

**KUVEYT TRK KATILIM BANKASI A.. AND  
ITS FINANCIAL SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED 1 JANUARY-31 DECEMBER 2018  
WITH INDEPENDENT AUDITOR'S REPORT**

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

**(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR'S REPORT**

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

**A) Report on the Audit of the Consolidated Financial Statements**

**1) Opinion**

We have audited the consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

**2) Basis for Opinion**

We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3) Key Audit Matters**

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

Key Audit Matter	How the matter was addressed in the audit
<p><b>Adoption of TFRS 9 Financial Instruments Standard for the first time and significant explanations on the recognition of the impairment of financial assets</b></p> <p>As of 1 January 2018, the Group has adopted “TFRS 9: Financial Instruments” which was published in the Official Gazette dated 19 January 2017 and numbered 29953 by the Public Oversight Accounting and Auditing Standards Authority, regarding the classification and measurement of financial instruments to replace “TAS 39 Financial Instruments: Recognition and Measurement”.</p> <p>TFRS 9 Financial Instruments Standard consists of three phases:</p> <p>Phase 1 – Classification and measurement of financial assets and financial liabilities; Phase 2 – Expected credit losses Phase 3 – Hedge accounting</p> <p>TFRS 9 is an accounting standard with a new and complex design and implementation that requires considerable judgment and interpretation in practice.</p> <p>The classification of financial instruments is based on the business model used by the Group and the contractual cash flows with adoption of TFRS 9.</p> <p>The expected credit losses are calculated by using historic loss experience, current conditions and prospective macroeconomic models. The Group has developed new and complex models that require data from more than one system to calculate the TFRS 9 expected credit losses and to determine a significant increase in credit risk.</p> <p>The reason to focus on this area during our audit is; the significance of expected credit loss provision and loans within the balance sheet, classification of these loans within the framework of TFRS 9 and to determine the significant increase in credit default and credit risk accurately and timely and to determine the expected loss provision accurately.</p> <p>This matter has been determined as a key audit matter due to the classification and measurement of financial assets, calculation of expected credit losses, significant estimates and assumptions, management judgments and also because of the complex structure of the model.</p> <p>The impact of the first time adoption of TFRS 9 and relevant disclosures by the Group are presented in the Section 3 Note 1.2 in the accompanying consolidated financial statements.</p> <p>The Group has elected to continue to apply the hedge accounting requirements of TAS 39.</p>	<p>As part of our audit work, the following procedures have been performed:</p> <p>The Group's TFRS 9 policy of the classification of financial assets and financial liabilities has been read and compared with the TFRS 9 standard.</p> <p>We have examined the Group's classification and measurement models of the financial instruments and compared them with the requirements of TFRS 9 standard.</p> <p>We have tested the appropriateness of criteria used to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group's Business model.</p> <p>The appropriateness of the opening balance adjustments and the disclosures presented were checked.</p> <p>The processes, systems and controls created or reorganized to calculate expected credit losses have been reviewed and tested by our Information Systems and Processes auditors.</p> <p>Within the framework of TFRS 9, we have carried out review procedures for loans selected on the basis of samples to determine whether the classification by credit risk is reasonable, whether it is impaired, and whether the provision for impairment of the receivable is established in a timely manner and in accordance with the provisions of the new legislation.</p> <p>We have evaluated and tested the appropriateness of the methods used in calculation of Group's expected credit loss, significant increase in credit risk, default amount and significant assumptions on macroeconomic variables together with our risk modelling experts. We have tested model calculations through sampling together with our modelling specialists.</p> <p>In the framework of the discussions with the Group's management, we have evaluated whether the underlying assumptions and other judgments that constitute the basis for the impairment calculations are reasonable.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loan and receivables and related impairment provision.</p>

#### **4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

#### **5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Group's set of accounts for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Yaman Polat.

