

KUVEYT TÜRK KATILIM BANKASI A.Ş.

**UNCONSOLIDATED FINANCIAL STATEMENTS AS
OF AND FOR THE INTERIM PERIOD ENDED 1
JANUARY-30 SEPTEMBER 2018 WITH INDEPENDENT
AUDITOR'S LIMITED REVIEW REPORT**

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

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

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

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

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (“the Bank”) as at 30 September 2018, and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholder’s equity, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the 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 the number 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. as at 30 September 2018, 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 8 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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

Yaman Polat, SMMM
Partner

İstanbul, 14 November 2018

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THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
AS OF SEPTEMBER 30, 2018

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The unconsolidated financial report for the nine months designed in line with the Banking Regulation and Supervision Agency's official communication on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

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

The accompanying unconsolidated financial statements and notes have been prepared based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and the Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and, unless otherwise indicated, have been prepared in thousands of Turkish Lira. Related appendices and interpretations on these are independently reviewed and presented hereby.

Adnan ERTEM
Deputy 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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

SECTION ONE

GENERAL INFORMATION

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

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

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

As of 30 September 2018, 62.24% of the Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Date of Audit Committee assignment	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KHE AL SALEH	Member of BOD	20/10/2006		Bachelor	0.0105%
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad Al-MİDANİ	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmad S. AL KHARJİ	Member of BOD and Audit Committee	26/03/2014	24/09/2014	Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	0.0567%
Ahmet KARACA	Assistant General Manager, Chief Financial Officer	12/07/2006		Master	0.0002%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	0.0035%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005		Bachelor	0.0161%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005		Doctorate	0.0091%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010		Bachelor	0.0007%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012		Bachelor	0.0047%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012		Bachelor	0.0029%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015		Bachelor	0.0028%

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

4. Information on qualified shareholders:

Name surname / Commercial name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,178,444	62.24%	2,178,444	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	655,174	18.72%	655,174	-
Total	2,833,618	80.96%	2,833,618	-

As of 30 September 2018, the shares of parent shareholder of Bank, Kuwait Finance House (“KFH”) are 51.95% publicly traded; 24.08% of KFH belongs to General Authority for Investment and 10.48% belongs to General Authority for Minors Affairs.

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

The Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 30 September 2018, the Bank is operating through 409 domestic branches (31 December 2017 – 399) with 5,837 employees (31 December 2017 – 5,749). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

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

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

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2018

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

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

		Note	TL	FC	Reviewed Current Period 30.09.2018 Total
I.	FINANCIAL ASSETS (Net)		3,363,845	18,509,730	21,873,575
1.1	Cash and Cash Equivalents		743,672	15,590,641	16,334,313
1.1.1	Cash and Balances with Central Bank	(5.1.1.)	738,173	9,593,344	10,331,517
1.1.2	Banks	(5.1.3.)	5,499	5,997,297	6,002,796
1.1.3	Money Markets		-	-	-
1.2	Financial Assets at Fair Value Through Profit or Loss		395,882	131,139	527,021
1.2.1	Government Debt Securities		10,350	28,861	39,211
1.2.2	Equity Instruments		-	-	-
1.2.3	Other Financial Assets		385,532	102,278	487,810
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	1,973,167	2,786,323	4,759,490
1.3.1	Government Debt Securities		1,803,841	2,470,713	4,274,554
1.3.2	Equity Instruments		10,502	22,001	32,503
1.3.3	Other Financial Assets		158,824	293,609	452,433
1.4	Financial Assets Measured at Amortised Cost	(5.1.6.)	-	-	-
1.4.1	Government Debt Securities		-	-	-
1.4.2	Other Financial Assets		-	-	-
1.5	Derivative Financial Assets	(5.1.2.)	297,790	46,793	344,583
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss		297,790	46,793	344,583
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6	Non-Performing Financial Assets		-	-	-
1.7	Expected Loss Provision (-)		46,666	45,166	91,832
II.	LOANS (Net)	(5.1.5.)	35,119,741	16,256,454	51,376,195
2.1	Loans		33,856,513	15,201,620	49,058,133
2.1.1	Loans Measured at Amortised Cost		33,856,005	15,148,685	49,004,690
2.1.2	Loans at Fair Value Through Profit or Loss		508	52,935	53,443
2.1.3	Loans at Fair Value Through Other Comprehensive Income		-	-	-
2.2	Lease Receivables	(5.1.10.)	1,683,731	1,197,940	2,881,671
2.2.1	Finance Lease Receivables		1,942,552	1,404,643	3,347,195
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		258,821	206,703	465,524
2.3	Factoring Receivables		-	-	-
2.3.1	Measured at Amortised Cost		-	-	-
2.3.2	Fair Value Through Profit or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
2.4	Non-Performing Loans		1,040,037	-	1,040,037
2.5	Expected Credit Losses (-)		1,460,540	143,106	1,603,646
2.5.1	12-Month Expected Credit Losses (Stage I)		138,794	83,734	222,528
2.5.2	Significant Increase in Credit Risk (Stage II)		537,557	59,372	596,929
2.5.3	Credit-Impaired Losses (Stage III / Special Provision)		784,189	-	784,189
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)		219,667	-	219,667
3.1	Held For Sale		219,667	-	219,667
3.2	Related to Discontinued Operations		-	-	-
IV.	EQUITY INVESTMENTS		395,889	-	395,889
4.1	Investments in Associates (Net)	(5.1.7.)	-	-	-
4.1.1	Associates Valued Based on Equity Method		-	-	-
4.1.2	Unconsolidated Associates		-	-	-
4.2	Subsidiaries (Net)	(5.1.8.)	370,889	-	370,889
4.2.1	Unconsolidated Financial Subsidiaries		347,209	-	347,209
4.2.2	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680
4.3	Joint Ventures (Net)	(5.1.9.)	25,000	-	25,000
4.3.1	Joint Ventures Valued Based on Equity Method		25,000	-	25,000
4.3.2	Unconsolidated Joint Ventures		-	-	-
V.	TANGIBLE ASSETS (Net)		474,289	243	474,532
VI.	INTANGIBLE ASSETS (Net)		136,622	62	136,684
6.1	Goodwill		-	-	-
6.2	Other		136,622	62	136,684
VII.	INVESTMENT PROPERTIES (Net)		25,300	-	25,300
VIII.	CURRENT TAX ASSETS		-	-	-
IX.	DEFERRED TAX ASSETS	(5.1.12.)	222,222	-	222,222
X.	OTHER ASSETS	(5.1.13.)	214,601	1,916,236	2,130,837
TOTAL ASSETS			40,172,176	36,682,725	76,854,901

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2018

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

			Audited		
			Prior Period		
			31.12.2017		
		Note	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1-1)	625,022	8,307,834	8,932,856
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	(1-2)	176,941	66,466	243,407
2.1	Held for trading financial assets		176,941	66,466	243,407
2.1.1	Public sector debt securities		7,600	28,719	36,319
2.1.2	Equity securities		-	-	-
2.1.3	Derivative financial assets held for trading		14,168	12,531	26,699
2.1.4	Other marketable securities		155,173	25,216	180,389
2.2	Financial assets at fair value through profit and loss		-	-	-
2.2.1	Public sector debt securities		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other marketable securities		-	-	-
III.	BANKS	(1-3)	7,404	3,568,616	3,576,020
IV.	RECEIVABLES FROM MONEY MARKET		-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(1-4)	2,088,123	2,339,942	4,428,065
5.1	Equity securities		10,325	38,172	48,497
5.2	Public sector debt securities		2,048,171	2,055,277	4,103,448
5.3	Other marketable securities		29,627	246,493	276,120
VI.	LOANS AND RECEIVABLES	(1-5)	29,860,983	6,180,316	36,041,299
6.1	Loans and receivables		29,813,800	6,180,316	35,994,116
6.1.1	Loans to risk group of the bank		84,022	67,951	151,973
6.1.2	Public sector debt securities		-	-	-
6.1.3	Other		29,729,778	6,112,365	35,842,143
6.2	Non-performing loans		714,130	-	714,130
6.3	Specific provisions (-)		666,947	-	666,947
VII.	HELD TO MATURITY INVESTMENTS (Net)	(1-6)	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(1-7)	-	-	-
8.1	Accounted for under equity method		-	-	-
8.2	Unconsolidated associates		-	-	-
8.2.1	Financial associates		-	-	-
8.2.2	Non-financial associates		-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(1-8)	377,647	-	377,647
9.1	Unconsolidated financial subsidiaries		353,967	-	353,967
9.2	Unconsolidated non-financial subsidiaries		23,680	-	23,680
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(1-9)	20,000	-	20,000
10.1	Accounted for under equity method		20,000	-	20,000
10.2	Unconsolidated		-	-	-
10.2.1	Financial subsidiaries		-	-	-
10.2.2	Non-financial subsidiaries		-	-	-
XI.	FINANCE LEASE RECEIVABLES (NET)	(1-10)	1,285,866	643,376	1,929,242
11.1	Finance lease receivables		1,473,207	771,045	2,244,252
11.2	Operating lease receivables		-	-	-
11.3	Other		-	-	-
11.4	Unearned income (-)		187,341	127,669	315,010
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(1-11)	-	-	-
12.1	Fair value hedge		-	-	-
12.2	Cash flow hedge		-	-	-
12.3	Hedge of net investment risks in foreign operations		-	-	-
XIII.	TANGIBLE ASSETS (Net)		409,559	184	409,743
XIV.	INTANGIBLE ASSETS (Net)		118,959	53	119,012
14.1	Goodwill		-	-	-
14.2	Other		118,959	53	119,012
XV.	INVESTMENT PROPERTIES (Net)		25,419	-	25,419
XVI.	TAX ASSET	(1-12)	138,710	-	138,710
16.1	Current tax asset		-	-	-
16.2	Deferred tax asset		138,710	-	138,710
XVII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		117,006	-	117,006
17.1	Held for sale		117,006	-	117,006
17.2	Discontinued operations		-	-	-
XVIII.	OTHER ASSETS	(1-13)	183,231	581,438	764,669
TOTAL ASSETS			35,434,870	21,688,225	57,123,095

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2018

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

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

		Note	TL	FC	Reviewed Current Period 30.09.2018 Total
I.	FUNDS COLLECTED				
II.	FUNDS BORROWED	(5.2.1.)	22,690,315	32,625,366	55,315,681
III.	MONEY MARKETS	(5.2.3.)	1,717,820	10,190,570	11,908,390
IV.	SECURITIES ISSUED (Net)		525,703	-	525,703
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	(5.2.2.)	104,452	121,434	225,886
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		104,452	121,434	225,886
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VII.	LEASE PAYABLES	(5.2.5.)	-	-	-
7.1	Finance Lease Payables		-	-	-
7.2	Operating Lease Payables		-	-	-
7.3	Other		-	-	-
7.4	Deferred Financial Lease Expenses (-)		-	-	-
VIII.	PROVISIONS	(5.2.7.)	558,501	221,002	779,503
8.1	Restructuring Provision		-	-	-
8.2	Reserves For Employee Benefits		236,737	361	237,098
8.3	Insurance For Technical Provision (Net)		-	-	-
8.4	Other Provisions		321,764	220,641	542,405
IX.	CURRENT TAX LIABILITIES	(5.2.8.)	134,022	-	134,022
X.	DEFERRED TAX LIABILITIES		-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.9.)	-	-	-
11.1	Held For Sale		-	-	-
11.2	Related to Discontinued Operations		-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.10.)	-	2,116,242	2,116,242
12.1	Loans		-	-	-
12.2	Other Debt Instruments		-	2,116,242	2,116,242
XIII.	OTHER LIABILITIES	(5.2.4.)	573,105	84,130	657,235
XIV.	SHAREHOLDERS` EQUITY	(5.2.11.)	5,287,129	(94,890)	5,192,239
14.1	Paid-in Capital		3,497,322	-	3,497,322
14.2	Capital Reserves		22,933	-	22,933
14.2.1	Share Premiums		22,933	-	22,933
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Other Capital Reserves		-	-	-
14.3	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(26,947)	-	(26,947)
14.4	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		(17,014)	(94,890)	(111,904)
14.5	Profit Reserves		1,107,555	-	1,107,555
14.5.1	Legal Reserves		184,578	-	184,578
14.5.2	Statutory Reserves		-	-	-
14.5.3	Extraordinary Reserves		923,536	-	923,536
14.5.4	Other Profit Reserves		(559)	-	(559)
14.6	Profits or Losses		703,280	-	703,280
14.6.1	Prior Years` Profits or Losses		35,540	-	35,540
14.6.2	Current Period Net Profit or Loss		667,740	-	667,740
TOTAL LIABILITIES AND EQUITY			31,591,047	45,263,854	76,854,901

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2018

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

		Note	TL	FC	Audited Prior Period 31.12.2017 Total
I.	FUNDS COLLECTED	(2-1)	19,955,412	19,901,988	39,857,400
1.1	Funds from risk group of the bank		393,595	118,292	511,887
1.2	Other		19,561,817	19,783,696	39,345,513
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2-2)	21,446	59,251	80,697
III.	FUNDS BORROWED	(2-3)	1,258,301	7,773,208	9,031,509
IV.	MONEY MARKET BALANCES		750,524	-	750,524
V.	MARKETABLE SECURITIES ISSUED (Net)		-	-	-
VI.	SUNDRY CREDITORS	(2-4)	171,509	26,610	198,119
VII.	OTHER LIABILITIES	(2-4)	318,674	16,177	334,851
VIII.	FINANCE LEASE PAYABLES (Net)	(2-5)	-	-	-
8.1	Finance lease payables		-	-	-
8.2	Operating lease payables		-	-	-
8.3	Other		-	-	-
8.4	Deferred finance lease expenses (-)		-	-	-
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(2-6)	-	70,795	70,795
9.1	Fair value hedge		-	-	-
9.2	Cash flow hedge		-	70,795	70,795
9.3	Hedge of net investment in foreign operations		-	-	-
X.	PROVISIONS	(2-7)	642,554	148,886	791,440
10.1	General loan loss provisions		312,384	93,084	405,468
10.2	Restructuring provisions		-	-	-
10.3	Reserve for employee benefits		184,864	185	185,049
10.4	Insurance technical reserves (net)		-	-	-
10.5	Other provisions		145,306	55,617	200,923
XI.	TAX LIABILITY	(2-8)	56,271	-	56,271
11.1	Current tax liability		56,271	-	56,271
11.2	Deferred tax liability		-	-	-
XII.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(2-9)	-	-	-
12.1	Held for sale		-	-	-
12.2	Discontinued operations		-	-	-
XIII.	SUBORDINATED LOANS	(2-10)	-	1,360,338	1,360,338
XIV.	SHAREHOLDERS' EQUITY	(2-11)	4,578,542	12,609	4,591,151
14.1	Paid-in capital		3,097,322	-	3,097,322
14.2	Capital reserves		(31,788)	12,609	(19,179)
14.2.1	Share premiums		22,933	-	22,933
14.2.2	Share cancellation profits		-	-	-
14.2.3	Marketable securities revaluation reserve		(23,192)	12,609	(10,583)
14.2.4	Tangible assets revaluation reserve		-	-	-
14.2.5	Intangible assets revaluation reserve		-	-	-
14.2.6	Investment property revaluation reserve		-	-	-
14.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-
14.2.8	Hedging funds (effective portion)		(4,582)	-	(4,582)
14.2.9	Value increase on assets held for resale		-	-	-
14.2.10	Other capital reserves		(26,947)	-	(26,947)
14.3	Profit reserves		839,017	-	839,017
14.3.1	Legal reserves		150,389	-	150,389
14.3.2	Status reserves		-	-	-
14.3.3	Extraordinary reserves		688,628	-	688,628
14.3.4	Other profit reserves		-	-	-
14.4	Profit or Loss		673,991	-	673,991
14.4.1	Prior years income/losses		-	-	-
14.4.2	Current period net income/losses		673,991	-	673,991
14.5	Minority shares	(2-12)	-	-	-
TOTAL LIABILITIES AND EQUITY			27,753,233	29,369,862	57,123,095

