Turkey	2,284,863	-	-	-	-	-	-	-	2,284,863
Commercial residents in Abroad	125,609	-	-	-	-	-	-	-	125,609
Banks and participation banks	118,811	-	-	-	-	-	-	-	118,811
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	118,810	-	-	-	-	-	-	-	118,810
Participation banks	1	-	-	-	-	-	-	-	1
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>356,259</b>	<b>1,373,755</b>	<b>80,391</b>	-	<b>10,553</b>	<b>11,235</b>	-	<b>1,832,193</b>
Public sector	-	5	73	-	-	-	-	-	78
Commercial sector	-	304,738	1,284,064	58,329	-	9,649	11,149	-	1,667,929
Other institutions	-	31,674	30,689	45	-	354	-	-	62,762
Commercial and other institutions	-	16,282	54,646	22,017	-	550	-	-	93,495
Banks and participation banks	-	3,560	4,283	-	-	-	86	-	7,929
<b>IX. Precious metal funds</b>	<b>1,188,445</b>	<b>113,864</b>	<b>1,050,001</b>	<b>83,546</b>	-	<b>42,982</b>	<b>5</b>	-	<b>2,478,843</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>14,868,242</b>	<b>6,892,384</b>	<b>13,483,324</b>	<b>1,564,417</b>	-	<b>922,348</b>	<b>523,949</b>	-	<b>38,254,664</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**a. Information on funds collected:**

1. Information on maturity structure of funds collected (continued):

Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	3,573,258	-	-	-	-	-	-	-	3,573,258
<b>II. Real persons profit sharing accounts-TL</b>	-	3,455,975	6,185,646	481,322	-	227,354	160,993	-	10,511,290
<b>III. Other current accounts-TL</b>	2,350,257	-	-	-	-	-	-	-	2,350,257
Public sector	57,536	-	-	-	-	-	-	-	57,536
Commercial sector	2,260,763	-	-	-	-	-	-	-	2,260,763
Other institutions	27,325	-	-	-	-	-	-	-	27,325
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	4,633	-	-	-	-	-	-	-	4,633
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	741	-	-	-	-	-	-	-	741
Foreign banks	3,090	-	-	-	-	-	-	-	3,090
Participation banks	802	-	-	-	-	-	-	-	802
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	349,795	821,092	44,001	-	132,379	135,889	-	1,483,156
Public sector	-	301	33,481	-	-	40	-	-	33,822
Commercial sector	-	321,734	738,429	32,343	-	126,604	135,150	-	1,354,260
Other institutions	-	27,021	48,987	11,658	-	5,725	401	-	93,792
Commercial and other institutions	-	739	182	-	-	10	-	-	931
Banks and participation banks	-	-	13	-	-	-	338	-	351
<b>V. Real persons current accounts-FC</b>	3,090,964	-	-	-	-	-	-	-	3,090,964
<b>VI. Real persons profit sharing accounts-FC</b>	-	1,625,988	2,820,800	651,610	-	454,239	164,990	-	5,717,627
<b>VII. Other current accounts-FC</b>	1,718,839	-	-	-	-	-	-	-	1,718,839
Commercial residents in Turkey	1,341,943	-	-	-	-	-	-	-	1,341,943
Commercial residents in Abroad	277,192	-	-	-	-	-	-	-	277,192
Banks and participation banks	99,704	-	-	-	-	-	-	-	99,704
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	7,665	-	-	-	-	-	-	-	7,665
Foreign banks	89,721	-	-	-	-	-	-	-	89,721
Participation banks	2,318	-	-	-	-	-	-	-	2,318
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	378,656	649,008	93,215	-	63,706	40,797	-	1,225,382
Public sector	-	-	80	-	-	-	-	-	80
Commercial sector	-	286,537	559,916	80,034	-	57,366	29,608	-	1,013,461
Other institutions	-	59,622	37,781	28	-	741	-	-	98,172
Commercial and other institutions	-	28,971	47,051	13,153	-	5,599	11,103	-	105,877
Banks and participation banks	-	3,526	4,180	-	-	-	86	-	7,792
<b>IX. Precious metal funds</b>	1,299,314	-	930,175	73,925	-	36,607	-	-	2,340,021
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	2,184	-	2,184
Residents in Turkey	-	-	-	-	-	-	2,184	-	2,184
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12,032,632</b>	<b>5,810,414</b>	<b>11,406,721</b>	<b>1,344,073</b>	<b>-</b>	<b>914,285</b>	<b>504,853</b>	<b>-</b>	<b>32,012,978</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**a. Information on funds collected:**

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

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

	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	9,298,370	8,985,542	5,100,646	5,052,687
FC accounts	5,575,245	4,058,175	8,917,691	6,504,045
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which is published in the Official Gazette dated 1 November 2005 with No. 25983.