## Additional Paragraph for English Translation

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

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



Yaman Polat  
Partner

İstanbul, 7 March 2019

Index

**Section One  
General Information**

I.	History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status	2
II.	Shareholding Structure, Shareholders jointly or individually Having Direct or Indirect, Control over the Management and Supervision of the Bank And the Disclosures on Any Related Changes in the Current Period, if any and information about the Group that the Bank belongs to	2
III.	Explanations on the Titles of Chairman and Members of the Board of Directors, Members of the Audit Committee, General Managers and Assistant General Managers and Assistant General Managers and Their Shareholding in the Bank	2
IV.	Information on qualified shareholders	3
V.	Summary information of the Parent Bank's services and field of operations	3
VI.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries	3

**Section Two  
Consolidated Financial Statements**

I.	Consolidated balance sheet (Statement of financial position)	4
II.	Consolidated statement of off-balance sheet commitments and contingencies	8
III.	Consolidated income statement (Statement of Income/ Loss)	10
IV.	Consolidated statement of profit and loss accounted under equity (Statement of Other Comprehensive Income and Loss)	12
V.	Consolidated statement of changes in shareholders' equity	14
VI.	Consolidated statement of cash flows statement	16
VII.	Consolidated Statement of Profit Distribution	18

**Section Three  
Accounting principles**

I.	Explanations on basis of presentation	20
II.	Explanations on strategy of using financial instruments and foreign currency transactions	26
III.	Information about the Parent Bank and its Consolidated Subsidiaries	26
IV.	Explanations on forward transactions and option contracts and derivative instruments	27
V.	Explanations on profit share income and expense	27
VI.	Explanations on fees and commission income and expenses	28
VII.	Explanations on financial assets	28
VIII.	Explanations on impairment of financial assets	30
IX.	Explanations on offsetting of financial assets and liabilities	30
X.	Explanations on sale and repurchase agreements and lending of securities	30
XI.	Explanations on assets held for sale and discontinued operations and related liabilities	30
XII.	Explanations on goodwill and other intangible assets	31
XIII.	Explanations on tangible assets	31
XIV.	Explanations on leasing transactions	32
XV.	Explanations on provisions and contingent liabilities	32
XVI.	Explanations on liabilities relating to employee benefits	32
XVII.	Explanations on taxation	33
XVIII.	Explanations on additional disclosures on borrowings	34
XIX.	Explanations on share certificates issued	34
XX.	Explanations on acceptances and availed drafts	34
XXI.	Explanations on government grants	34
XXII.	Explanations on segment reporting	34
XXIII.	Explanations on Prior Period Accounting Policies Not Valid for the Current Period	35
XXIV.	Explanations on other matters	36

**Section Four  
Information on Financial Structure**

I.	Explanations on consolidated shareholders' equity	37
II.	Explanations on consolidated credit risk	44
III.	Explanations on consolidated currency risk	58
IV.	Explanations on position risk of equity securities in banking book	60
V.	Explanations on consolidated liquidity risk	61
VI.	Explanations on consolidated leverage ratio	68
VII.	Explanations on consolidated fair values of financial assets and liabilities	70
VIII.	Explanations on the activities carried out on behalf and account of other persons	70
IX.	Explanations on consolidated risk management	70
X.	Explanations on consolidated business segments	85

**Section Five  
Explanations and notes on the unconsolidated financial statement**

I.	Explanations and notes related to assets	88
II.	Explanations and notes related to liabilities	108
III.	Explanations and notes related to off-balance sheet commitments	118
IV.	Explanations and disclosures related to income statement	122
V.	Statement of changes in shareholders' equity	129
VI.	Explanations and notes related to cash flow statement	129
VII.	Explanations and notes related to the risk group of the Bank	130
VIII.	Domestic, foreign and off-shore branches or equity investments, and foreign representative offices	133
IX.	Significant events and matters arising subsequent to balance sheet date	133

**Section Six  
Other Explanations and Disclosures**

I.	Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet	134
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**Section Seven  
Independent Auditor's Report**

I.	Explanations on the independent auditors' report	134
II.	Notes and disclosures prepared by the independent auditors	134



# KUVEYTTÜRK

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## THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.

AS OF DECEMBER 31, 2018

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

The consolidated financial report for the end of the year 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

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

	Subsidiaries	Associates	Jointly Controlled Entities
1.	KT Sukuk Varlık Kiralama A.Ş.		Katılım Emeklilik ve Hayat A.Ş.
2.	KT Kira Sertifikaları Varlık Kiralama A.Ş.		KT Portföy Yönetimi A.Ş.
3.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.		
4.	KT Bank AG.		
5.	KT Sukuk Company Limited		

The accompanying consolidated 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

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

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**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

The Bank's subsidiary, KT Bank AG which is 100% owned by the Bank was established in April, 2015. Main field of its operations are providing interest free corporate banking services, acting as investment intermediary, providing consulting services, performing asset management activities, performing investment activities and collecting funds through current and profit/loss sharing accounts in compliance with the regulation.