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS
AS OF 30 SEPTEMBER 2018

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

				Reviewed Current Period 30.09.2018	
		Note	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)		53,350,083	28,611,864	81,961,947
I.	GUARANTEES AND WARRANTIES	(5.3.1.)	6,322,785	6,695,529	13,018,314
1.1	Letters of Guarantee		6,074,196	5,153,635	11,227,831
1.1.1	Guarantees Subject to State Tender Law		222,764	-	222,764
1.1.2	Guarantees Given For Foreign Trade Operations		396,567	208,722	605,289
1.1.3	Other Letters of Guarantee		5,454,865	4,944,913	10,399,778
1.2	Bank Loans		9,781	76,081	85,862
1.2.1	Import Letter of Acceptances		9,781	76,081	85,862
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		16,201	1,260,335	1,276,536
1.3.1	Documentary Letters of Credit		6,783	284,093	290,876
1.3.2	Other Letters of Credit		9,418	976,242	985,660
1.4	Guaranteed Refinancing		-	44,100	44,100
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Other Guarantees		222,607	161,378	383,985
1.7	Other Warrantees		-	-	-
II.	COMMITMENTS	(5.3.1.)	45,212,835	1,127,480	46,340,315
2.1	Irrevocable Commitments		3,446,636	1,127,480	4,574,116
2.1.1	Forward Asset Purchase and Sales Commitments		297,831	1,118,382	1,416,213
2.1.2	Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.3	Loan Granting Commitments		170,078	-	170,078
2.1.4	Securities Underwriting Commitments		-	-	-
2.1.5	Commitments For Reserve Deposits Requirements		-	-	-
2.1.6	Payment Commitments For Checks		1,241,576	-	1,241,576
2.1.7	Tax and Fund Liabilities From Export Commitments		-	-	-
2.1.8	Commitments For Credit Card Expenditure Limits		1,719,394	-	1,719,394
2.1.9	Commitments For Credit Cards and Banking Services Promotions		-	-	-
2.1.10	Receivables From Short Sale Commitments		-	-	-
2.1.11	Payables For Short Sale Commitments		-	-	-
2.1.12	Other Irrevocable Commitments		17,757	9,098	26,855
2.2	Revocable Commitments		41,766,199	-	41,766,199
2.2.1	Revocable Loan Granting Commitments		41,766,199	-	41,766,199
2.2.2	Other Revocable Commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		1,814,463	20,788,855	22,603,318
3.1	Derivative Financial Instruments Held For Risk Management		-	2,456,680	2,456,680
3.1.1	Fair Value Hedges		-	-	-
3.1.2	Cash Flow Hedges		-	2,456,680	2,456,680
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-
3.2	Held For Trading Transactions		1,814,463	18,332,175	20,146,638
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1,060,469	2,437,770	3,498,239
3.2.1.1	Forward Foreign Currency Buy Transactions		567,039	1,188,320	1,755,359
3.2.1.2	Forward Foreign Currency Sell Transactions		493,430	1,249,450	1,742,880
3.2.2	Other Forward Buy/Sell Transactions		753,994	15,894,405	16,648,399
3.3	Other		-	-	-
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		307,666,430	165,639,251	473,305,681
IV.	ITEMS HELD IN CUSTODY		11,411,832	4,572,823	15,984,655
4.1	Assets Under Management		-	-	-
4.2	Investment Securities Held in Custody		1,461,322	157,830	1,619,152
4.3	Checks Received For Collection		8,369,547	1,155,416	9,524,963
4.4	Commercial Notes Received For Collection		1,580,963	312,206	1,893,169
4.5	Other Assets Received For Collection		-	-	-
4.6	Assets Received For Public Offering		-	-	-
4.7	Other Items Under Custody		-	-	-
4.8	Custodians		-	2,947,371	2,947,371
V.	PLEDGED ITEMS		296,242,959	160,996,059	457,239,018
5.1	Marketable Securities		184,629	114,002	298,631
5.2	Guarantee Notes		101,681	2,421,205	2,522,886
5.3	Commodity		5,853,913	742,598	6,596,511
5.4	Warranty		-	-	-
5.5	Properties		110,349,674	3,091,169	113,440,843
5.6	Other Pledged Items		179,753,062	154,627,085	334,380,147
5.7	Pledged Items-Depository		-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTEES		11,639	70,369	82,008
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			361,016,513	194,251,115	555,267,628

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS
AS OF 30 SEPTEMBER 2018

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

		Note	TL	FC	Audited Prior Period 31.12.2017 Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)		54,025,598	19,041,939	73,067,537
I.	GUARANTEES AND WARRANTIES	(3-2)	6,501,080	4,567,075	11,068,155
1.1	Letters of Guarantees		6,342,565	3,223,573	9,566,138
1.1.1	Guarantees subject to state tender law		214,018	-	214,018
1.1.2	Guarantees given for foreign trade operations		424,035	186,480	610,515
1.1.3	Other letters of guarantee		5,704,512	3,037,093	8,741,605
1.2	Bank loans		2,549	53,409	55,958
1.2.1	Import letter of acceptances		2,549	53,409	55,958
1.2.2	Other bank acceptances		-	-	-
1.3	Letter of credits		1,143	930,957	932,100
1.3.1	Documentary letter of credits		78	358,591	358,669
1.3.2	Other letter of credits		1,065	572,366	573,431
1.4	Guaranteed refinancing		-	27,919	27,919
1.5	Endorsements		-	-	-
1.5.1	Endorsements to The Central Bank of Republic of Turkey		-	-	-
1.5.2	Other endorsements		-	-	-
1.6	Other guarantees		154,823	331,217	486,040
1.7	Other collaterals		-	-	-
II.	COMMITMENTS	(3-1)	45,832,293	948,078	46,780,371
2.1	Irrevocable commitments		3,306,919	948,078	4,254,997
2.1.1	Forward asset purchase commitments		217,951	948,078	1,166,029
2.1.2	Share capital commitment to associates and subsidiaries		-	-	-
2.1.3	Loan granting commitments		368,519	-	368,519
2.1.4	Securities underwriting commitments		-	-	-
2.1.5	Commitments for reserve deposits requirements		-	-	-
2.1.6	Payment commitments for checks		1,345,239	-	1,345,239
2.1.7	Tax and fund liabilities from export commitments		99	-	99
2.1.8	Commitments for credit card expenditure limits		1,357,354	-	1,357,354
2.1.9	Commitments for promotions related with credit cards and banking activities		-	-	-
2.1.10	Receivables from short sale commitments		-	-	-
2.1.11	Payables for short sale commitments		-	-	-
2.1.12	Other irrevocable commitments		17,757	-	17,757
2.2	Revocable commitments		42,525,374	-	42,525,374
2.2.1	Revocable loan granting commitments		42,525,374	-	42,525,374
2.2.2	Other revocable commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		1,692,225	13,526,786	15,219,011
3.1	Derivative financial instruments held for risk management		-	1,565,503	1,565,503
3.1.1	Fair value hedge		-	-	-
3.1.2	Cash flow hedge		-	1,565,503	1,565,503
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		1,692,225	11,961,283	13,653,508
3.2.1	Forward foreign currency buy/sell transactions		737,140	1,699,381	2,436,521
3.2.1.1	Forward foreign currency transactions-buy		388,590	831,098	1,219,688
3.2.1.2	Forward foreign currency transactions-sell		348,550	868,283	1,216,833
3.2.2	Other forward buy/sell transactions		955,085	10,261,902	11,216,987
3.3	Other		-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		264,937,891	106,948,648	371,886,539
IV.	ITEMS HELD IN CUSTODY		9,232,412	3,224,354	12,456,766
4.1	Assets under management		-	-	-
4.2	Investment securities held in custody		965,091	73,865	1,038,956
4.3	Checks received for collection		6,397,936	624,523	7,022,459
4.4	Commercial notes received for collection		1,869,385	190,069	2,059,454
4.5	Other assets received for collection		-	-	-
4.6	Assets received for public offering		-	-	-
4.7	Other items under custody		-	-	-
4.8	Custodians		-	2,335,897	2,335,897
V.	PLEDGED ITEMS		255,693,840	103,679,813	359,373,653
5.1	Marketable securities		195,245	73,046	268,291
5.2	Guarantee notes		101,701	1,527,824	1,629,525
5.3	Commodity		5,045,489	470,272	5,515,761
5.4	Warranty		-	-	-
5.5	Properties		101,298,823	1,970,258	103,269,081
5.6	Other pledged items		149,052,582	99,638,413	248,690,995
5.7	Pledged items-depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,639	44,481	56,120
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			318,963,489	125,990,587	444,954,076

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
30 SEPTEMBER 2018

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

3. INCOME STATEMENT

			Current Period Reviewed 01.01.2018 - 30.09.2018	Current Period Reviewed 01.07.2018 - 30.09.2018
		Note		
I.	PROFIT SHARE INCOME	(5.4.1.)	4,252,337	1,666,486
1.1	Profit Share on Loans		3,609,059	1,385,902
1.2	Profit Share on Reserve Deposits		64,436	24,124
1.3	Profit Share on Banks		119,782	73,524
1.4	Profit Share on Money Market Placements		-	-
1.5	Profit Share on Marketable Securities Portfolio		258,872	101,261
1.5.1	Fair Value Through Profit or Loss		15,274	10,258
1.5.2	Fair Value Through Other Comprehensive Income		243,598	91,003
1.5.3	Measured at Amortised Cost		-	-
1.6	Finance Lease Income		178,030	74,353
1.7	Other Profit Share Income		22,158	7,322
II.	PROFIT SHARE EXPENSE (-)		1,949,100	799,821
2.1	Expense on Profit Sharing Accounts	(5.4.4.)	1,322,435	535,966
2.2	Profit Share Expense on Funds Borrowed	(5.4.2.)	598,263	259,071
2.3	Profit Share Expense on Money Market Borrowings		28,388	4,784
2.4	Expense on Securities Issued		-	-
2.5	Other Profit Share Expense		14	-
III.	NET PROFIT SHARE INCOME (I - II)		2,303,237	866,665
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		259,658	90,773
4.1	Fees And Commissions Received		391,062	138,977
4.1.1	Non-Cash Loans		90,500	30,288
4.1.2	Other		300,562	108,689
4.2	Fees And Commissions Paid (-)		131,404	48,204
4.2.1	Non-Cash Loans		20	6
4.2.2	Other	(5.4.13.)	131,384	48,198
V.	PERSONNEL EXPENSES (-)		627,137	227,834
VI.	DIVIDEND INCOME	(5.4.3.)	1,227	-
VII.	NET TRADING INCOME / LOSS (Net)	(5.4.5.)	347,434	257,985
7.1	Capital Market Transaction Gains/Losses		1,074	(1,908)
7.2	Gains/Losses From Derivative Financial Instruments		113,725	(179,206)
7.3	Foreign Exchange Gains/Losses		232,635	439,099
VIII.	OTHER OPERATING INCOME	(5.4.6.)	402,815	192,760
IX.	NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		2,687,234	1,180,349
X.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	1,324,775	749,326
XI.	OTHER OPERATING EXPENSES (-)	(5.4.8.)	476,913	156,760
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		885,546	274,263
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIV.	INCOME / LOSS ON NET MONETARY POSITION		-	-
XVI.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(5.4.9.)	885,546	274,263
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10.)	(217,806)	(85,827)
17.1	Current Tax Provision		(278,455)	(133,791)
17.2	Deferred Tax Income Effect (+)		26,837	10,825
17.3	Deferred Tax Expense Effect (-)		87,486	58,789
XVIII.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)	(5.4.11.)	667,740	188,436
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
19.1	Income on Non-Current Assets Held For Sale		-	-
19.2	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
19.3	Income on Other Discontinued Operations		-	-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
20.1	Expenses From Non-Current Assets Held For Sale		-	-
20.2	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
20.3	Expenses From Other Discontinued Operations		-	-
XXI.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22.1	Current Tax Provision		-	-
22.2	Deferred Tax Expense Effect (+)		-	-
22.3	Deferred Tax Income Effect (-)		-	-
XXIII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	(5.4.12.)	667,740	188,436
24.1	Group's Income/Loss		667,740	188,436
24.2	Minority Interest Income/Loss (-) Earnings Per Share Income/Loss		-	-