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

The headquarters of the Parent Bank is in Turkey.

iii. 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	4,890	3,046
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	355

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	8,765	4,481	15,459	1,294
Swap transactions	5,628	20,447	25,121	77,853
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>14,393</b>	<b>24,928</b>	<b>40,580</b>	<b>79,147</b>

**c. Information on funds borrowed:**

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	43,083	207,527	73	281,737
From Foreign Banks, Institutions and Funds	46,731	2,798,855	59,007	2,933,925
<b>Total</b>	<b>89,814</b>	<b>3,006,382</b>	<b>59,080</b>	<b>3,215,662</b>

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	89,814	2,491,571	48,852	3,059,071
Medium and Long-Term	-	514,811	10,228	156,591
<b>Total</b>	<b>89,814</b>	<b>3,006,382</b>	<b>59,080</b>	<b>3,215,662</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**c. Information on funds borrowed:**

Important transactions that are accounted under Funds Borrowed are presented below:

**Current Period:**

Type	Customer	Opening Date	Maturity	Currency	Rate (Year)	Principal	Cost
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	31/10/2016	07/11/2017	USD	%2.15	101,666,667	2,258,694
Wakala	KFH - KUWAIT	02/06/2017	08/06/2018	USD	%2.25	120,000,000	2,782,500
Wakala	KFH - KUWAIT	27/06/2017	03/07/2018	USD	%2.40	100,000,000	2,473,333
Wakala	KFH - KUWAIT	07/08/2017	14/08/2018	USD	%2.40	100,000,000	2,480,000
Wakala	KFH - KUWAIT	28/09/2017	05/10/2018	USD	%2.50	100,000,000	2,583,333

**Prior Period:**

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	27/10/2016	27/01/2017	USD	%2.20	100,000,000	562,222
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	27/05/2016	02/06/2017	USD	%1.90	120,000,000	2,349,667
Wakala	KFH - KUWAIT	04/11/2016	06/02/2017	USD	%2.20	100,000,000	574,444
Wakala	KFH - KUWAIT	21/06/2016	27/06/2017	USD	%2.05	100,000,000	2,112,639
Wakala	KFH - KUWAIT	31/10/2016	07/11/2017	USD	%2.15	101,666,667	2,258,694

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

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

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

**d. Information on issued securities**

The group has issued sukuk that the details given below. The yield rates for issued securities are 12% for Turkish Lira and 6% for USD on average and for 6% Malasian Ringgit . The maturity range of issued securities in TRY is October 2017 – March 2019 and securities (sukuk) in USD is June 2019- November 2021 and securities (sukuk) in Malasian Ringgit is March 2020-July 2020.

Current Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
Nominal	991,861	45,000	-	4,223,890
Distributed Yields	48,531	-	-	708,793
Book Value	1,017,590	45,234	-	4,292,927

Prior Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
Nominal	561,657	10,000	-	4,147,352
Distributed Yields	15,203	-	-	818,891
Book Value	570,343	10,228	-	4,174,842

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

As of 30 September 2017, other liabilities amounting to TL 340,801 (31 December 2016 - TL 439,785 ), sundry creditors amounting to TL 211,773 (31 December 2016 - TL 169,150 ), both of them do not exceed 10% of the balance sheet total.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

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

- i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2016 – None).  
 ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	265	226
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
<b>Total</b>	-	-	<b>265</b>	<b>226</b>

iii. Information on Operational Leases:

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

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

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

- iv. Information on sale and leaseback transactions: None (31 December 2016: None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	96,243	-	137,829
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	-	<b>96,243</b>	-	<b>137,829</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**h. Information on provisions:**