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

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

As of 31 December 2018, 62.24% of the Parent Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Date of assignment to the audit committee	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006		Bachelor	0.0105%
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad Al-MİDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmed 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 and Chief Financial Officer	12/07/2006		Master	0.0002%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	0.0035%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005		Bachelor	0.0156%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005		Doctorate	0.0091%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010		Bachelor	0.0007%
Aşan 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**IV. Information on qualified shareholders:**

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

As of 31 December 2018, the shares of parent shareholder of the Parent Bank, Kuwait Finance House ("KFH") are 51.95% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

**V. Summary information of the Bank's services and field of operations**

The Parent Bank's field of operations includes corporate banking, international banking services, retail banking and credit card services. The Parent Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 December 2018, the Group is operating through 419 domestic branches (31 December 2017 – 403) with 5,981 employees (31 December 2017 – 5,846). Summary of some of the Parent Bank's operations described in the Articles of Association are as follows;

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

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

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

None.

**SECTION TWO**  
**THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

		Audited Current Period 31.12.2018			
		Note	TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>3,344,131</b>	<b>20,419,396</b>	<b>23,763,527</b>
<b>1.1</b>	<b>Cash And Cash Equivalents</b>		<b>1,195,967</b>	<b>16,312,881</b>	<b>17,508,848</b>
1.1.1	Cash And Balances With Central Bank	(5.1.1.)	1,183,109	9,428,812	10,611,921
1.1.2	Banks	(5.1.3.)	12,858	6,884,069	6,896,927
1.1.3	Receivables From Money Markets		-	-	-
<b>1.2</b>	<b>Financial Assets At Fair Value Through Profit Or Loss</b>		<b>27,913</b>	<b>75,181</b>	<b>103,094</b>
1.2.1	Government Debt Securities		18,327	11,770	30,097
1.2.2	Equity Instruments		-	-	-
1.2.3	Other Financial Assets		9,586	63,411	72,997
<b>1.3</b>	<b>Financial Assets At Fair Value Through Other Comprehensive Income</b>	(5.1.4.)	<b>2,136,687</b>	<b>4,067,733</b>	<b>6,204,420</b>
1.3.1	Government Debt Securities		2,065,421	3,804,519	5,869,940
1.3.2	Equity Instruments		10,502	17,046	27,548
1.3.3	Other Financial Assets		60,764	246,168	306,932
<b>1.4</b>	<b>Financial Assets Measured At Amortised Cost</b>	(5.1.6.)	<b>-</b>	<b>37,156</b>	<b>37,156</b>
1.4.1	Government Debt Securities		-	37,156	37,156
1.4.2	Other Financial Assets		-	-	-
<b>1.5</b>	<b>Derivative Financial Assets</b>	(5.1.2.)	<b>29,483</b>	<b>12,528</b>	<b>42,011</b>
1.5.1	Derivative Financial Assets At Fair Value Through Profit Or Loss		29,483	12,528	42,011
1.5.2	Derivative Financial Assets At Fair Value Through Other Comprehensive Income		-	-	-
<b>1.6</b>	<b>Non-Performing Financial Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>1.7</b>	<b>Expected Loss Provision (-)</b>		<b>45,919</b>	<b>86,083</b>	<b>132,002</b>
<b>II.</b>	<b>LOANS (Net)</b>	(5.1.5.)	<b>31,038,014</b>	<b>15,930,129</b>	<b>46,968,143</b>
<b>2.1</b>	<b>Loans</b>		<b>30,078,505</b>	<b>15,194,706</b>	<b>45,273,211</b>
2.1.1	Loans Measured At Amortised Cost		30,077,773	15,154,609	45,232,382
2.1.2	Loans At Fair Value Through Profit Or Loss		732	40,097	40,829
2.1.3	Loans At Fair Value Through Other Comprehensive Income		-	-	-
<b>2.2</b>	<b>Lease Receivable</b>	(5.1.10.)	<b>1,439,955</b>	<b>1,010,744</b>	<b>2,450,699</b>
2.2.1	Finance Lease Receivables		1,690,854	1,191,038	2,881,892
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		250,899	180,294	431,193
<b>2.3</b>	<b>Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>
2.3.1	Measured At Amortised Cost		-	-	-
2.3.2	Fair Value Through Profit Or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
<b>2.4</b>	<b>Non-Performing Loans</b>		<b>1,159,974</b>	<b>25,866</b>	<b>1,185,840</b>
<b>2.5</b>	<b>Expected Credit Losses (-)</b>		<b>1,640,420</b>	<b>301,187</b>	<b>1,941,607</b>
2.5.1	12-Month Expected Credit Losses (Stage I)		297,335	146,856	444,191
2.5.2	Significant Increase In Credit Risk (Stage II)		504,576	150,913	655,489
2.5.3	Credit-Impaired Losses (Stage III / Special Provision)		838,509	3,418	841,927
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)</b>	(5.1.16.)	<b>270,382</b>	<b>-</b>	<b>270,382</b>
3.1	Held For Sale		270,382	-	270,382
3.2	Related to Discontinued Operations		-	-	-
<b>IV.</b>	<b>EQUITY INVESTMENTS</b>		<b>52,200</b>	<b>-</b>	<b>52,200</b>
<b>4.1</b>	<b>Investments in Associates (Net)</b>	(5.1.7.)	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1	Associates Valued Based on Equity Method		-	-	-
4.1.2	Unconsolidated Associates		-	-	-
<b>4.2</b>	<b>Subsidiaries (Net)</b>	(5.1.8.)	<b>23,680</b>	<b>-</b>	<b>23,680</b>
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680
<b>4.3</b>	<b>Joint Ventures (Net)</b>	(5.1.9.)	<b>28,520</b>	<b>-</b>	<b>28,520</b>
4.3.1	Joint Ventures Valued Based on Equity Method		28,520	-	28,520
4.3.2	Unconsolidated Joint Ventures		-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	(5.1.12.)	<b>449,287</b>	<b>7,900</b>	<b>457,187</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(5.1.13.)	<b>136,932</b>	<b>63,833</b>	<b>200,765</b>
6.1	Goodwill		-	-	-
6.2	Other		136,932	63,833	200,765
<b>VII.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	(5.1.14.)	<b>29,671</b>	<b>-</b>	<b>29,671</b>
<b>VIII.</b>	<b>CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	(5.1.15.)	<b>346,640</b>	<b>34,043</b>	<b>380,683</b>
<b>X.</b>	<b>OTHER ASSETS</b>	(5.1.17.)	<b>904,064</b>	<b>1,986,364</b>	<b>2,890,428</b>
<b>TOTAL ASSETS</b>			<b>36,571,321</b>	<b>38,441,665</b>	<b>75,012,986</b>