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
30 SEPTEMBER 2018

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

			Prior Period Reviewed 01.01.2017 - 30.09.2017	Prior Period Reviewed 01.07.2017 - 30.09.2017
		Note		
I.	PROFIT SHARE INCOME	(4-1)	2,739,309	1,001,009
1.1	Profit Share on Loans		2,372,516	872,248
1.2	Profit Share on Reserve Deposits		34,527	14,176
1.3	Profit Share on Banks		18,142	8,047
1.4	Profit Share on Money Market Placements		-	-
1.5	Profit Share on Marketable Securities Portfolio		201,079	67,034
1.5.1	Held-For-Trading Financial Assets		-	-
1.5.2	Financial Assets at Fair Value Through Profit And Loss		7,150	1,135
1.5.3	Available-For-Sale Financial Assets		193,929	65,899
1.5.4	Investments Held-to-Maturity		-	-
1.6	Finance Lease Income		97,889	35,750
1.7	Other Profit Share Income		15,156	3,754
II.	PROFIT SHARE EXPENSE	(4-2)	1,219,475	431,881
2.1	Expense on Profit Sharing Accounts	(4-4)	840,277	298,404
2.2	Profit Share Expense on Funds Borrowed		367,968	124,651
2.3	Profit Share Expense on Money Market Borrowings		11,190	8,786
2.4	Expense on Securities Issued		-	-
2.5	Other Profit Share Expense		40	40
III.	NET PROFIT SHARE INCOME (I - II)		1,519,834	569,128
IV.	NET FEES AND COMMISSIONS INCOME		171,604	60,947
4.1	Fees And Commissions Received		286,389	101,846
4.1.1	Non-Cash Loans		77,429	27,015
4.1.2	Other	(4-13)	208,960	74,831
4.2	Fees And Commissions Paid		114,785	40,899
4.2.1	Non-Cash Loans		11	4
4.2.2	Other	(4-13)	114,774	40,895
V.	DIVIDEND INCOME	(4-3)	-	-
VI.	NET TRADING INCOME / EXPENSE (Loss)	(4-5)	211,302	24,763
6.1	Capital Market Transaction Gain/Losses		3,227	27
6.2	Gain/Losses From Derivative Financial Instruments		(379,823)	(77,427)
6.3	Foreign Exchange Gain/Losses		587,898	102,163
VII.	OTHER OPERATING INCOME	(4-6)	199,568	23,804
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		2,102,308	678,642
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(4-7)	512,101	128,594
X.	OTHER OPERATING EXPENSES (-)	(4-8)	885,195	290,941
XI.	NET OPERATING INCOME/LOSS (VIII-IX-X)		705,012	259,107
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	GAIN / LOSS ON EQUITY METHOD		-	-
XIV.	GAIN / LOSS ON NET MONETARY POSITION		-	-
XV.	PROFIT/LOSS FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(4-9)	705,012	259,107
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(4-10)	(150,339)	(52,993)
16.1	Current Income Tax Charge		(141,372)	(38,216)
16.2	Deferred Tax Charge / Benefit		(8,967)	(14,777)
XVII.	NET PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI)		554,673	206,114
XVIII.	INCOME ON DISCONTINUED OPERATIONS		-	-
18.1	Income on Assets Held For Sale		-	-
18.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
18.3	Income on Other Discontinued Operations		-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Loss From Assets Held For Sale		-	-
19.2	Loss on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
19.3	Loss From Other Discontinued Operations		-	-
XX.	PROFIT / LOSS ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(4-11)	-	-
21.1	Current Income Tax Charge		-	-
21.2	Deferred Tax Charge / Benefit		-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(4-12)	554,673	206,114
23.1	Group's Income/Loss		554,673	206,114
23.2	Minority Interest Income/Loss (-)		-	-
	Earnings Per Share Income/Loss (Full TL)		-	-

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2018
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

		Reviewed Current Period 01.01.2018-30.09.2018
I.	CURRENT PROFIT / LOSS	667,740
II.	OTHER COMPREHENSIVE INCOME	(96,739)
2.1	Other Comprehensive Income Not Reclassified Through Profit Or Loss	-
2.1.1	Property And Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-
2.1.5	Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.2	Other Comprehensive Income Reclassified Through Profit Or Loss	(96,739)
2.2.1	Foreign Currency Translation Difference	-
	Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other	-
2.2.2	Comprehensive Income	(205,714)
2.2.3	Cash Flow Hedge Income/Loss	77,125
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss	31,850
III.	TOTAL COMPREHENSIVE INCOME (I+II)	571,001

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2018

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

		Reviewed Prior Period 01.01.2017-30.09.2017
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	54,586
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective Portion of Fair Value Differences)	3,634
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion of Fair Value Differences)	-
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	-
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(11,644)
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	46,576
XI.	PROFIT/LOSS	554,673
XI.1	Change in fair value of marketable securities (transfer to profit/loss)	(1,646)
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	556,319
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	601,249

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2018
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN THE EQUITY ITEMS	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
						1	2	3	4	5	6						
Current Period (01.01.2018-30.09.2018)																	
I. Prior Period Ending Balance		3,097,322	22,933	-	-	-	(26,947)	-	-	(10,583)	(4,582)	839,017	673,991	-	4,591,151	-	4,591,151
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540
III. Adjusted Beginning Balance (I+II)		3,097,322	22,933	-	-	-	(26,947)	-	-	(10,583)	(4,582)	839,017	709,531	-	4,626,691	-	4,626,691
IV. Total Comprehensive Income		-	-	-	-	-	-	-	(156,896)	60,157	-	-	-	667,740	571,001	-	571,001
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Reserves Paid in Capital Inflation Adjustment		400,000	-	-	-	-	-	-	-	-	-	(400,000)	-	-	-	-	-
VII. Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	(559)	-	-	(559)	-	(559)
XI. Profit Distribution (*)		-	-	-	-	-	-	-	-	-	-	669,097	(673,991)	-	(4,894)	-	(4,894)
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	669,097	(669,097)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the Period (III+IV+.....+X+XI)		3,497,322	22,933	-	-	-	(26,947)	-	-	(167,479)	55,575	1,107,555	35,540	667,740	5,192,239	-	5,192,239

1. Increase/Decrease in revaluation of fixed assets.
2. Accumulated remeasurement gains / losses of defined benefit plans.
3. Other (Share of other comprehensive income of the investments accounted for by the equity method that can not be classified as profit / loss and accumulated amount of other comprehensive income that will not be reclassified as other profit or loss).
4. Exchange differences.
5. Accumulated revaluation and / or classification gains / losses of fair value difference of financial assets which is added to other comprehensive income.

(*) In the Ordinary General Assembly Meeting dated 3 April 2018, the Parent Bank decided on reserving primary reserves amounting to TL 33,700; other reserves amount to TL 12,419 funded via retained profit from sales of real estates, to not pay cash dividends to shareholders; dividend to management amount to TL 4,894; funding capital increase from internal sources via remaining net income amount to TL 387,142 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 489 and remaining amount to 234,908 to extraordinary legal reserves. In accordance with Article 3 of the Law on support for research and development activities numbered 5746, TL 439 received for the development activities carried out has not been distributed.

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2018
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income	Prior period net income	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
Prior Period (01.01.2017-30.09.2017)																			
I.	Balances at beginning of the period	2,787,322	-	22,933	-	122,861	-	351,949	122,779	-	541,966	(30,529)	-	-	(7,217)	-	3,912,064	-	3,912,064
	Changes during the period																		
II.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	43,669	-	-	-	-	43,669	-	43,669
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,907	-	2,907	-	2,907
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	2,907	-	2,907	-	2,907
4.2	Hedge of net investment in foreign operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	(136,532)	-	136,532	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operati	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net income/loss for the period	-	-	-	-	-	-	-	-	554,673	-	-	-	-	-	-	554,673	-	554,673
XVIII.	Profit distribution (*)	-	-	-	-	27,528	-	336,679	51,667	-	(420,165)	-	-	-	-	-	(4,291)	-	(4,291)
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(4,291)	-	-	-	-	-	(4,291)	-	(4,291)
18.2	Transfers to reserves	-	-	-	-	27,528	-	336,679	51,667	-	(415,874)	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period																			
(I+II+III+...+XVI+XVII+XVIII)		(2-11)	3,097,322	-	22,933	-	150,389	-	688,628	(13,753)	554,673	-	13,140	-	(4,310)	-	4,509,022	-	4,509,022

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

6. STATEMENT OF CASH FLOWS

		Reviewed Current Period
		01.01.2018-30.09.2018
		Note
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating Profit Before Changes in Assets And Liabilities From Banking Operations	2,283,655
1.1.1	Profit Share Income Received	3,960,434
1.1.2	Profit Share Expense Paid	(1,691,719)
1.1.3	Dividends Received	1,050
1.1.4	Fees And Commissions Received	395,593
1.1.5	Other Income	421,452
1.1.6	Collections From Previously Written Off Loans	101,182
1.1.7	Payments to Personnel And Service Suppliers	(571,088)
1.1.8	Taxes Paid	(215,638)
1.1.9	Others	(117,611)
1.2	Changes in Assets And Liabilities From Banking Operations	(2,017,986)
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(182,755)
1.2.2	Net (Increase) Decrease in Due From Banks And Other Financial Institutions	-
1.2.3	Net (Increase) Decrease in Loans	(3,873,246)
1.2.4	Net (Increase) Decrease in Other Assets	(14,811,142)
1.2.5	Net Increase (Decrease) in Bank Deposits	(1,614,021)
1.2.6	Net Increase (Decrease) in Other Deposits	211,169
1.2.7	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	15,109,299
1.2.8	Net Increase (Decrease) in Funds Borrowed	2,801,839
1.2.9	Net Increase (Decrease) in Due Payables	-
1.2.10	Net Increase (Decrease) in Other Liabilities	340,871
I.	Net Cash Provided From Banking Operations	265,669
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net Cash Provided From Investing Activities	(361,040)
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	-
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries	16,901
2.3	Fixed Assets Purchases	(19,086)
2.4	Fixed Assets Sales	7,274
2.5	Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(2,564,444)
2.6	Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income	2,236,802
2.7	Cash Paid For Purchase of Financial Assets at Amortized Cost	-
2.8	Cash Obtained From Sale of Financial Assets at Amortized Cost	-
2.9	Other	(38,487)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net Cash Provided From Financing Activities	(4,894)
3.1	Cash Obtained From Funds Borrowed And Securities Issued	-
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued	-
3.3	Capital Increase	-
3.4	Dividends Paid	(4,894)
3.5	Payments For Finance Leases	-
3.6	Other	-
IV.	Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	52,456
V.	Net Increase in Cash And Cash Equivalents	(47,809)
VI.	Cash And Cash Equivalents at The Beginning of The Period	5,595,655
VII.	Cash And Cash Equivalents at The End of The Period	5,547,846

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

		Reviewed Prior Period
		01.01.2017-30.09.2017
		Note
A.	Cash flows from banking operations	
1.1	Operating profit before changes in operating assets and liabilities	1,364,465
1.1.1	Profit share income received	3,157,303
1.1.2	Profit share expense paid	(1,188,146)
1.1.3	Dividend received	-
1.1.4	Fees and commissions received	290,136
1.1.5	Other income	258,272
1.1.6	Collections from previously written off loans	35,937
1.1.7	Payments to personnel and service suppliers	(701,255)
1.1.8	Taxes paid	(175,390)
1.1.9	Others	(312,392)
1.2	Changes in operating assets and liabilities	(1,850,061)
1.2.1	Net (increase) decrease held for trading financial assets	(105,372)
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	273,196
1.2.4	Net (increase) decrease in loans	(7,678,501)
1.2.5	Net (increase) decrease in other assets	74,209
1.2.6	Net increase (decrease) in bank deposits	(334,446)
1.2.7	Net increase (decrease) in other deposits	6,420,078
1.2.8	Net increase (decrease) in funds borrowed	464,191
1.2.9	Net increase (decrease) in due payables	-
1.2.10	Net increase (decrease) in other liabilities	(963,416)
I.	Net cash provided from banking operations	(485,596)
B.	Cash flows from investing activities	
II.	Net cash provided from investing activities	(406,474)
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	(123,536)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	202,431
2.3	Fixed assets purchases	(49,070)
2.4	Fixed assets sales	1,998
2.5	Cash paid for purchase of financial assets available for sale	(1,812,283)
2.6	Cash obtained from sale of financial assets available for sale	1,406,887
2.7	Cash paid for purchase of investment securities	-
2.8	Cash obtained from sale of investment securities	-
2.9	Other	(32,901)
C.	Cash flows from financing activities	
III.	Net cash provided from financing activities	(4,331)
3.1	Cash obtained from funds borrowed and securities issued	-
3.2	Cash used for repayment of funds borrowed and securities issued	-
3.3	Capital increase	-
3.4	Dividends paid	(4,291)
3.5	Payments for finance leases	(40)
3.6	Other	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(14,295)
V.	Net increase (decrease) in cash and cash equivalents (i + ii + iii + iv)	(910,696)
VI.	Cash and cash equivalents at the beginning of the period	5,595,655
VII.	Cash and cash equivalents at the end of the period	4,684,959

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018

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

SECTION THREE
ACCOUNTING PRINCIPLES

1. Explanations on Basis of Presentation

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

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

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1.2 Classification

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

ASSETS	31/12/2017	TFRS 9 Classification Effect	TFRS 9 Valuation Effect	01/01/2018
FINANCIAL ASSETS (Net)	17,180,348	-	(6,096)	17,174,252
Cash and Cash Equivalents	12,508,876	-	-	12,508,876
Cash and Balances with Central Bank	8,932,856	-	-	8,932,856
Banks	3,576,020	-	-	3,576,020
Money Markets	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	243,407	(26,699)	-	216,708
Government Debt Securities	36,319	-	-	36,319
Equity Instruments	-	-	-	-
Marketable Derivative Financial Assets	26,699	(26,699)	-	-
Other Financial Assets	180,389	-	-	180,389
Financial Assets at Fair Value Through Other Comprehensive Income	4,428,065	-	-	4,428,065
Government Debt Securities	4,103,448	-	-	4,103,448
Equity Instruments	48,497	-	-	48,497
Other Financial Assets	276,120	-	-	276,120
Financial Assets Measured at Amortised Cost	-	-	-	-
Government Debt Securities	-	-	-	-
Other Financial Assets	-	-	-	-
Derivative Financial Assets	-	26,699	-	26,699
Derivative Financial Assets at Fair Value Through Profit or Loss	-	26,699	-	26,699
Derivative Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Non-Performing Financial Assets	-	-	-	-
Expected Loss Provision (-)	-	-	6,096	6,096
LOANS (Net)	37,970,541	(203,329)	50,622	37,817,834
Loans	35,994,116	-	-	35,994,116
Loans Measured at Amortised Cost	35,994,116	(57,516)	-	35,936,600
Loans at Fair Value Through Profit or Loss	-	57,516	-	57,516
Loans at Fair Value Through Other Comprehensive Income	-	-	-	-
Lease Receivables	1,929,242	-	-	1,929,242
Finance Lease Receivables	2,244,252	-	-	2,244,252
Operational Lease Receivables	-	-	-	-
Unearned Income (-)	315,010	-	-	315,010
Factoring Receivables	-	-	-	-
Measured at Amortised Cost	-	-	-	-
Fair Value Through Profit or Loss	-	-	-	-
Fair Value Through Other Comprehensive Income	-	-	-	-
Non-Performing Loans	714,130	-	-	714,130
Expected Credit Losses (-)	666,947	203,329	(50,622)	819,654
12-Month Expected Credit Losses (Stage I)	-	180,452	(49,378)	131,074
Significant Increase in Credit Risk (Stage II)	-	22,877	176,132	199,009
Credit-Impaired Losses (Stage III / Special Provision)	666,947	-	(177,376)	489,571
PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	117,006	-	-	117,006
Held For Sale	117,006	-	-	117,006
Related to Discontinued Operations	-	-	-	-
EQUITY INVESTMENTS	397,647	-	-	397,647
Investments in Associates (Net)	-	-	-	-
Associates Valued Based on Equity Method	-	-	-	-
Unconsolidated Associates	-	-	-	-
Subsidiaries (Net)	377,647	-	-	377,647
Unconsolidated Financial Subsidiaries	353,967	-	-	353,967
Unconsolidated Non-Financial Subsidiaries	23,680	-	-	23,680
Joint Ventures (Net)	20,000	-	-	20,000
Joint Ventures Valued Based on Equity Method	20,000	-	-	20,000
Unconsolidated Joint Ventures	-	-	-	-
TANGIBLE ASSETS (Net)	409,743	-	-	409,743
INTANGIBLE ASSETS (Net)	119,012	-	-	119,012
Goodwill	-	-	-	-
Other	119,012	-	-	119,012
INVESTMENT PROPERTIES (Net)	25,419	-	-	25,419
CURRENT TAX ASSETS	-	-	-	-
DEFERRED TAX ASSETS	138,710	-	-	138,710
OTHER ASSETS	764,669	-	-	764,669
TOTAL ASSETS	57,123,095	(203,329)	44,526	56,964,292