1. Information on general provisions:

	Current period	Prior Period
<b>General Provisions</b>	<b>389,470</b>	<b>318,825</b>
<b>I.For Loans and Receivables in Group I (Total)</b>	<b>315,826</b>	<b>238,477</b>
Profit Sharing Accounts' Share	108,736	85,063
The Bank's Share	207,090	153,414
Other	-	-
<b>I.Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>-</b>	<b>-</b>
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
<b>II.Loans and Receivables in Group II (Total)</b>	<b>23,047</b>	<b>31,063</b>
Profit Sharing Accounts' Share	10,877	13,639
The Bank's Share	12,170	17,424
Other	-	-
<b>II.Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>-</b>	<b>-</b>
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
<b>Provisions for Non Cash Loans</b>	<b>25,087</b>	<b>21,629</b>
<b>Other</b>	<b>25,510</b>	<b>27,656</b>

According to the subclause 6 in article 7 which was added on 8 October 2013 to "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" that is published in Official Gazette numbered 26333 on 1 November 2006; it has been stated that the banks can apply the rates for general provisions as zero percent (0%) for cash and non-cash exporting loans in Group I; five over thousand percent (0.5%) for cash loans to SMEs in Group I, and one over thousand percent (0.1%) for non-cash loans for SMEs in Group I."

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 30 September 2017, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 28,392 (31 December 2016 - TL 651) and TL 1,040 for leasing receivables (31 December 2016 - TL 5,953) is offset against loans and receivables.

3. Information on other provisions:

	Current Period	Prior Period
Provisions for non- liquidated non cash loans (*)	85,922	74,736
Provisions for cheque books (*)	8,559	4,633
Provisions from equity/profit sharing accounts	20,409	14,668
Credit card bonus provisions	1,136	818
Other (**)	54,285	40,086
<b>Total</b>	<b>170,311</b>	<b>134,941</b>

(\*) According to temporary article 2 of "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", the Parent Bank recognizes provisions for non- liquidated non-cash loans and check books of customers who have any other non-performing exposures within the Bank as of 1 March 2011.

(\*\*) Other item includes TL 4,850 litigation provision in current period (31 December 2016 : TL 4,050). In addition to this, TL 14,450 include provision amount which belongs to audit related penalty from Ministry of Customs and Trade (31 December 2016 – TL 14,450). The provision amounting to TL 30,550 includes provision for delayed repayments (31 December 2016 - TL 18,850).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**h. Information on provisions:**

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 67,013 (31 December 2016 – TL 55,465), vacation pay liability amounting to TL 2,818 (31 December 2016 – TL 792), performance premium amounting to TL 47,318 (31 December 2016 – TL 55,927), retirement bonus payment provision of TL 13,073 (31 December 2016 – TL 10,340) and committee fee amounting to TL 5,507 (31 December 2016 – TL 6,715) and amount to 118 TL ((31 December 2016 – none) other provisions for employee benefits.

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

The amount payable consists of one month's salary limited to a maximum of TL 4,732 (31 December 2016 – TL 4,297) for each year of service. The liability is not funded, as there is no funding requirement.

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

	<b>Current period</b>	<b>Prior period</b>
Discount rate (%)	11.46	11.46
Inflation rate (%)	7.78	7.78
Salary increase rate (%)	8.78	8.78

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	55,464	48,638
Provisions recognized during the period	15,292	16,815
Paid during the period	(3,743)	(6,578)
Actuarial loss	-	-
<b>Balances at the end of the period</b>	<b>67,013</b>	<b>58,875</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**i. Explanations on tax liability:**

1. Explanations on current tax liability:

i. Information on tax provisions: As of 30 September 2017, the Group has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 38,197.