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

				Audited Prior Period 31.12.2017	
		Note	TL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH THE CENTRAL BANK</b>	(5.1.1.)	625,022	8,399,697	9,024,719
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>				
2.1	Held for trading financial assets		21,768	66,466	88,234
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		-	25,216	25,216
2.2	Financial assets at fair value through profit and loss		-	-	-
2.2.1	Public sector debt securities		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other marketable securities		-	-	-
<b>III.</b>	<b>BANKS</b>	(5.1.3.)	8,619	3,563,455	3,572,074
<b>IV.</b>	<b>MONEY MARKET PLACEMENTS</b>		-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(5.1.4.)	2,064,954	2,358,776	4,423,730
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		6,458	265,327	271,785
<b>VI.</b>	<b>LOANS AND RECEIVABLES</b>	(5.1.5.)	29,860,983	6,744,517	36,605,500
6.1	Loans and receivables		29,813,800	6,744,408	36,558,208
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	6,676,457	36,406,235
6.2	Non-performing loans		714,130	930	715,060
6.3	Specific provisions (-)		666,947	821	667,768
<b>VII.</b>	<b>HELD TO MATURITY INVESTMENTS (Net)</b>	(5.1.4.)	-	-	-
<b>VIII.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(5.1.7.)	-	-	-
8.1	Accounted for under equity method		-	-	-
8.2	Unconsolidated associates		-	-	-
8.2.1	Financial associates		-	-	-
8.2.2	Non-financial associates		-	-	-
<b>IX.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	(5.1.8.)	23,680	-	23,680
9.1	Unconsolidated financial subsidiaries		-	-	-
9.2	Unconsolidated non-financial subsidiaries		23,680	-	23,680
<b>X.</b>	<b>ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(5.1.9.)	19,405	-	19,405
10.1	Accounted for under equity method		19,405	-	19,405
10.2	Unconsolidated		-	-	-
10.2.1	Financial subsidiaries		-	-	-
10.2.2	Non-financial subsidiaries		-	-	-
<b>XI.</b>	<b>FINANCE LEASE RECEIVABLES</b>	(5.1.10.)	1,437,354	643,376	2,080,730
11.1	Finance lease receivables		1,624,695	771,045	2,395,740
11.2	Operating lease receivables		-	-	-
11.3	Other		-	-	-
11.4	Unearned income (-)		187,341	127,669	315,010
<b>XII.</b>	<b>DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(5.1.11.)	-	-	-
12.1	Fair value hedge		-	-	-
12.2	Cash flow hedge		-	-	-
12.3	Hedge of net investment risks in foreign operations		-	-	-
<b>XIII.</b>	<b>TANGIBLE ASSETS (Net)</b>	(5.1.12.)	409,644	6,405	416,049
<b>XIV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(5.1.13.)	119,146	49,819	168,965
14.1	Goodwill		-	-	-
14.2	Other		119,146	49,819	168,965
<b>XV.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	(5.1.14.)	25,419	-	25,419
<b>XVI.</b>	<b>TAX ASSET</b>	(5.1.15.)	138,710	-	138,710
16.1	Current tax asset		-	-	-
16.2	Deferred tax asset		138,710	-	138,710
<b>XVII.</b>	<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(5.1.16.)	117,006	-	117,006
17.1	Held for sale		117,006	-	117,006
17.2	Discontinued operations		-	-	-
<b>XVIII.</b>	<b>OTHER ASSETS</b>	(5.1.17.)	278,349	582,132	860,481