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LIABILITIES	31/12/2017	TFRS 9 Classification Effect	TFRS 9 Valuation Effect	01/01/2018
FUNDS COLLECTED	39,857,400	-	-	39,857,400
FUNDS BORROWED	9,031,509	-	-	9,031,509
MONEY MARKETS	750,524	-	-	750,524
SECURITIES ISSUED (Net)	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES	80,697	(80,697)	-	-
FUNDS BORROWED	-	151,492	-	151,492
Derivative Financial Liabilities at Fair Value Through Profit or Loss	-	151,492	-	151,492
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	-	-	-	-
LEASE PAYABLES	-	-	-	-
Finance Lease Payables	-	-	-	-
Operating Lease Payables	-	-	-	-
Other	-	-	-	-
Deferred Financial Lease Expenses (-)	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	70,795	(70,795)	-	-
Fair value hedge	-	-	-	-
Cash flow hedge	70,795	(70,795)	-	-
Hedge of net investment in foreign operations	-	-	-	-
PROVISIONS	791,440	(203,329)	-	588,111
General Provision	405,468	(405,468)	-	-
Restructuring Provision	-	-	-	-
Reserves For Employee Benefits	185,049	-	-	185,049
Insurance For Technical Provision (Net)	-	-	-	-
Other Provisions	200,923	202,139	-	403,062
CURRENT TAX LIABILITIES	56,271	-	-	56,271
DEFERRED TAX LIABILITIES	-	-	8,986	8,986
LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	-	-	-	-
Held For Sale	-	-	-	-
Related to Discontinued Operations	-	-	-	-
SUBORDINATED DEBT INSTRUMENTS	1,360,338	-	-	1,360,338
Loans	1,360,338	-	-	1,360,338
Other Debt Instruments	-	-	-	-
SUNDRY CREDITORS	198,119	(198,119)	-	-
OTHER LIABILITIES	334,851	(334,851)	-	-
OTHER FINANCIAL LIABILITIES	-	532,970	-	532,970
SHAREHOLDERS' EQUITY	4,591,151	-	35,540	4,626,691
Paid-in Capital	3,097,322	-	-	3,097,322
Capital Reserves	(19,179)	42,112	-	22,933
Share Premiums	22,933	-	-	22,933
Share Cancellation Profits	-	-	-	-
Other Capital Reserves	(26,947)	26,947	-	-
Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss	-	(26,947)	-	(26,947)
Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss	-	(15,165)	-	(15,165)
Marketable securities revaluation reserve	(10,583)	10,583	-	-
Tangible assets revaluation reserve	-	-	-	-
Intangible assets revaluation reserve	-	-	-	-
Investment property revaluation reserve	-	-	-	-
Bonus shares obtained from associates, subsidiaries and jointly controlled entities	-	-	-	-
Hedging funds (effective portion)	(4,582)	4,582	-	-
Value increase on assets held for resale	-	-	-	-
Profit Reserves	839,017	-	-	839,017
Legal Reserves	150,389	-	-	150,389
Statutory Reserves	-	-	-	-
Extraordinary Reserves	688,628	-	-	688,628
Other Profit Reserves	-	-	-	-
Profits of Losses	673,991	-	35,540	709,531
Prior Years' Profits or Losses	-	-	35,540	35,540
Current Period Net Profit or Loss	673,991	-	-	673,991
Minority shares	-	-	-	-
TOTAL LIABILITIES	57,123,095	(203,329)	44,526	56,964,292

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A- As of 1 January 2018, securities portfolio amounting to TL 216,708 classified under “Held for Trading Financial Assets” in the prior period, were reclassified under “Financial Assets at the Fair Value through Profit or Loss” as they were considered within the scope of a business model whose objective is to collect and to sell contractual cash flows.

B- As of 1 January 2018, securities portfolio amounting to TL 4,428,065 classified under “Available for Sale Financial Assets” in the prior period, were reclassified under “Financial Assets classified as Fair Value through Other Comprehensive Income” as they were considered within the scope of a business model whose objective is to collect and to sell contractual cash flows.

C- In addition with TFRS 9, as of 1 January 2018, prior period “General Provisions” item has been written off and the impact of “Expected Loss Provisions” is reflected through relevant lines. As per the scope of TFRS 9, expected credit losses for financial assets and loans are classified as “Expected Loss Provisions” under Assets, credit losses for non-cash loans are classified as “Other Provisions” under in Liabilities.

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

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

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

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

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

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

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

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

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1.5 Disclosures Regarding TFRS 9 Financial Instruments:

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

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

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

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

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

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

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

Classification and measurement of financial instruments:

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

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

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

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Impairment:

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

Some modelling works were made in relation to the basic components of Expected Credit Loss in advance of the adoption of TFRS 9, and developed models for Probability of Default (POD) on the basis of various credit portfolio. Credit portfolio is determined in accordance with customer segments constituting the basis of banking activities. Cyclical Probabilities of Default made with these models developed in order to use in the Internal Ratings-Based Approach (IRBA) are converted into Instant Probabilities of Default, and these instant probabilities of default are used to calculate Expected Credit Loss in scope of TFRS 9. Loss Given Default (LGD) calculation reflects state withholding rates and the bank’s prior collection performance in unsecured loans. Default Amount (DA) corresponds to the used balance in the reporting date for money loans, and to the balance after the application of the credit conversion rate for Non-cash loans and commitment risks.

Macroeconomic scenarios impacts POD and LGD values. Expected credit loss amount is calculated with 3 different scenarios as Basis, Good and Bad. Probabilities of default and loss given default rate of debtors are calculated based on each scenario.

TFRS 9 replaces the "realized loss" model of TAS 39 with the "expected credit loss" model. The Bank applies a ‘three-stage’ impairment model depending on the gradual increase in credit risk observed since initial recognition

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

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

In this scope; basic matters taken into consideration in order to determine the significant increase of credit risk of a financial asset and the transferring to Stage 2 are as follows without being limited to these.

- Default for 30 days and over as of reporting date
- Being in the scope of restructuring
- Performing Close Monitoring
- Assessment of rating impairment

The definition of rating impairment is the comparison of rating at the credit opening date and rating at the reporting date by using the Bank’s internal ratings-based rating models, made by the Bank. The rating impairment occurs when the rating calculated at the reporting date exceeds determined threshold values.

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

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

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2. Explanations on strategy of using financial instruments and foreign currency transactions

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

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

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

3. Investments in associates and subsidiaries

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

4. Explanations on forward transactions and option contracts and derivative instruments

The Bank enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Bank classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Derivative Financial Instruments Held for Trading" in accordance with TFRS 9. 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 TFRS 9, 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 TFRS 9. If the embedded derivatives are closely related with the host contract, embedded derivatives are accounted for in-line with the relevant standard applicable for the host contract.

While choosing the accounting policy under TFRS 9, the Bank has the option to defer the adoption of hedge accounting policy and to continue apply the accounting terms of TAS 39. Within this scope, the Bank shall continue applying the terms of hedge accounting policy specified under TAS 39.

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

The Bank performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting,

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the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

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

5. Explanations on profit share income and expense

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

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

6. 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.

7. Explanations on financial assets

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

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

7.1 Financial assets at fair value through profit or loss:

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

7.2 Financial Assets at Fair Value Through Other Comprehensive Income:

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

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

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

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

7.3 Financial Assets Measured at Amortized Cost:

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

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

7.4 Derivative Financial Assets:

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

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

Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income". Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, the fair value amounts are classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss." The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

7.5 Loans:

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

As the Banks's loans and good loans indexed below the amount of TL 53,433 were not able to pass the contractual cash flow test, these loans are recorded under the items which are "Fair Value Through Profit or Loss" account.

8. Explanations on expected credit losses

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

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

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

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

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

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

9. Explanations on offsetting of financial assets and liabilities

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

10. Explanations on sale and repurchase agreements and lending of securities

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

As of 30 September 2018, the Bank has TL 525,703 repurchasing agreements (31 December 2017 –TL 750,524).

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

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

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

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control of the entity and there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or disposal group) can remain to be classified as assets (or disposal group) held for sale. Extension of the period necessary to complete the sale, does not avoid the classification of the related asset (or disposal group) to be classified as asset held for sale.

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

12. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

13. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

14. Explanations on Leasing Transactions

Bank as a Lessee

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

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

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

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Bank as a Lessor

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

15. Explanations on provisions and contingent liabilities

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

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

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

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

16. Explanations on liabilities relating to employee benefits

16.1 Defined benefit plans:

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

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

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

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

16.2 Defined contribution plans:

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

16.3 Short term benefits to employees:

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

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

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17. Explanations on taxation

Current Tax

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

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

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

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

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

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

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

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

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

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Deferred Tax

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

18. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

19. Explanations on share certificates issued

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

20. 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.

21. Explanations on government grants

There are no government grants received by the Bank.

22. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note 9.

23. Explanations on other matters

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

24. Additional paragraph for convenience translation

The effects of differences between accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411, the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK

1. Explanations on equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 September 2018 Bank’s total capital has been calculated as TL 7,516,337 (31 December 2017: TL 5,853,623), capital adequacy ratio is 19.03% (31 December 2017: 17.66%).

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1.1. Components of Total Capital:

<i>Current Period</i>	<i>Amount</i>	<i>Amount as Per the Regulation Before 1/1/2014^(*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	3,500,000	
Share premium	22,933	
Reserves	1,107,555	
Other comprehensive income according to TAS	5,278	
Profit	703,280	
Current period profit	667,740	
Prior period profit	35,540	
Bonus shares from associates, affiliates and joint-ventures not accounted in current period's profit	-	
Common Equity Tier I Capital Before Deductions	5,339,046	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (I) of the regulation on bank capital	-	
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	57,782	
Leasehold improvements on operational leases	51,535	
Goodwill netted with deferred tax liabilities	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	130,451	-
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	26,947	
Direct and indirect investments of the Bank on its own Tier I capital	2,678	
Shares obtained against article 56, paragraph 4 of the banking law	-	
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Mortgage servicing rights exceeding the 10% threshold of Tier I capital	-	
Net deferred tax assets arising from temporary differences exceeding the 10% threshold of Tier I capital	-	
Amount exceeding the 15% threshold of Tier I capital as per the article 2, clause 2 of the regulation on measurement and assessment of capital adequacy of banks	-	
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital not deducted from Tier I capital	-	
Mortgage servicing rights not deducted	-	
Excess amount arising from deferred tax assets from temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	
Total Deductions From Common Equity Tier I Capital	269,213	
Total Common Equity Tier I Capital	5,069,833	

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ADDITIONAL TIER I CAPITAL		
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)	-	
Additional Tier I Capital Before Deductions		-
Deductions From Additional Tier I Capital		
Direct and indirect investments of the bank on its own additional Tier I capital (-)	-	
Investments in equity instruments issued by banks or financial institutions invested in bank's additional Tier I capital and having conditions stated in the article 7 of the regulation	-	
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	
The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill and other intangible assets and related deferred taxes not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy of banks (-)	-	-
Net deferred tax asset/liability not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy of banks (-)	-	-
Deduction from additional Tier I capital when there is not enough Tier II capital (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	5,069,833	
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	2,069,500	
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)	429,436	
Total Deductions From Tier II Capital	2,525,936	
Deductions From Tier II Capital		
Direct and indirect investments of the bank on its own Tier II capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in bank's Tier II capital and having conditions stated in the article 8 of the regulation	-	
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	
The total of net long position of the direct or indirect investments in additional Tier I capital and Tier II capital of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I capital	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions From Tier II Capital	-	
Total Tier II Capital	2,525,936	
Total Equity (Total Tier I And Tier II Capital)	7,595,769	

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Total Tier I Capital And Tier II Capital (Total Equity)		
Loans granted against the articles 50 and 51 of the banking law (-)		-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the banking law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)		-
Other items to be defined by the BRSA (-)		79,432
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from Tier I capital, additional Tier I capital or Tier II capital as per the temporary article 2, clause 1 of the regulation		-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from additional Tier I capital or Tier II capital as per the temporary article 2, clause 1 of the regulation		-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital, of the net deferred tax assets arising from temporary differences and of the mortgage servicing rights not deducted from Tier I capital as per the temporary article 2, clause 2, paragraph (1) and (2) and temporary article 2, clause 1 of the regulation		-
CAPITAL		
Total Capital (Total Of Tier I Capital And Tier II Capital)		7,516,337
Total Risk Weighted Assets		39,496,661
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)		12.84
Tier I Capital Ratio (%)		12.84
Capital Adequacy Ratio (%)		19.03
BUFFERS		
Bank-Specific Total CET1 Capital Ratio		1.88
Capital Conservation Buffer Ratio (%)		1.88
Systemic Significant Bank Buffer Ratio (%)		-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation		6.84
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital		-
Remaining total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital		-
Remaining mortgage servicing rights		-
Net deferred tax assets arising from temporary differences		-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)		429,436
General Loan Provisions for Exposures in Standard Approach limited by 1.25% of risk weighted assets		429,436
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		-