	<b>Current period</b>	<b>Prior period</b>
Provision for corporate income tax	143,244	124,960
Prepaid taxes	(105,047)	(96,988)
<b>Total (*)</b>	<b>38,197</b>	<b>27,842</b>

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

**ii. Information on taxes payable (\*):**

	<b>Current period</b>	<b>Prior period</b>
Taxation of marketable securities	15,964	14,130
Taxation of immovable property	1,302	1,111
Banking Insurance Transaction Tax (BITT)	17,200	17,170
Value added tax payable	837	1,324
Income tax deducted from wages	7,806	7,331
Other	951	1,065
<b>Total</b>	<b>44,060</b>	<b>42,131</b>

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

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

	<b>Current period</b>	<b>Prior period</b>
Social Security Premiums-Employee	4,886	4,287
Social Security Premiums-Employer	5,237	4,622
Unemployment insurance-Employee	350	307
Unemployment insurance-Employer	807	698
<b>Total</b>	<b>11,280</b>	<b>9,914</b>

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

iv. Information on deferred tax liability: None (31 December 2016- None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**j. Information on subordinated loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,254,536	-	1,981,646
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	-	<b>1,254,536</b>	-	<b>1,981,646</b>

The Bank obtained a subordinated loan with 10-years maturity, amounting to USD 200 million, from Kuwait Finance House on 29 September 2011. Profit share amount will be calculated as the purchase price multiplied by a profit return rate equal to the applicable margin in the Murabaha period. Classification of this subordinated loan as tier-II capital upon the receipt of the cash amounting to USD 200 million by the Bank for the purpose of supplementary capital calculation was confirmed by the BRSA by their notification dated 30 September 2011. In order to comply with the amendments made in the Regulation Regarding the Equity of Banks published by the BRSA which entered into force as of 31 March 2016, the related loan agreement was amended as of 29 March 2016 and according to the BRSA correspondence dated 25 April 2016 the loan was deemed appropriate to taken into account as tier-II capital. The Bank closed related tier-II loan as of 30 March 2017 using the early payment option.

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

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

**1. Presentation of paid-in capital:**

	Current period	Prior period
Common shares	3,100,000	3,100,000
Preference shares	-	-
Repurchased shares amount (*)	(2,678)	(2,678)
<b>Total</b>	<b>3,097,322</b>	<b>2,787,322</b>

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

2. Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital: Registered capital system is not applied in the Parent Bank.

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

Date for Increase	Increased Amount	Internal Sources	Retained Earnings for Increased
23 March 2017	310,000	310,000	-

4. Information on share capital increases from capital reserves during the current period: None. (31 December 2016 – None)

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

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 Group continues its operations profitably.
6. Summary of privileges given to shares representing the capital: None.
7. Information on marketable securities value increase fund:

	Current period		Prior period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	(6,070)	19,210	(4,933)	(30,347)
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(6,070)</b>	<b>19,210</b>	<b>(4,933)</b>	<b>(30,347)</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 available for sale in the balance sheet.

- l. Information on minority shares:** TL 23,710 ( 31 December 2016 — TL 19,993).

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

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

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of 30 September 2017 is TL 1,287,094 (31 December 2016 – TL 904,427); payment commitments for cheque books are TL 1,346,770 (31 December 2016 – TL 1,178,750)
2. Type and amount of probable losses and obligations arising from off-balance sheet items:
- i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 30 September 2017, the Group has guarantees and surety ships constituting of TL 9,355,036 (31 December 2016 – TL 8,116,025) letters of guarantee; TL 72,697 (31 December 2016 – TL 52,044) acceptances and TL 976,905 (31 December 2016 – TL 1,019,786) letters of credit. In addition, the Group has also other guarantees and securities amounting to TL 480,258 (31 December 2016: TL 701,362).

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

3. Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	10,884,896	9,889,217
<b>Total</b>	<b>10,884,896</b>	<b>9,889,217</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
<b>Profit share on loans</b>	<b>2,224,127</b>	<b>158,263</b>	<b>1,896,129</b>	<b>128,113</b>
Short term loans	586,713	22,953	492,378	15,991
Medium and long term loans	1,631,754	135,310	1,399,905	112,122
Profit share on non-performing loans	5,660	-	3,846	-
Premiums received from resource utilization support fund	-	-	-	-

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	-	-	-	-
Foreign Banks	-	19,496	1,726	18,386
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>-</b>	<b>19,496</b>	<b>1,726</b>	<b>18,386</b>

3. Information on profit share income from securities portfolio:

The Parent Bank has received TL 201,386 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information (1 January - 30 September 2016: TL 145,863).

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

None (30 September 2016- None).