<b>TOTAL ASSETS</b>			<b>35,150,059</b>	<b>22,414,643</b>	<b>57,564,702</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

		Note	TL	FC	Audited Current Period 31.12.2018 Total
<b>I.</b>	<b>FUNDS COLLECTED</b>	<b>(5.2.1.)</b>	<b>22,516,520</b>	<b>32,713,498</b>	<b>55,230,018</b>
<b>II.</b>	<b>FUNDS BORROWED</b>	<b>(5.2.3.)</b>	<b>93,394</b>	<b>1,901,902</b>	<b>1,995,296</b>
<b>III.</b>	<b>MONEY MARKETS</b>		<b>188,003</b>	<b>-</b>	<b>188,003</b>
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>		<b>1,634,934</b>	<b>6,157,936</b>	<b>7,792,870</b>
<b>V.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(5.2.2.)</b>	<b>21,045</b>	<b>149,118</b>	<b>170,163</b>
6.1	Derivative Financial Liabilities At Fair Value Through Profit Or Loss		21,045	149,118	170,163
6.2	Derivative Financial Liabilities At Fair Value Through Other Comprehensive Income		-	-	-
<b>VII.</b>	<b>LEASE PAYABLES</b>	<b>(5.2.6.)</b>	<b>-</b>	<b>-</b>	<b>-</b>
7.1	Finance Lease Payables		-	-	-
7.2	Operating Lease Payables		-	-	-
7.3	Other		-	-	-
7.4	Deferred Finance Lease Expenses ( - )		-	-	-
<b>VIII.</b>	<b>PROVISIONS</b>	<b>(5.2.8.)</b>	<b>615,727</b>	<b>184,795</b>	<b>800,522</b>
8.1	Restructuring Provision		-	-	-
8.2	Reserves For Employee Benefits		228,540	538	229,078
8.3	Insurance For Technical Provision (Net)		-	-	-
8.4	Other Provisions		387,187	184,257	571,444
<b>IX.</b>	<b>CURRENT TAX LIABILITIES</b>	<b>(5.2.9.)</b>	<b>175,716</b>	<b>1,936</b>	<b>177,652</b>
<b>X.</b>	<b>DEFERRED TAX LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>XI.</b>	<b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>(5.2.10.)</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Held For Sale		-	-	-
11.2	Related To Discontinued Operations		-	-	-
<b>XII.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	<b>(5.2.11.)</b>	<b>-</b>	<b>1,901,210</b>	<b>1,901,210</b>
12.1	Loans		-	-	-
12.2	Other Debt Instruments		-	1,901,210	1,901,210
<b>XIII.</b>	<b>OTHER LIABILITIES</b>	<b>(5.2.5.)</b>	<b>1,183,827</b>	<b>153,891</b>	<b>1,337,718</b>
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(5.2.12.)</b>	<b>5,582,198</b>	<b>(162,664)</b>	<b>5,419,534</b>
14.1	Paid-In Capital		3,497,322	-	3,497,322
14.2	Capital Reserves		24,208	-	24,208
14.2.1	Equity Share Premiums		24,208	-	24,208
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		(13,296)	-	(13,296)
14.4	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit Or Loss		18,702	(51,432)	(32,730)
14.5	Profit Reserves		1,110,535	-	1,110,535
14.5.1	Legal Reserves		187,583	-	187,583
14.5.2	Statutory Reserves		-	-	-
14.5.3	Extraordinary Reserves		923,536	-	923,536
14.5.4	Other Profit Reserves		(584)	-	(584)
14.6	Profit Or Loss		919,615	(111,232)	808,383
14.6.1	Prior Years' Profits Or Losses		106,742	(107,902)	(1,160)
14.6.2	Current Period Net Profit Or Loss		812,873	(3,330)	809,543
14.7	Minority Shares	<b>(5.2.13.)</b>	<b>25,112</b>	<b>-</b>	<b>25,112</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>32,011,364</b>	<b>43,001,622</b>	<b>75,012,986</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