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<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	3,100,000	
Share Premium	22,933	
Reserves	839,017	
Other Comprehensive Income According To TAS	12,609	
Profit	673,991	
Current Period Profit	673,991	
Prior Period Profit	-	
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	4,648,550	
Deductions From Common Equity Tier I Capital		
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS	54,721	
Leasehold Improvements On Operational Leases	47,518	
Goodwill Netted With Deferred Tax Liabilities		
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	95,210	119,013
Net Deferred Tax Asset/Liability	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	
Securitization Gains	-	
Unrealized Profit And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	
Net Amount Of Defined Benefit Plans	-	
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital	2,678	
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital	-	
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital	-	
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital	-	
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks	-	
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital	-	
Mortgage Servicing Rights Not Deducted	-	
Excess Amount Arising From Deferred Tax Assets From Temporary Differences	-	
Other Items To Be Defined By The BRSA	-	
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	
Total Deductions From Common Equity Tier I Capital	200,127	
Total Common Equity Tier I Capital	4,448,423	

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ADDITIONAL TIER I CAPITAL		
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)	-	
Additional Tier I Capital Before Deductions	-	
Deductions From Additional Tier I Capital		
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	
Other Items To Be Defined By The BRSA (-)	-	
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	23,802	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	
Total Deductions From Additional Tier I Capital	23,802	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	4,424,619	
TIER II CAPITAL		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	1,322,272	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	277,848	
Total Deductions From Tier II Capital	1,600,120	
Deductions From Tier II Capital		
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital	-	
Other Items To Be Defined By The BRSA (-)	-	
Total Deductions From Tier II Capital	-	
Total Tier II Capital	1,600,120	
Total Equity (Total Tier I And Tier II Capital)	6,024,739	

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Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)		-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)		-
Other Items To Be Defined By The BRSA (-)		171,117
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)		-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)		-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)		-
CAPITAL		
Total Capital (Total Of Tier I Capital And Tier II Capital)		5,853,622
Total Risk Weighted Assets		33,138,332
CAPITAL ADEQUACY RATIOS		
Cet1 Capital Ratio (%)		13.42
Tier I Capital Ratio (%)		13.35
Capital Adequacy Ratio (%)		17.66
BUFFERS		
Bank-Specific Total CET1 Capital Ratio		1.25
Capital Conservation Buffer Ratio (%)		1.25
Systemic Significant Bank Buffer Ratio (%)		-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation (%)		7.35
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital		-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital		-
Remaining Mortgage Servicing Rights		-
Net Deferred Tax Assets Arising From Temporary Differences		-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)		277,848
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets		277,848
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach		-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets		-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4		-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit		-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4		-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit		-

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

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

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

2. Explanations on currency risk

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

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

As of 30 September 2018, the Bank carries a net foreign currency short position of TL 254,691 (31 December 2017 – TL 25,686 long position) comprising of TL 18,687 off balance sheet long position (31 December 2017 – TL 114,722 long position) and TL 236,004 balance sheet short position (31 December 2017 - TL 140,408 long position).

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

	24/09/2018	25/09/2018	26/09/2018	27/09/2018	28/09/2018	Balance sheet evaluation rate
USD	6.21891	6.13365	6.12026	6.05182	5.99000	5.99000
EURO	7.31718	7.21687	7.19414	7.08043	6.94997	6.94997
GBP	8.16355	8.05955	8.05602	7.94613	7.81901	7.81901
CHF	6.48255	6.34999	6.32962	6.23517	6.13423	6.13423
JPY	0.05523	0.05434	0.05421	0.05365	0.05281	0.05281

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

	Monthly average FC purchase rate
USD	6.3076
EUR	7.3569
GBP	8.2344
CHF	6.5205
JPY	0.0564

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Currency risk of the Bank:

	EURO	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	2,751,261	4,265,421	2,576,662	9,593,344
Banks	3,436,011	339,588	2,192,830	5,968,429
Financial assets at fair value through profit and loss	-	131,139	-	131,139
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	2,770,025	-	2,770,025
Loans and finance lease receivables (*)	6,187,603	18,171,357	55,823	24,414,783
Subsidiaries, associates and joint ventures (**)	293,694	-	-	293,694
Financial assets at amortized cost	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	243	-	243
Intangible assets	-	62	-	62
Other assets	1,885,683	27,030	3,309	1,916,022
Total assets	14,554,252	25,704,865	4,828,624	45,087,741
Liabilities				
Current account and funds collected from Banks via participation accounts	71,684	269,540	172,741	513,965
Current and profit sharing accounts FC (****)	6,832,766	20,149,727	5,128,908	32,111,401
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	247,005	10,890,090	1,169,717	12,306,812
Marketable securities issued	-	-	-	-
Miscellaneous payables	5,425	17,538	527	23,490
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	110,495	195,252	81,017	386,764
Total liabilities	7,267,375	31,522,147	6,552,910	45,342,432
Net balance sheet position	7,286,877	(5,817,282)	(1,724,286)	(254,691)
Net off-balance sheet position	(7,421,305)	5,730,122	1,709,870	18,687
Financial derivative assets	495,236	8,658,839	1,808,887	10,962,962
Financial derivative liabilities	7,916,541	2,928,717	99,017	10,944,275
Non-cash loans (***)	2,212,477	3,790,135	692,917	6,695,529
Prior period				
Total assets	8,482,415	17,640,023	3,087,584	29,210,022
Total liabilities	4,436,278	20,780,237	3,967,821	29,184,336
Net balance sheet position	4,046,137	(3,140,214)	(880,237)	25,686
Net off-balance sheet position	(3,986,204)	3,230,809	870,117	114,722
Financial derivative assets	519,504	5,406,552	1,368,737	7,294,793
Financial derivative liabilities	4,505,708	2,175,743	498,620	7,180,071
Non-cash loans (***)	1,546,017	2,616,933	404,125	4,567,075

(*) Includes foreign currency indexed loans amounting to TL 8,158,329 (31 December 2017 – TL 7,240,328) followed as TL on the balance sheet.

(**) Includes TL 293,694 (31 December 2017 – TL 293,694) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 370,889 on the balance sheet.

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

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

(*****) Other liabilities at fair value through TL 966 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 106,088.

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 46,793 (31 December 2017 – TL 12,531)
- Prepaid expenses : TL 214 (31 December 2017 – TL 408)
- Derivative financial liabilities held for trading : TL 6,925 (31 December 2017 – TL 59,251)
- Marketable securities of FC revaluation reverse: TL (94,890) (31 December 2017 – TL 12,609)
- Derivative financial liabilities held for hedging : TL 114,509 (31 December 2017- TL 70,795)

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

- Forward foreign currency purchase transactions TL 510,106 (31 December 2017 - TL 492,048)
- Forward foreign currency sale transactions: TL 608,276 (31 December 2017 - TL 456,030)

3. Position risk of equity securities arising from banking books

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

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

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

Current period		Comparison	
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1 Financial Assets at Fair Value Through Other Comprehensive Income (*)	32,503	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries	370,889	-	-
Quoted Securities	53,416	-	-
4 Other	25,000	-	-
Quoted Securities	-	-	-

Prior period		Comparison	
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1 Securities Available-for-Sale (*)	48,497	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries	377,647	-	-
Quoted Securities	50,173	-	-
4 Other	20,000	-	-
Quoted Securities	-	-	-

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

None.

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4. Liquidity risk management and liquidity coverage ratio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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4.5 Information on liquidity risk mitigation techniques:

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

4.6 Information on the use of stress tests:

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

4.7 General information on urgent and unexpected liquidity situation plans:

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

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Liquidity coverage ratio

Current Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	11,521,580	9,857,860	11,501,701	9,837,981
CASH OUTFLOWS					
2	Retail deposits and deposits from small business	38,534,510	20,022,532	3,310,017	2,002,253
3	Stable deposits	10,868,682	-	543,434	-
4	Less stable deposits	27,665,828	20,022,532	2,766,583	2,002,253
5	Unsecured wholesale funding, of which:	10,702,876	6,377,618	5,360,259	3,123,156
6	Operational deposits	-	-	-	-
7	Non-operational deposits	9,954,108	6,261,433	4,611,491	3,006,971
8	Unsecured funding	748,768	116,185	748,768	116,185
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	7,294,803	6,523,473	7,294,803	6,523,473
11	Outflows related to derivative exposures and other collateral requirements	6,922,565	6,523,473	6,922,565	6,523,473
12	Outflows related to restructured financial instruments	372,238	-	372,238	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	20,602,454	6,633,350	1,401,867	341,990
16	TOTAL CASH OUTFLOWS			17,366,946	11,990,872
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	12,643,008	8,498,127	9,830,066	7,546,999
19	Other cash inflows	7,147,894	6,029,066	7,147,894	6,029,066
20	TOTAL CASH INFLOWS	19,790,902	14,527,193	16,977,960	13,576,065
Total Adjusted Value					
21	TOTAL HQLA			11,501,701	9,837,981
22	TOTAL NET CASH OUTFLOWS			4,341,737	2,997,718
23	LIQUIDITY COVERAGE RATIO (%)			264.91	328.18

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

The table below presents highest, lowest and average Liquidity Coverage Ratios for the period dating 1 January – 30 September 2018:

	Highest	Date	Lowest	Date	Average
TL+FC	311.34	20/07/2018	215.80	27/04/2018	253.64
FC	422.71	16/02/2018	267.42	28/09/2018	352.82

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

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

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

The table below presents highest, lowest and average Liquidity Coverage Ratios for the period dating 1 January – 31 December 2017.

Prior Period

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

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Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (**)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	3,689,772	6,641,745	-	-	-	-	-	10,331,517
Banks	6,002,796	-	-	-	-	-	-	6,002,796
Financial assets at fair value through profit and loss	-	186,091	244,491	32,223	64,216	-	-	527,021
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	1,094,123	16,933	427,472	2,561,229	461,436	198,297	4,759,490
Loans (*)	-	12,550,680	6,154,191	15,934,315	14,703,276	2,597,342	(563,609)	51,376,195
Loans measured at amortised cost	-	-	-	-	-	-	-	-
Other assets (**)	16,529	2,080,745	167,908	-	222,222	-	1,370,478	3,857,882
Total Assets	9,709,097	22,553,384	6,583,523	16,394,010	17,550,943	3,058,778	1,005,166	76,854,901
Liabilities								
Current account and funds collected from banks via participation accounts	489,780	31,612	-	-	-	-	-	521,392
Current and profit sharing accounts	23,797,659	25,416,661	4,229,802	1,319,073	31,094	-	-	54,794,289
Funds provided from other financial institutions	-	1,192,016	1,419,766	4,899,562	4,397,046	2,116,242	-	14,024,632
Money market borrowings	-	525,703	-	-	-	-	-	525,703
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	120,253	110,033	-	-	-	-	-	230,286
Other liabilities (**)	-	449,212	190,172	32,964	114,509	-	5,971,742	6,758,599
Total liabilities	24,407,692	27,725,237	5,839,740	6,251,599	4,542,649	2,116,242	5,971,742	76,854,901
Net liquidity gap	(14,698,595)	(5,171,853)	743,783	10,142,411	13,008,294	942,536	(4,966,576)	-
Prior period								
Total assets	6,083,968	14,167,478	5,733,922	12,746,884	14,411,257	2,818,069	1,161,517	57,123,095
Total liabilities	16,179,975	21,035,351	4,303,119	4,020,397	4,841,324	1,360,338	5,382,591	57,123,095
Net liquidity gap	(10,096,007)	(6,867,873)	1,430,803	8,726,487	9,569,933	1,457,731	(4,221,074)	-

(*) Includes receivables from leasing transactions.

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

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5. Explanations on leverage ratio

Leverage ratio table:

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

	On-balance sheet assets	<i>Current Period</i> (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	76,147,706
2	(Assets deducted in determining Tier I Capital)	(279,485)
3	Total on-balance sheet risks (sum of lines 1 and 2)	75,868,221
	Derivative financial instruments and credit derivatives	
4	Replacement cost associated with all derivative instruments and credit derivatives	234,387
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	116,870
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	351,257
	Securities or commodity financing transactions (SCFT)	
7	Risks from SCFT assets (excluding on-balance sheet)	773,575
8	Risks from brokerage activities related exposures	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	773,575
	Other off-balance sheet transactions	
10	Gross notional amounts of off-balance sheet transactions	60,795,247
11	(Adjustments for conversion to credit equivalent amounts)	(38,230,155)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	22,565,092
	Capital and total risks	
13	Tier I Capital	5,080,133
14	Total risks (sum of lines 3, 6, 9 and 12)	99,558,145
	Leverage ratio	
15	Leverage ratio	5.10

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was 5.10% (31 December 2017 – 5.60%). The main reason for the changes from the previous period is that the increase in the items of credit derivatives and derivative financial instruments is higher compared to the increase in other items. Therefore, the core capital increased by 15% due to the profit for the period, balance-sheet risks increased by 33%, and off balance sheet items increased by 7%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 50 basis points.

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	On-balance sheet assets	<i>Prior Period</i>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	57,410,113
2	(Assets deducted in determining Tier I Capital)	(209,697)
3	Total on-balance sheet risks (sum of lines 1 and 2)	57,200,416
	Derivative financial instruments and credit derivatives	
4	Replacement cost associated with all derivative instruments and credit derivatives	55,367
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	118,417
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	173,784
	Securities or commodity financing transactions (SCFT)	
7	Risks from SCFT assets (excluding on-balance sheet)	647,446
8	Risks from brokerage activities related exposures	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	647,446
	Other off-balance sheet transactions	
10	Gross notional amounts of off-balance sheet transactions	55,573,556
11	(Adjustments for conversion to credit equivalent amounts)	(34,573,311)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	21,000,245
	Capital and total risks	
13	Tier I Capital	4,423,318
14	Total risks (sum of lines 3, 6, 9 and 12)	79,021,891
	Leverage ratio	
15	Leverage ratio	5.60

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6. Explanations on risk management

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

6.1. Explanations on Risk Management and Risk Weighted Amounts:

6.1.1. Overview of risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/09/2018	Prior Period 31/12/2017	Current Period 30/09/2018
1	Credit risk (excluding counterparty credit risk) (CCR)	34,103,717	28,810,537	2,728,297
2	Of which standardised approach (SA)	34,176,665	28,865,185	2,734,133
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	178,215	80,519	14,257
5	Of which standardised approach for counterparty credit risk (SA-CCR)	178,215	80,519	14,257
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	72,948	54,648	5,836
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	854,031	669,886	68,322
17	Of which standardised approach (SA)	854,031	669,886	68,322
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	4,287,750	3,522,742	343,020
20	Of which basic indicator approach	4,287,750	3,522,742	343,020
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	39,496,661	33,138,332	3,159,733

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7. Securitization Positions

None.