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

1. Information on profit share expense given to funds borrowed:

	Current period		Prior period	
	TL	FC	TL	FC
<b>Banks</b>	<b>4,505</b>	<b>39,740</b>	<b>17,449</b>	<b>52,886</b>
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	1,370	6,783	9,362	4,117
Foreign banks	3,135	32,957	8,087	48,749
Branches and head office abroad	-	-	-	-
<b>Other Institutions</b>	<b>54,967</b>	<b>47,835</b>	<b>45,293</b>	<b>26,747</b>
<b>Total</b>	<b>59,472</b>	<b>87,575</b>	<b>62,742</b>	<b>79,613</b>

2. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,363	806

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

3. Profit share expense paid to securities issued:

The Group has accrued TL 220,896 for securities issued within 2017 (1 January - 30 September 2016: TL 172,977).

4. Distribution of profit share on funds based on maturity of funds:

Current period		Profit Sharing Accounts						Accumulated profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-	
Real person's non-trading profit sharing Account	200,564	367,262	27,977	-	13,111	11,309	-	620,223	
Public sector profit sharing account	77	2,356	20	-	-	-	-	2,453	
Commercial sector profit sharing account	21,277	52,846	8,636	-	820	636	-	84,215	
Other institutions profit sharing account	1,533	4,269	563	-	186	80	-	6,631	
<b>Total</b>	<b>223,451</b>	<b>426,733</b>	<b>37,196</b>	<b>-</b>	<b>14,117</b>	<b>12,025</b>	<b>-</b>	<b>713,522</b>	
<b>FC</b>									
Banks	721	102	-	-	-	-	-	823	
Real person's non-trading profit sharing account	28,453	47,780	11,031	-	6,152	2,823	-	96,239	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	3,271	13,742	2,489	-	86	84	-	19,672	
Other institutions profit sharing account	1,389	1,385	291	-	18	97	-	3,180	
Precious metal accounts	204	6,581	513	-	275	-	-	7,573	
<b>Total</b>	<b>34,038</b>	<b>69,590</b>	<b>14,324</b>	<b>-</b>	<b>6,531</b>	<b>3,004</b>	<b>-</b>	<b>127,487</b>	
<b>General Total</b>	<b>257,489</b>	<b>496,323</b>	<b>51,520</b>	<b>-</b>	<b>20,648</b>	<b>15,029</b>	<b>-</b>	<b>841,009</b>	
Prior period		Profit Sharing Accounts						Accumulated profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	2,967	-	-	-	-	-	2,967	
Real person's non-trading profit sharing Account	165,642	299,005	29,337	-	12,302	10,236	-	516,522	
Public sector profit sharing account	14	1,579	425	-	-	-	-	2,018	
Commercial sector profit sharing account	13,576	37,930	3,070	-	819	1,194	-	56,589	
Other institutions profit sharing account	1,543	2,570	444	-	106	25	-	4,688	
<b>Total</b>	<b>180,775</b>	<b>344,051</b>	<b>33,276</b>	<b>-</b>	<b>13,227</b>	<b>11,455</b>	<b>-</b>	<b>582,784</b>	
<b>FC</b>									
Banks	277	1,660	-	-	17	230	-	2,184	
Real person's non-trading profit sharing account	15,603	29,082	6,542	-	4,419	1,788	-	57,434	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	1,814	11,336	1,339	-	201	273	-	14,963	
Other institutions profit sharing account	1,305	1,076	200	-	96	749	-	3,426	
Precious metal accounts	-	4,110	289	-	230	-	-	4,629	
<b>Total</b>	<b>18,999</b>	<b>47,264</b>	<b>8,370</b>	<b>-</b>	<b>4,963</b>	<b>3,040</b>	<b>-</b>	<b>82,636</b>	
<b>General Total</b>	<b>199,774</b>	<b>391,315</b>	<b>41,646</b>	<b>-</b>	<b>18,190</b>	<b>14,495</b>	<b>-</b>	<b>665,420</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

**c. Information on dividend income:**

**d.**

	Current period	Prior period
Held for Trading Financial Assets	-	-
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other (*)	-	509
<b>Total</b>	<b>-</b>	<b>509</b>

(\*) This is due to the bonus capital increase of Kredi Garanti Fonu A.Ş which is included in the available for sale financial assets.

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

	Current period	Prior period
<b>Trading income/loss (net)</b>	<b>233,705</b>	<b>216,152</b>
<b>Income</b>	<b>9,812,689</b>	<b>17,212,542</b>
Gain on capital market transactions	5,178	8,663
Gain on derivative financial instruments	1,438,591	212,298
Foreign exchange gains	8,368,920	16,991,581
<b>Losses (-)</b>	<b>(9,578,984)</b>	<b>(16,996,390)</b>
Losses on capital market transactions	(1,951)	(858)
Losses on derivative financial instruments	(1,818,414)	(115,840)
Foreign exchange losses	(7,758,619)	(16,879,692)

**e. 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 Parent Bank.

	Current period	Prior period
Reversal of prior period provisions	73,285	54,888
Income from sale of assets	59,968	48,296
Lease income	1,912	1,738
Other Income	22,923	36,522
<b>Total</b>	<b>158,088</b>	<b>141,444</b>

(\*) Amounting to TL 45,977 from the liquidation of Kuwait Turkish Participation Bank Dubai Ltd..

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

	<b>Current period</b>	<b>Prior period</b>
Specific provisions for loans and other receivables	416,837	285,680
III. group loans and receivables	38,998	55,889
IV. group loans and receivables	230,329	143,781
V. group loans and receivables	147,510	86,010
Doubtful commissions, fees and other receivables	1,194	1,037
General provision expenses	75,116	33,526
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	13	4,167
Financial Assets at fair value through profit and loss	13	4,167
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other (*)	20,217	30,373
<b>Total</b>	<b>513,377</b>	<b>354,783</b>

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

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

	<b>Current period</b>	<b>Prior period</b>
Personnel expenses	506,302	453,818
Provision for retirement pay liability	11,549	10,237
Depreciation expenses of fixed assets	40,762	35,978
Depreciation expenses of intangible assets	22,203	19,529
Depreciation expenses of assets held for sale	-	770
Other operating expenses	217,235	196,326
Rent expenses	84,733	73,944
Maintenance expenses	26,803	20,317
Advertisement expenses	13,783	16,099
Communication expenses	24,292	23,288
Heating, electricity and water expenses	10,401	9,490
Cleaning expenses	4,000	3,907
Vehicle expenses	4,186	3,317
Stationery expenses	4,386	3,434
Other expenses	44,651	42,530
Losses on sales of assets	98	357
Deposit insurance fund expenses	60,813	47,782
Other	68,709	62,853
<b>Total</b>	<b>927,671</b>	<b>827,650</b>

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

Income before tax amounting TL 660,580 increased by % 14.83 as compared to the prior period (1 January - 30 September 2016 – TL 575,261). Income before tax income TL 1,530,702 (1 January - 30 September 2016 – 1,272,346) net profit share income and TL 176,216 (1 January - 30 September 2016 – TL 126,905) net fees and commission income. Other operating expense amount is TL 927,671 (1 January - 30 September 2016 – TL 827,650).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

At current period, deferred tax charge of the Group is TL 13,448 (1 January-30 September 2016 – 13,301) deferred tax charge) and current tax provision expense is TL 141,387 (1 January-30 September 2016 – TL 97,109).

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

Income and loss from discontinued operations: None (1 January – 30 September 2016: (1,271) TL-loss from discontinued operations).

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

- i. 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 1 January - 30 September 2017, net profit share income is TL 1,530,702 (1 January - 30 September 2016 – TL 1,272,346), net fees and commission income is TL 176,216 (1 January - 30 September 2016 – TL 126,905).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (30 September 2016 – None).

**l. Sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:**

As of 1 January - 30 September 2017, other fees and commissions received is TL 209,231 (1 January - 30 September 2016 – TL 163,877), TL 48,566 of this amount is related with credit card fees and commissions (1 January - 30 September 2016 – TL 32,640) and TL 39,805 of this amount is related with POS machine commissions (1 January - 30 September 2016 – TL 33,885).