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

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

9. Explanations on business segments

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

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

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

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:

Current Period 1 January 2018-30 September 2018	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	3,297,887	1,766,735	330,253	-	5,394,875
Operating expenses	2,124,747	937,579	417,993	1,029,010	4,509,329
Transfers between segments	1,509,575	(210,946)	(1,298,629)	-	-
Net operating income / loss	2,682,715	618,210	(1,386,369)	(1,029,010)	885,546
Income from associates	-	-	-	-	-
Income before tax	2,682,715	618,210	(1,386,369)	(1,029,010)	885,546
Provision for taxation	-	-	-	217,806	217,806
Net income for the period	2,682,715	618,210	(1,386,369)	(1,246,816)	667,740
Current Period 30 September 2018					
Segment assets	19,887,004	31,500,471	22,081,962	-	73,469,437
Associates, subsidiaries and joint ventures	-	-	-	395,889	395,889
Undistributed assets	-	-	-	2,989,575	2,989,575
Total assets	19,887,004	31,500,471	22,081,962	3,385,464	76,854,901
Segment liabilities	43,581,897	11,732,819	14,777,186	-	70,091,902
Undistributed liabilities	-	-	-	1,570,760	1,570,760
Shareholders' equity	-	-	-	5,192,239	5,192,239
Total liabilities	43,581,897	11,732,819	14,777,186	6,762,999	76,854,901

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Prior Period 1 January 2017 – 30 September 2017	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total Operation
Operating income	1,570,747	1,657,681	208,140	-	3,436,568
Operating expenses	1,176,341	328,333	402,500	824,382	2,731,556
Transfers between segments	863,527	(185,516)	(678,011)	-	-
Net operating income	1,257,933	1,143,832	(872,371)	(824,382)	705,012
Income from associates	-	-	-	-	-
Income (loss) before tax	1,257,933	1,143,832	(872,371)	(824,382)	705,012
Provision for taxation	-	-	-	(150,339)	(150,339)
Net income for the period	1,257,933	1,143,832	(872,371)	(974,721)	554,673
Prior Period 31 December 2017					
Segment assets	17,955,408	19,944,035	17,251,446	-	55,150,889
Associates, subsidiaries and joint ventures	-	-	-	397,647	397,647
Undistributed assets	-	-	-	1,574,559	1,574,559
Total assets	17,955,408	19,944,035	17,251,446	1,972,206	57,123,095
Prior Period 31 December 2017					
Segment liabilities	30,626,355	9,229,646	11,295,262	-	51,151,263
Undistributed liabilities	-	-	-	1,380,681	1,380,681
Shareholders' equity	-	-	-	4,591,151	4,591,151
Total liabilities	30,626,355	9,229,646	11,295,262	5,971,832	57,123,095

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets:

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

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

	Current period	
	TL	FC
Cash/foreign currency	331,975	1,715,807
The Central Bank of Republic of Turkey	350,412	6,657,926
Other (*)	55,786	1,219,611
Total	738,173	9,593,344
	Prior period	
	TP	YP
Cash/foreign currency	366,164	933,900
The Central Bank of Republic of Turkey	255,738	6,468,109
Other (*)	3,120	905,825
Total	625,022	8,307,834

(*) As of 30 September 2018, precious metal account amounting to TL 882,639 (31 December 2017 - TL 693,239) and money in transit amounting to TL 392,758 (31 December 2017 – TL 215,706) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey:

	Current period	
	TL	FC
Unrestricted demand deposit	341,528	58
Restricted time deposit	8,884	6,657,868
Total	350,412	6,657,926
	Priod Period	
	TL	FC
Unrestricted demand deposit	254,185	38
Restricted time deposit	1,553	6,468,071
Total	255,738	6,468,109

In accordance with the “Communiqué no. 2013/15 on Reserve Requirements”, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 1.5% and 8% for TL deposits and other liabilities according to their maturities as of 30 September 2018 (31 December 2017: 4% and 10.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 20% for deposit and other foreign currency liabilities according to their maturities as of 30 September 2018 (31 December 2017: 4% and 24% for all foreign currency liabilities).

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

As of 30 September 2018, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2017 – None).

Positive differences related to marketable derivative financial assets:

Derivative financial assets	Current period	
	TL	FC
Forward transactions	111,923	3,504
Swap transactions	185,867	43,289
Futures transactions	-	-
Options	-	-
Other	-	-
Total	297,790	46,793

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

1.3 Information on Banks:

1.3.1 Information on Banks:

	Current period	
	TL	FC
Banks	5,499	5,997,297
Domestic	5,290	3,089,204
Foreign	209	2,908,093
Branches and head office abroad	-	-
Total	5,499	5,997,297

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

1.3.2 Information on foreign bank accounts:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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

	Current period
Debt Securities	4,782,805
Quoted on stock exchange	4,782,805
Not quoted on stock exchange	-
Share certificates	185,942
Quoted on stock exchange	110,609
Not quoted on stock exchange	75,333
Impairment provision	(209,257)
Total	4,759,490
	Prior period
Debt Securities	4,293,722
Quoted on stock exchange	4,293,722
Not quoted on stock exchange	-
Share certificates	174,134
Quoted on stock exchange	124,923
Not quoted on stock exchange	49,211
Impairment provision	(39,791)
Total	4,428,065

1.5. Information on loans:

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

	Current period	
	Cash	Non-Cash
Direct loans granted to shareholders	1,173	113
Corporate shareholders	-	113
Real person shareholders	1,173	-
Indirect loans granted to shareholders	217,674	723
Loans granted to employees	15,654	3
Total	234,501	839
	Prior period	
	Cash	Non-Cash
Direct loans granted to shareholders	1,030	786
Corporate shareholders	-	786
Real person shareholders	1,030	-
Indirect loans granted to shareholders	150,924	917
Loans granted to employees	18,134	3
Total	170,088	1,706

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1.5.2 Information on first and second group loans and other receivables including restructured or rescheduled loans:

Current Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	46,936,925	4,595,758	282,514	-
Export Loans	40,100	820	2	-
Import Loans	2,342,663	122,908	-	-
Corporation Loans	25,932,284	3,740,220	275,030	-
Consumer Loans	6,563,135	256,878	2,425	-
Credit Cards	707,325	57,612	3,193	-
Loans given to financial sector	4,676,515	-	-	-
Other	6,674,903	417,320	1,864	-
Other Receivables	1,872	121,805	930	-
Total	46,938,797	4,717,563	283,444	-

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

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Current Period	Standard Loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	222,528	-
Significant Increase in Credit Risk	-	596,929

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

1.5.3 Breakdown of loans and other receivables according to their maturities:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	54,370	6,609,600	6,663,970
Housing Loans	15,769	5,867,256	5,883,025
Vehicle Loans	16,052	412,242	428,294
Consumer Loans	20,096	192,128	212,224
Other	2,453	137,974	140,427
Consumer Loans-FC Indexed	-	56	56
Housing Loans	-	56	56
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	148,507	148,507
Housing Loans	-	64,581	64,581
Vehicle Loans	-	31	31
Consumer Loans	-	70,900	70,900
Other	-	12,995	12,995
Retail Credit Cards-TL	340,238	64	340,302
With Installment	70,548	64	70,612
Without Installment	269,690	-	269,690
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	859	9,046	9,905
Housing Loans	-	874	874
Vehicle Loans	211	4,111	4,322
Consumer Loans	646	4,061	4,707
Other	2	-	2
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	9,585	55	9,640
With Installment	3,569	55	3,624
Without Installment	6,016	-	6,016
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	405,052	6,767,328	7,172,380

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

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1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	240,984	4,754,831	4,995,815
Business Loans	14,622	1,309,693	1,324,315
Vehicle Loans	178,885	1,701,848	1,880,733
Consumer Loans	47,477	1,743,289	1,790,766
Other	-	1	1
Commercial Installment Loans-FC Indexed	21,140	2,087,581	2,108,721
Business Loans	12,679	526,886	539,565
Vehicle Loans	7,033	347,675	354,708
Consumer Loans	1,428	1,212,719	1,214,147
Other	-	301	301
Commercial Installment Loans-FC	2,804	186,482	189,286
Business Loans	-	148,778	148,778
Vehicle Loans	2,804	37,704	40,508
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	418,188	-	418,188
With Installment	149,363	-	149,363
Without Installment	268,825	-	268,825
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	683,116	7,028,894	7,712,010

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

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1.5.6 Breakdown of domestic and foreign loans:

	Current period
Domestic loans	48,657,782
Foreign loans	400,351
Total	49,058,133
	Prior period
Domestic loans	35,729,192
Foreign loans	264,924
Total	35,994,116

1.5.7 Loans granted to subsidiaries and associates:

	Current period
Loans granted directly to subsidiaries and associates (*)	139,147
Loans granted indirectly to subsidiaries and associates	-
Total	139,147
	Prior period
Loans granted directly to subsidiaries and associates (*)	19
Loans granted indirectly to subsidiaries and associates	-
Total	19

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

1.5.8 Special provisions for loans or default (Stage III) provisions:

	Current period
Loans and receivables with limited collectability	60,248
Loans and receivables with doubtful collectability	228,777
Uncollectible loans and receivables	495,164
Total	784,189
	Prior period
Special provisions	
Loans and receivables with limited collectability	145,827
Loans and receivables with doubtful collectability	97,155
Uncollectible loans and receivables	423,965
Total	666,947

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1.5.9 Information on non-performing loans (Net):

1.5.9.1 Information on non-performing loans and other receivables restructured or rescheduled:
None (31 December 2017-None).

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

Current Period	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Ending balance of prior period 31.12.2017	158,589	117,234	438,307
Additions in the current period (+)	263,583	207,125	82,943
Transfers from other categories of non-performing loans(+)	-	247,298	246,794
Transfers to other categories of non-performing loans (-)	247,597	246,495	-
Collections in the current period (-)	53,203	27,384	147,157
Write offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	121,372	297,778	620,887
Special provision (-)	60,248	228,777	495,164
Net balance at the balance sheet	61,124	69,001	125,723

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

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

Current period (Net)	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Loans granted to real persons and legal entities (Gross)	121,372	297,778	620,887
Specific provision (-)	60,248	228,777	495,164
Loans to real persons and legal entities (Net)	61,124	69,001	125,723
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2017	12,762	20,079	14,342
Loans to real persons and legal entities (Gross)	158,589	117,234	438,307
Specific provision (-)	145,827	97,155	423,965
Loans to real persons and legal entities (Net)	12,762	20,079	14,342
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

	III. Grup	IV. Grup	V. Grup
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	2,928	4,444	4,004
Profit share accruals, rediscount and valuation differences	5,240	11,563	12,449
Provision (-)	2,312	7,119	8,445

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

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

1.5.11 Information on the write-off policy:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

1.6 Information on financial assets measured at amortised cost:

None (31 December 2017 – None).

1.7 Information on investment in associates (Net):

1.7.1 The 1.54% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 4,897 (31 December 2017 – TL 4,719), 8.36% ownership of the shares of Islamic International Rating Agency amounting to TL 714 (31 December 2017 – TL 714), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,201 (31 December 2017 – TL 5,201), Swift shares amounting to TL 390 (31 December 2017 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2017 – TL 15) and VISA Inc. shares amounting to TL 11,336 (31 December 2017 – TL 7,149) are classified as financial assets at fair value through OCI since the Bank's ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

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

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

1.8 Information on subsidiaries (Net):

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

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1.8.2 Information on subsidiaries:

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

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
30,149	28,641	-	-	-	(3,686)	5,480	-
147,355	144,984	1,657	-	-	(3,094)	14,865	-
50,853	401	-	-	-	186	44	-
8,867,773	149	-	-	-	42	12	-
2,241,269	625,497	8,948	-	-	(4,191)	(23,992)	-
20,060	13,751	1,274	-	-	7,066	3,333	-
2,116,243	1	-	-	-	-	-	-

(*) As of 30 September 2018, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These figures are shown per Turkish Commercial Law financial statements as at 30 September 2018.

(***) 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 TFRS 10, it is described as a subsidiary.

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Movement regarding the subsidiaries

	Current period 30.09.2018
Balance at the beginning of the year	377,647
Movements during the year (*)	(5,000)
Purchases	-
Transfers from subsidiaries (net)	-
Bonus shares	-
Dividends from current year income	-
Sales (*)	(5,000)
Revaluation increase (**)	3,242
Impairment	-
Capital commitment payments	-
Balance at the end of the year	370,889
Capital commitments	-
Share percentage at the end of the year (%)	-
	Prior period 31.12.2017
Balance at the beginning of the year	349,513
Movements during the year	-
Purchases	123,536
Transfers from subsidiaries (net)	-
Bonus shares	-
Dividends from current year income	-
Sales	(95,402)
Revaluation increase	-
Impairment	-
Capital commitment payments	-
Balance at the end of the year	377,647
Capital commitments	-
Share percentage at the end of the year (%)	-

(*) The Bank has signed an agreement with KFH Capital Investment in relation with the transfer of 50% of shares of KT Portföy Yönetimi A.Ş. (Subsidiary) on 5 October 2017. The Bank transferred 50% of its subsidiary's shares amounting to TL 10,000 at price amounting to TL 16,901 to KFH Capital Investment Company on 20 July 2018. The Bank monitors its subsidiary as a joint venture.

(**) The amount refers to the reversal of impairment.

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Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period
Banks	293,694
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	53,515
	Prior Period
Banks	293,694
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	60,273

Subsidiaries that are quoted on the stock exchange

	Current Period
Quoted in Domestic Stock Exchange	53,416
Quoted in Foreign Stock Exchange	-
Total	53,416
	Prior Period
Quoted in Domestic Stock Exchange	50,173
Quoted in Foreign Stock Exchange	-
Total	50,173

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of 30 September 2018 is EUR 57,242,871 and the capital adequacy ratio is 28.07%.

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	1,556,884	40,000	5,803	14,743	5,775
KT Portföy Yönetimi A.Ş. (***)	50%	7,121	6,719	171	366	(823)

(*) These figures are shown per Turkish Trade Law financial statements as of 30 September 2018.