As of 1 January - 30 September 2017, other fees and commissions given is TL 117,710 (1 January - 30 September 2016 – TL 98,904), TL 46,599 (1 January - 30 September 2016 – TL 40,027) of this amount is related with POS clearing commissions and installation expenses, TL , 7,733 (1 January - 30 September 2016 – TL 5,415) of this amount is related with fees and commissions paid for credit cards.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

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

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

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

	Current period	Prior period
<b>Cash</b>	<b>4,898,436</b>	<b>4,777,114</b>
Cash in TL/foreign currency, others	763,391	1,757,266
Demand deposits at banks	4,135,045	3,019,848
<b>Cash equivalents</b>	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>4,898,436</b>	<b>4,777,114</b>

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

	Current period	Prior period
<b>Cash</b>	<b>4,455,980</b>	<b>4,398,040</b>
Cash in TL/foreign currency, others	834,667	1,821,604
Demand deposits at banks (up to 3 months)	3,621,313	2,576,436
<b>Cash equivalents</b>	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>4,455,980</b>	<b>4,398,040</b>

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

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

“Other items” amounting to TL (529,443) (1 January-30 September 2016: TL (402,434)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL (266,653) (1 January-30 September 2016: TL 728,399) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL 18,628 (1 January-30 September 2016: TL (21,383) TL) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

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

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL (15,185) as of 30 September 2017 (30 September 2016 – TL 27,046). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	14	132	998	16,818	135,364	20,290
Balance at end of period	12	447	1,207	16,639	144,508	20,343
Profit share and commission income	-	4	72	-	6,790	-

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

2. Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	10	132	1,014	13,543	126,600	600
Balance at end of period	14	132	998	16,818	135,364	20,290
Profit share and commission income	-	3	79	2	5,466	-

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

3. (i). Information on current and profit sharing accounts of the Bank's risk group:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current Period	Prior period	Current period	Prior period	Current period	Prior Period
Current and profit sharing accounts						
Balance at the beginning of period	18,799	12,674	58,441	57,602	113,915	137,160
Balance at the end of period	25,720	18,799	81,767	58,441	239,259	113,915
Profit share expense	1,363	806	3,108	2,331	8,929	2,358

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

(ii) Forward and option agreements and other similar agreements with the risk group of the Bank: None (31 December 2016 – None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior Period
Loans Received						
Balance at beginning of period	-	-	2,954,769	2,607,122	-	166,742
Balance at end of period	-	-	2,620,796	2,954,769	-	-
Profit share expense	-	-	36,301	51,399	-	723

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

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

Between 1 January – 30 September 2017, the Group paid TL 25,779 to top management (1 January – 30 September 2016 – TL 18,276).

**VII. Significant Events and Matters Arising Subsequent to Balance Sheet Date**

None.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**SECTION SIX**

**OTHER EXPLANATIONS AND DISCLOSURES**

**I- Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet:**

None.

**SECTION SEVEN**  
**LIMITED REVIEW REPORT**

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

The consolidated financial statements of the Bank have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 21 November 2017 is presented before the accompanying consolidated financial statements.

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

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

**I- Explanations on interim report**

**a. About Kuveyt Türk**

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

As of 30 September 2017, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**I- Explanations on interim report**