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

(***) The Bank has signed an agreement with KFH Capital Investment in relation with the transfer of 50% of shares of KT Portföy Yönetimi A.Ş. (Subsidiary) on 5 October 2017. The Bank transferred 50% of its subsidiary's shares amounting to TL 10,000 at price amounting to TL 16,901 to KFH Capital Investment Company on 20 July 2018. The Bank monitors its subsidiary as a joint venture.

1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases:

	Current Period	
	Gross	Net
Less than 1 year	1,905,056	1,512,663
1 to 4 years	1,093,693	1,029,541
More than 4 years	348,446	339,467
Total	3,347,195	2,881,671
	Prior Period	
	Gross	Net
Less than 1 year	1,499,971	1,223,929
1 to 4 years	565,336	532,824
More than 4 years	178,945	172,489
Total	2,244,252	1,929,242

1.10.2 Net investments in finance leases:

	Current period
Gross receivable from finance leases	3,347,195
Unearned finance lease income (-)	(465,524)
Net receivable from finance leases	2,881,671
	Prior period
Gross receivable from finance leases	2,244,252
Unearned finance lease income (-)	(315,010)
Net receivable from finance leases	1,929,242

1.10.3 Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 10,140 are included in the non-performing loans in the balance sheet (31 December 2017 – TL 5,040).

1.11 Information on derivative financial assets for hedging purposes: None (31 December 2017 – None).

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1.12 Information on deferred tax asset

In accordance with the related regulations deferred tax asset calculated as of 30 September 2018 is TL 276,699 (31 December 2017 – TL 157,245) and deferred tax liability is TL 54,477 (31 December 2017 – TL 18,535).

	Current period
Reserve for employee benefits	29,463
Retirement pay liability	14,242
Deferred income	55,926
TFRS 9 Provisions	124,348
Security valuation under equity	27,064
Other	25,656
Deferred tax asset	276,699
Difference between carrying value and tax base of tangible assets	(8,971)
Valuation difference on derivatives	(21,808)
Other	(23,698)
Deferred tax liability	(54,477)
Deferred tax asset, (net)	222,222
	Period period
Reserve for employee benefits	20,197
Retirement pay liability	16,788
Deferred income	46,597
Rediscunts for derivative instruments held for trading (net)	26,181
Impairment provision for subsidiaries, fixed assets and assets held for sale	36,436
Other	11,046
Deferred tax asset	157,245
Difference between carrying value and tax base of tangible assets	(10,044)
Valuation difference on available for sale financial asset	(3,556)
Precious metals valuation difference	(652)
Other	(4,283)
Deferred tax liability	(18,535)
Deferred tax asset, (net)	138,710

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Table of deferred tax asset movement:

	Current period
As of January 1	138,710
Deferred tax (expense)/income	60,649
Deferred tax accounted under equity	31,850
TFRS 9 effect	(8,987)
Deferred tax asset	222,222
	Prior period
As of January 1	118,112
Deferred tax (expense)/income	(8,967)
Deferred tax accounted under equity	(11,644)
Deferred tax asset	97,501

1.13 Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 2,130,837 (31 December 2017 – TL 764,669). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and Notes Related to Liabilities

2.1 Information on funds collected:

2.1.1 Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated	Total
								profit sharing accounts	
I. Real persons current accounts-TL	5,453,758	-	-	-	-	-	-	-	5,453,758
II. Real persons profit sharing accounts TL	-	4,596,908	6,999,717	453,446	-	234,039	246,173	14,806	12,545,089
III. Other current accounts-TL	2,812,542	-	-	-	-	-	-	-	2,812,542
Public sector	102,361	-	-	-	-	-	-	-	102,361
Commercial sector	2,672,593	-	-	-	-	-	-	-	2,672,593
Other institutions	30,176	-	-	-	-	-	-	-	30,176
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	7,412	-	-	-	-	-	-	-	7,412
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	6,809	-	-	-	-	-	-	-	6,809
Participation banks	103	-	-	-	-	-	-	-	103
Others	500	-	-	-	-	-	-	-	500
IV. Profit sharing accounts-TL	-	462,897	946,805	117,842	-	255,557	95,676	149	1,878,926
Public sector	-	50	8,399	-	-	913	-	-	9,362
Commercial sector	-	401,953	817,976	105,676	-	241,863	93,672	149	1,661,289
Other institutions	-	60,878	120,415	12,166	-	12,776	1,800	-	208,035
Commercial and other institutions	-	16	-	-	-	5	204	-	225
Banks and participation banks	-	-	15	-	-	-	-	-	15
V. Real persons current accounts-FC	9,054,632	-	-	-	-	-	-	-	9,054,632
VI. Real persons profit sharing accounts-FC	-	3,725,140	6,154,558	1,145,381	-	611,045	335,125	736	11,971,985
VII. Other current accounts-FC	4,248,497	-	-	-	-	-	-	-	4,248,497
Commercial residents in Turkey	3,646,527	-	-	-	-	-	-	-	3,646,527
Commercial residents in Abroad	268,550	-	-	-	-	-	-	-	268,550
Banks and participation banks	333,420	-	-	-	-	-	-	-	333,420
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	333,420	-	-	-	-	-	-	-	333,420
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	504,792	1,573,524	93,608	-	159,580	7,628	426	2,339,558
Public sector	-	42	3	-	-	-	-	-	45
Commercial sector	-	435,354	1,414,488	93,009	-	159,436	7,542	426	2,110,255
Other institutions	-	18,403	48,996	67	-	93	-	-	67,559
Commercial and other institutions	-	50,985	78,592	532	-	51	-	-	130,160
Banks and participation banks	-	8	31,445	-	-	-	86	-	31,539
IX. Precious metal funds	2,718,010	770,690	1,241,439	213,301	-	65,720	1,520	14	5,010,694
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special fun FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	24,287,439	10,060,427	16,916,043	2,023,578	-	1,325,941	686,122	16,131	55,315,681

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

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

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

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

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

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit
	Current period	Current period
Real persons current and profit sharing accounts that are not subject to commercial activities		
TL accounts	11,121,487	6,777,135
FC accounts	8,332,646	17,210,618
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-
	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit
	Prior period	Prior period

Real persons current and profit sharing accounts that are not subject to commercial activities

TL accounts	9,730,510	5,440,996
FC accounts	5,804,410	9,535,405
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-

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

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

The headquarters of the Bank is in Turkey.

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

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

	Current period
Foreign branches' profit sharing accounts and other accounts	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	8,588
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-

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

2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current period	
	TL	FC
Forward transactions	104,452	2,474
Swap transactions	-	4,451
Futures transactions	-	-
Options	-	-
Other	-	-
Total	104,452	6,925

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

2.3 Information on funds borrowed:

2.3.1 Information on banks and other financial institutions:

	Current period	
	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-
From Domestic Banks and Institutions	1,688,327	7,542,899
From Foreign Banks, Institutions and Funds	29,493	2,647,671
Total	1,717,820	10,190,570

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

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2.3.2 Information on maturity structure of borrowings:

	Current period	
	TL	FC
Short-term	1,717,820	5,793,524
Medium and long-term	-	4,397,046
Total	1,717,820	10,190,570
	Prior period	
	TL	FC
Short-term	1,223,292	3,054,515
Medium and long-term	35,009	4,718,693
Total	1,258,301	7,773,208

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

Majority of the Bank's borrowings consist of foreign currency loans. There is no risk concentration of the Bank's current and profit sharing accounts.

2.4 Information on other liabilities and miscellaneous payables:

As of 30 September 2018, sundry creditors amount to TL 426,949 (31 December 2017 – TL 198,119), other liabilities amount to TL 230,286 (31 December 2017 - TL 334,851). They are both within other liabilities in the balance sheet and do not exceed 10% of the balance sheet total.

2.5 Information on finance lease payables (net):

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

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

2.5.2 Information on Financial Lease Obligations:

None (31 December 2017 – None).

2.5.3 Information Non-Operational Leases:

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

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

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

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

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2.6 Information on hedging derivative financial liabilities:

	Current Period	
	TL	FC
Fair value hedge	-	-
Cash flow hedge	-	114,509
Hedge of net investment in foreign operations	-	-
Total	-	114,509

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

2.7 Information on provisions:

2.7.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 30 September 2018, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 4,072 (31 December 2017 – TL 19,143) and TL 334 for leasing receivables (31 December 2017 – TL 376) is offset against loans and receivables.

2.7.2 Information on other provisions:

	Current period
Provisions for non-liquidated non-cash loans (Specific)	248,065
Provisions for non-liquidated non-cash loans (General)	76,816
Provisions for cheque books	-
Provisions from equity/profit sharing accounts	152,003
Provisions for promotion activities for credit cards	1,585
Other (*)	63,936
Total	542,405

	Prior period
Provisions for non- liquidated non cash loans	95,685
Provisions for cheque books	2,276
Provisions from equity/profit sharing accounts	30,422
Provisions for promotion activities for credit cards	1,242
Other (*)	71,298
Total	200,923

(*) Other item includes TL 4,850 (31 December 2017 – TL 6,915) litigation provision, TL 3,015 (31 December 2017 – TL 6,500) expense provision, TL 2,012 (31 December 2017 – TL 2,873) other provisions and TL 54,059 (31 December 2017 – 40,560) includes provision amount for projected repayment of delay penalties.

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2.7.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 103,172 (31 December 2017 – TL 83,942), vacation pay liability amounting to TL 3,442 (31 December 2017 – TL 522), performance premium amounting to TL 77,610 (31 December 2017 – TL 69,794), retirement bonuses on payment of TL 44,014 (31 December 2017 – TL 23,500), committee fee amounting to TL 8,662 (31 December 2017 – TL 7,291) and provision for other fees amounting to TL 198 (31 December 2017 – None).

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

The amount payable consists of one month's salary limited to a maximum of TL 5,434 (full amount) (31 December 2017 – TL 4,732) for each year of service. The liability is not funded, as there is no funding requirement.

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

	Current period
Discount rate (%)	11.60
Inflation rate (%)	8.90
Salary increase rate (%)	9.90
	Prior period
Discount rate (%)	11.60
Inflation rate (%)	8.90
Salary increase rate (%)	9.90

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

	Current period
Balance at the beginning of the period	83,942
Provisions recognized during the period	25,553
Paid during the period	(6,323)
Actuarial loss	-
Balances at the end of the period	103,172
	Prior period
Balance at the beginning of the period	55,291
Provisions recognized during the period	17,365
Paid during the period	(5,237)
Actuarial loss	16,493
Balances at the end of the period	83,942

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2.8 Explanations on tax liability:

2.8.1 Explanations on current tax liability:

2.8.1.1 Information on tax provisions: As of 30 September 2018, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 134,022.

	Current period
Provision for corporate income tax	278,455
Prepaid taxes	(144,433)
Total (*)	134,022
	Prior period
Provision for corporate income tax	199,529
Prepaid taxes	(143,258)
Total (*)	56,271

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

2.8.1.2 Information on taxes payable:

	Current period
Taxation of marketable securities	31,572
Taxation of immovable property	1,708
Banking Insurance Transaction Tax (BITT)	39,919
Value Added Tax Payable	857
Income tax deducted from wages	9,043
Other	1,062
Total	84,161
	Prior period
Taxation of marketable securities	19,651
Taxation of immovable property	1,185
Banking Insurance Transaction Tax (BITT)	18,431
Value Added Tax Payable	1,349
Income tax deducted from wages	8,192
Other	1,128
Total	49,936

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2.8.1.3. Information on premiums (*):

	Current period
Social Security Premiums-Employee	11,167
Social Security Premiums-Employer	12,042
Unemployment insurance-Employee	799
Unemployment insurance-Employer	1,864
Total	25,872
	Prior period
Social Security Premiums-Employee	4,862
Social Security Premiums-Employer	5,234
Unemployment insurance-Employee	348
Unemployment insurance-Employer	801
Total	11,245

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

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

2.9 Information on payables related to assets held for sale:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

2.10 Information on subordinated loans:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

2.11 Information on shareholders' equity:

2.11.1 Presentation of paid-in capital:

	Current period
Common shares	3,500,000
Preference shares	-
Repurchased shares amount (*)	(2,678)
Total	3,497,322
	Prior period
Common shares	3,100,000
Preference shares	-
Repurchased shares amount (*)	(2,678)
Total	3,097,322

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

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

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

Increase Date	Increase Amount	Internal Resources	Capital Reserves Subject to Increase
3 April 2018	400,000	400,000	-

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

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

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

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

2.11.7. Information related to securities increment value fund is as follows:

	Current Period	
	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference(*)	(17,014)	(94,890)
Foreign Exchange Difference	-	-
Total	(17,014)	(94,890)
	Prior Period	
	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference(*)	(23,192)	12,609
Foreign Exchange Difference	-	-
Total	(23,192)	12,609

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

2.12 Information on minority shares:

None (31 December 2017 – None).

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

3.1 Explanations on off-balance sheet accounts:

3.1.1 Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 30 September 2018 amounts to TL 1,719,394 (31 December 2017 – TL 1,357,354); payment commitments for cheque books amounts to TL 1,241,576 (31 December 2017 – TL 1,345,239).

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

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

As of 30 September 2018, the Bank has guarantees and surety ships constituting of TL 11,227,831 (31 December 2017 – TL 9,566,138) of letters of guarantee; TL 85,862 (31 December 2017 – TL 55,958) of acceptances and TL 1,276,536 (31 December 2017 – TL 932,100) of letters of credit. Also, banks has other acceptances amounting to TL 428,085 (31 December 2017 – TL 513,959).

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

3.1.3. Total amount of non-cash loans:

	Current period
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	13,018,314
Total	13,018,314
	Prior period
Non-cash loans given against cash loans	-
With original maturity of 1 year or less	-
With original maturity of more than 1 year	-
Other non-cash loans	11,068,155
Total	11,068,155

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4. Explanations and Notes Related to the Statement of Income

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current period	
	TL	FC
Profit share on loans	3,314,466	294,593
Short term loans	934,211	41,152
Medium and long term loans	2,367,632	253,441
Profit share on non-performing loans	12,623	-
Premiums received from resource utilization support fund	-	-
	Prior period	
	TL	FC
Profit share on loans	2,224,127	148,389
Short term loans	586,713	13,079
Medium and long term loans	1,631,754	135,310
Profit share on non-performing loans	5,660	-
Premiums received from resource utilization support fund	-	-

4.1.2 Information on profit share received from banks:

	Current period	
	TL	FC
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	18,225	101,097
Branches and head office abroad	-	460
Total	18,225	101,557
	Prior period	
	TL	FC
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	-	18,142
Branches and head office abroad	-	-
Total	-	18,142

4.1.3 Information on profit share income from securities portfolio:

The Bank has received TL 258,872 of profit share income from rent certificates (sukuk) which is given the details in financial assets through OCI information (1 January - 30 September 2017 - TL 193,929).

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

	Current period
Profit share income received from associates and subsidiaries	180
	Prior period
Profit share income received from associates and subsidiaries	4

4.2. Information on profit share expenses:

	Current period	
	TL	FC
Banks	7,454	28,820
The Central Bank of the Republic of Turkey	-	-
Domestic banks	2,981	8,511
Foreign banks	4,473	20,309
Branches and head office abroad	-	-
Other Institutions	149,640	412,349
Total	157,094	441,169
		Prior period
	TL	FC
Banks	4,505	39,740
The Central Bank of the Republic of Turkey	-	-
Domestic banks	1,370	6,783
Foreign banks	3,135	32,957
Branches and head office abroad	-	-
Other Institutions	54,967	268,756
Total	59,472	308,496

4.2.1 Profit share expense given to associates and subsidiaries:

	Current period
Profit share expenses given to associates and subsidiaries	137,999
	Prior period
Profit share expenses given to associates and subsidiaries	277,638

4.2.2 Profit share expense paid to securities issued:

None (1 January - 30 September 2017: None).

4.3 Information on dividend income:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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4.4. 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			
TL									
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-	
Real person's non-trading profit sharing account	332,647	530,964	35,426	-	18,709	18,455	1,079	937,280	
Public sector profit sharing account	649	2,161	-	-	1	-	-	2,811	
Commercial sector profit sharing account	33,829	76,515	12,493	-	1,183	910	4	124,934	
Other institutions profit sharing account	3,899	8,562	985	-	325	167	-	13,938	
Total	371,024	618,202	48,904	-	20,218	19,532	1,083	1,078,963	
FC									
Banks	58	822	-	-	-	-	-	880	
Real person's non-trading profit sharing account	49,286	92,242	19,552	-	10,057	6,179	15	177,331	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	6,684	29,884	1,866	-	4,448	76	3	42,961	
Other institutions profit sharing account	1,524	3,877	364	-	3	-	-	5,768	
Precious metal accounts	3,941	10,942	1,071	-	578	-	-	16,532	
Total	61,493	137,767	22,853	-	15,086	6,255	18	243,472	
Grand Total	432,517	755,969	71,757	-	35,304	25,787	1,101	1,322,435	
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			
TL									
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	53,541	8,636	-	820	636	-	84,910	
Other institutions profit sharing account	1,533	4,269	563	-	186	80	-	6,631	
Total	223,451	427,428	37,196	-	14,117	12,025	-	714,217	
FC									
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	13,746	1,058	-	86	84	-	18,245	
Other institutions profit sharing account	1,389	1,385	291	-	18	97	-	3,180	
Precious metal accounts	204	6,581	513	-	275	-	-	7,573	
Total	34,038	69,594	12,893	-	6,531	3,004	-	126,060	
Grand Total	257,489	497,022	50,089	-	20,648	15,029	-	840,277	

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

	Current period
Trading income/loss (net)	347,434
Income	27,584,234
Gain on capital market transactions	8,925
Gain on derivative financial instruments	2,013,686
Foreign exchange profit	25,561,623
Losses (-)	(27,236,800)
Losses on capital market transactions	(7,851)
Losses on derivative financial instruments	(1,899,961)
Foreign exchange losses	(25,328,988)
	Prior period
Trading income/loss (net)	211,302
Income	9,790,286
Gain on capital market transactions	5,178
Gain on derivative financial instruments	1,438,591
Foreign exchange profit	8,346,517
Losses (-)	(9,578,984)
Losses on capital market transactions	(1,951)
Losses on derivative financial instruments	(1,818,414)
Foreign exchange losses	(7,758,619)

4.6. Information on other operating income:

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

	Current period
Reversal of prior period provisions	330,489
Income from sale of assets	25,553
Income from the real estate sales' gains by rent certificates	40,595
Rent income	1,931
Other income	4,247
Total	402,815
	Prior period
Reversal of prior period provisions	73,285
Income from sale of assets	121,020
Income from the real estate sales' gains by rent certificates	-
Rent Income	1,912
Other Income	3,351
Total	199,568

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4.7. Impairment losses on loan and other receivables:

	Current period
Expected Credit Loss	1,286,359
12 month expected credit loss (Stage 1)	247,877
Significant increase in credit risk (Stage 2)	545,902
Non-performing loans (Stage 3)	492,580
Marketable Securities Impairment Expense	3,009
Financial Assets at Fair Value through Profit or Loss	3,009
Financial Assets at Fair Value Through Other Comprehensive Income	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-
Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other (*)	35,407
Total	1,324,775
	Prior period
Specific provisions for loans and other receivables	415,561
III. group loans and receivables	38,998
IV. group loans and receivables	230,329
V. group loans and receivables	146,234
Doubtful commissions, fees and other receivables	1,194
General provision expenses	75,116
Provision expenses from possible losses	-
Impairment provision of marketable securities	13
Financial Assets at fair value through profit and loss	13
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
Total	512,101

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

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4.8. Information on other operating expenses:

	Current period
Personnel expenses	607,907
Provision for retirement pay liability	19,230
Depreciation expenses of fixed assets	45,704
Impairment expenses of tangible assets	-
Depreciation expenses of intangible assets	20,815
Depreciation expenses of assets held for sale	-
Other operating expenses	257,264
Rent expenses	97,236
Maintenance expenses	29,821
Advertisement expenses	17,506
Communication expenses	28,838
Heating, electricity and water expenses	12,392
Cleaning expenses	4,336
Vehicle expenses	6,074
Stationery expenses	5,524
Other expenses	55,537
Losses on sales of assets	625
Deposit insurance fund expenses	75,040
Other	77,465
Total	1,104,050
	Prior period
Personnel expenses	482,756
Provision for retirement pay liability	11,505
Depreciation expenses of fixed assets	39,803
Impairment expenses of tangible assets	-
Depreciation expenses of intangible assets	18,240
Depreciation expenses of assets held for sale	-
Other operating expenses	208,800
Rent expenses	81,691
Maintenance expenses	23,485
Advertisement expenses	13,012
Communication expenses	23,665
Heating, electricity and water expenses	10,065
Cleaning expenses	3,659
Vehicle expenses	4,186
Stationery expenses	4,386
Other expenses	44,651
Losses on sales of assets	98
Deposit insurance fund expenses	60,813
Other	63,180
Total	885,195

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

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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4.10 Information on tax provision for continued and discontinued operations:

Within the period, the bank has incurred current period tax provision amounting to TL 278,455 (1 January-30 September 2017 – TL 141,372), deferred tax expense amounting to TL 60,649 (1 January-30 September 2017 – TL 8,967).

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

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

4.12 Information on net income/loss:

4.12.1 The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of 30 September 2018, net profit share income is TL 2,303,237 (1 January-30 September 2017 – TL 1,519,834) net fees and commission income is TL 259,658 (1 January-30 September 2017 – TL 171,604).

4.12.2 Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January - 30 September 2017 – None).

4.12.3 Profit/Loss attributable to minority interest: None (1 January - 30 September 2017 – None).

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

As of 30 September 2018, other fees and commissions received is TL 300,562 (1 January - 30 September 2017 – TL 208,906), TL 78,619 of this amount is related with credit card fees and commissions (1 January - 30 September 2017 – TL 48,566) and TL 59,068 of this amount is related with POS machine commissions (1 January - 30 September 2017 – TL 39,805).

As of 30 September 2018, other fees and commissions given is TL 131,384 (1 January - 30 September 2017 – TL 114,744), TL 67,134 (1 January - 30 September 2017 – TL 46,599) of this amount is related with POS clearing commissions and installation expenses, TL 12,583 (1 January - 30 September 2017 – TL 7,733) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and notes related to cash flow statement:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

6. Explanations and notes related to changes in shareholders' equity:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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

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

Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	19	1,253	1,030	786	150,924	917
Balance at end of period	139,147	19,590	1,173	113	217,674	723
Profit share and commission income	84	96	71	11	12,349	3

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

Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	14	883	998	16,818	135,364	20,290
Balance at end of period	19	1,253	1,030	786	150,924	917
Profit share and commission income	-	4	72	-	5,466	-

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period		Current Period		Current Period	
Current and profit sharing accounts						
Balance at beginning of period		33,887		60,187		417,813
Balance at end of period		112,913		40,219		389,760
Profit share expense		1,059		3,160		20,269

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Prior Period		Prior Period		Prior Period	
Current and profit sharing accounts						
Balance at beginning of period		113,140		58,441		113,915
Balance at end of period		33,887		60,187		417,813
Profit share expense		2,083		3,108		8,929

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

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

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)	Direct and indirect shareholders of the Bank	Other real or legal persons included in the risk group
	Current Period	Current Period	Current Period
Borrowings			
Balance at beginning of period	7,063,526	2,175,759	-
Balance at end of period	8,867,437	1,516,446	-
Profit share expense	136,940	63,775	-

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)	Direct and indirect shareholders of the Bank	Other real or legal persons included in the risk group
	Prior Period	Prior Period	Prior Period
Borrowings			
Balance at beginning of period	6,031,523	2,954,769	-
Balance at end of period	7,063,526	2,175,159	-
Profit share expense	275,555	36,301	-

7.2 Information on remunerations provided to top management:

As of 1 January - 30 September 2018, the Bank has paid TL 25,859 to top management (1 January - 30 September 2017- TL 22,499).

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

The Bank has issued sukuk with nominal value of TL 880,000 thousand, with five different transaction at minimum 24,65% and maximum 25,64% cost via KT Kira Sertifikaları Varlık Kiralama A.Ş.

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SECTION SIX

OTHER EXPLANATIONS

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

SECTION SEVEN

LIMITED REVIEW REPORT

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

The unconsolidated financial statements have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 14 November 2018 is presented preceding the financial statements.

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

SECTION EIGHT
INTERIM REPORT

1. **Explanations on interim annual report**

1.1 About Kuveyt Türk

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

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

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1.2 Financial Informations Summary

UNCONSOLIDATED BALANCE SHEET	30 September 2018
CASH BALANCES AND CENTRAL BANK	10,331,517
BANKS	6,002,796
LOANS	48,494,524
FINANCE LEASE RECEIVABLES (Net)	2,881,671
TANGIBLE ASSETS (Net)	474,532
OTHER ASSETS	8,669,861
TOTAL ASSETS	76,854,901
FUND COLLECTED	55,315,681
FUNDS BORROWED	11,908,390
MARKETABLE SECURITIES ISSUED (Net)	-
FINANCE LEASE PAYABLES (Net)	-
SUBORDINATED LOANS	2,116,242
OTHER LIABILITIES	2,322,349
EQUITY	5,192,239
TOTAL LIABILITIES	76,854,901
UNCONSOLIDATED BALANCE SHEET	31 December 2017
CASH BALANCES AND CENTRAL BANK	8,932,856
BANKS	3,576,020
LOANS	36,041,299
FINANCE LEASE RECEIVABLES (Net)	1,929,242
TANGIBLE ASSETS (Net)	409,743
OTHER ASSETS	6,233,935
TOTAL ASSETS	57,123,095
FUND COLLECTED	39,857,400
FUNDS BORROWED	9,031,509
MARKETABLE SECURITIES ISSUED (Net)	-
FINANCE LEASE PAYABLES (Net)	-
SUBORDINATED LOANS	1,360,338
OTHER LIABILITIES	2,282,697
EQUITY	4,591,151
TOTAL LIABILITIES	57,123,095

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UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 September 2018
PROFIT SHARE INCOME	4,252,337
PROFIT SHARE EXPENSE	1,949,100
NET PROFIT SHARE INCOME/EXPENSE	2,303,237
NET FEES AND COMMISSION INCOME/EXPENSE	259,658
PERSONNEL EXPENSES	627,137
DIVIDEND INCOME	1,227
NET TRADING INCOME / LOSS (Net)	347,434
OTHER OPERATING INCOME	402,815
EXPECTED LOSS PROVISIONS (-)	1,324,775
OTHER OPERATING EXPENSES (-)	476,913
INCOME/ LOSS BEFORE TAX	885,546
TAX CHARGE	(217,806)
CURRENT PERIOD INCOME/LOSSES	667,740

UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 September 2017
PROFIT SHARE INCOME	2,739,309
PROFIT SHARE EXPENSE	1,219,475
NET PROFIT SHARE INCOME/EXPENSE	1,519,834
NET FEES AND COMMISSION INCOME/EXPENSE	171,604
PERSONNEL EXPENSES	333,510
DIVIDEND INCOME	0
NET TRADING INCOME / LOSS	211,302
OTHER OPERATING INCOME	199,568
EXPECTED LOSS PROVISIONS (-)	512,101
OTHER OPERATING EXPENSES (-)	885,195
INCOME/ LOSS BEFORE TAX	705,012
TAX CHARGE	(150,339)
CURRENT PERIOD INCOME/LOSSES	554,673

30 September 2018	
Total Loans/Total Assets*	66.85%
Total Loans/Fund Collected*	92.88%
Average Equity Profit **	18.20%
Average Assets Profit **	1.33%
Capital Adequacy Ratio	19.03%

* Finance Lease Receivables is included in total loans.

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

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

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

As of 30 September 2018, unconsolidated financial statements asset size is TL 76 million 855 thousand, amount of the utilization of funds is TL 51 million 376 thousand and funds collected amount is TL 55 million 316 thousand. Due to the effect of the first nine months' profit of TL 668 thousand, our shareholder equity increased 13% by reaching TL 5 million 192 thousand. As of 30 September 2018, unconsolidated capital adequacy ratio has been realized as 19,03%.

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

1.4 Announcement regarding important developments during the period

At the Ordinary Meeting of the General Assembly dated 29 March 2018, the Bank accepted the proposal that is to increase the capital by TL 400,000 from the internal sources and the Bank's capital was increased from TL 3,100,000 to TL 3,500,000.

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

The Bank has signed an agreement with KFH Capital Investment in relation with the transfer of 50% of shares of KT Portföy Yönetimi A.Ş. (Subsidiary) on 5 September 2017. The Bank transferred 50% of its subsidiary's shares amounting to TL 10,000 at price amounting to TL 16,901 to KFH Capital Investment Company on 20 July 2018. The Bank monitors its subsidiary as a joint venture.

The Bank has issued sukuk with nominal value of TL 1,225,000 thousand, with eight different transaction at minimum 16.77% and maximum 22.68% cost via KT Kira Sertifikaları Varlık Kiralama A.Ş.

1.5 Assessment of the expectations related to the subsequent interim period

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