**b. Financial Informations Summary**

<b>CONSOLIDATED BALANCE SHEET</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
CASH BALANCES AND CENTRAL BANK	7,774,390	8,325,814
BANKS	4,023,997	4,780,380
LOANS	35,440,255	28,634,683
FINANCE LEASE RECEIVABLES	1,926,040	1,544,543
TANGIBLE ASSETS (Net)	441,198	445,172
OTHER ASSETS	5,178,428	4,995,443
<b>TOTAL ASSETS</b>	<b>54,784,308</b>	<b>48,726,035</b>
FUND COLLECTED	38,254,664	32,012,978
FUNDS BORROWED	3,096,196	3,274,742
MARKETABLE SECURITIES ISSUED (Net)	5,355,751	4,755,413
FINANCE LEASE PAYABLES (Net)	-	226
SUBORDINATED LOANS	1,254,536	1,981,646
OTHER LIABILITIES	2,302,258	2,697,210
SHAREHOLDERS EQUITY	4,520,903	4,003,820
<b>TOTAL LIABILITIES</b>	<b>54,784,308</b>	<b>48,726,035</b>
<b>CONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<b>30 September 2017</b>	<b>30 September 2016</b>
PROFIT SHARE INCOME	2,750,844	2,306,893
PROFIT SHARE EXPENSE	1,220,142	1,034,547
NET PROFIT SHARE INCOME / EXPENSE	1,530,702	1,272,346
NET FEES AND COMMISSION INCOME/ EXPENSE	176,216	126,905
DIVIDEND INCOME	-	509
NET TRADING INCOME / LOSS (Net)	233,705	216,152
OTHER OPERATING INCOME	158,088	141,444
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	513,377	354,783
OTHER OPERATING EXPENSES (-)	927,671	827,650
GAIN / (LOSS) ON EQUITY METHOD	2,917	338
PROFIT/LOSS BEFORE TAX	-	(1,271)
TAX PROVISION	660,580	575,261
	(154,835)	(110,410)
<b>CURRENT PERIOD INCOME / (LOSSES) (NET)</b>	<b>505,745</b>	<b>464,851</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**I- Explanations on interim report**

**c. Financial Informations Summary**

	<b>30 September 2017</b>	<b>31 December 2016</b>
Total Loans/Total Assets*	68.21%	61.94%
Total Loans/Fund Collected*	97.68%	94.27%
Average Equity Profit **	15.82%	15.54%
Average Assets Profit **	1.30%	1.28%
Capital Adequacy Ratio	17.12%	18.19%

\* Finance Lease Receivables is included in total loans.

\*\* These ratios are calculated by bringing the end of the year interim profit figures

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

As of 30 September 2017, consolidated financial statements asset size is TL 54 million 784 thousand, amount of the utilization of funds is TL 37 million 366 thousand and funds collected amount is TL 38 million 255 thousand. Due to the effect of the first nine months of 2017's profit TL 506 thousand, the ratio of shareholder equity increased 12.91 % by reaching TL 4 million 521 thousand. As of 30 September 2017, consolidated capital adequacy ratio has been reached 17.12 %.

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

**e. Anouncement regarding important developments during the period**

Kuveyt Turk Participation Bank Inc. has provided funding (credit) for Kuveyt Finance House in the amount of USD 200 million with 10-year maturity capital ("secondary subordinated debt" as defined in the previous legislation). According to the letter dated September 2011, it was considered appropriate to consider this contribution capital amount of USD 200 million in the contribution capital account as secondary capital-like debt as of the date of transfer to the bank records in cash and in advance. In order to comply with the amendments made in the Regulation Regarding the Equity of Banks published by the Banking Regulation and Supervision Agency in order to comply with the amendments entered into force as of 31 March 2016, the related loan agreement was amended as of 29 March 2016 and the loan pursuant to the BRSA dated 25 April 2016 It was deemed appropriate to continue taking into account. The Bank has closed its Contribution Capital Loan as of 30 March 2017 using the early payment option.

At the ordinary meeting of the General Assembly held on 23 March 2017, the Parent Bank accepted the proposal of the Bank to increase the capital of the capital by 310 million TL from the internal sources and the Bank Capital increased from TL 2,790 Million to TL 3,100 million.

The Parent Bank has increased its capital in its subsidiary KT Bank AG by EUR 30,000,000 from EUR 60,000,000 to EUR 90,000,000 in accordance with the resolution of the Board of Directors dated 25 January 2017 and numbered 1672.

The Bank has liquidated its subsidiary operating in Dubai on 21 May 2017. The liquidation result has been transferred to bank accounts with USD 50,000,000 capital and USD 7,388,069 as profit.

The Bank has decided to sell its 50% of shares amounting to TL 16,901 in KT Portföy Yönetimi A.Ş. to KFH Capital Investment Company K.S.C.C. with a resolution of Board of Directors numbered 1691 dated 26 July 2017.

Bank has issued rent certificate over KT Kira Sertifikaları A.Ş. with a total nominal value of TL 400,000 thousand, with 160 days maturity and 11.84 % cost as of 19 September 2017.

**f. Assessments about regarding expectations on the subsequent interim period**

The parent company bank is continuing to open new branches after the period. The number of branches is planned to reach 400 by the end of 2017.