				Audited Prior Period 31.12.2017	
		Note	TL	FC	Total
<b>I.</b>	<b>FUND COLLECTED</b>	(5.2.1)	19,951,556	20,303,407	40,254,963
I.1	Funds from risk group of the Bank		389,739	118,271	508,010
I.2	Other		19,561,817	20,185,136	39,746,953
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(5.2.2)	21,446	59,251	80,697
<b>III.</b>	<b>FUNDS BORROWED</b>	(5.2.3)	110,116	3,277,011	3,387,127
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>		750,524	-	750,524
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>		1,104,618	4,547,223	5,651,841
<b>VI.</b>	<b>SUNDRY CREDITORS</b>	(5.2.5)	170,672	29,333	200,005
<b>VII.</b>	<b>OTHER LIABILITIES</b>	(5.2.4)	329,741	16,177	345,918
<b>VIII.</b>	<b>FINANCE LEASE PAYABLES</b>	(5.2.6)	-	-	-
8.1	Finance lease payables		-	-	-
8.2	Operating lease payables		-	-	-
8.3	Other		-	-	-
8.4	Deferred finance lease expenses (-)		-	-	-
<b>IX.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(5.2.7)	-	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		-	-	-
<b>X.</b>	<b>PROVISIONS</b>	(5.2.8)	642,750	152,670	795,420
10.1	General loan loss provisions		312,384	95,570	407,954
10.2	Restructuring provisions		-	-	-
10.3	Reserve for employee benefits		185,060	334	185,394
10.4	Insurance technical reserves (net)		-	-	-
10.5	Other provisions		145,306	56,766	202,072
<b>XI.</b>	<b>TAX LIABILITY</b>	(5.2.9)	56,259	-	56,259
11.1	Current tax liability		56,259	-	56,259
11.2	Deferred tax liability		-	-	-
<b>XII.</b>	<b>PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(5.2.10)	-	-	-
12.1	Held for sale		-	-	-
12.2	Discontinued operations		-	-	-
<b>XIII.</b>	<b>SUBORDINATED LOANS</b>	(5.2.11)	-	1,360,338	1,360,338
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	(5.2.12)	4,706,108	(95,293)	4,610,815
14.1	Paid-in capital		3,097,322	-	3,097,322
14.2	Capital reserves		(86,697)	12,609	(74,088)
14.2.1	Share premium		24,208	-	24,208
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)		(60,766)	-	(60,766)
14.2.9	Value increase on assets held for sale		-	-	-
14.2.10	Other capital reserves		(26,947)	-	(26,947)
14.3	Profit reserves		927,236	-	927,236
14.3.1	Legal reserves		151,688	-	151,688
14.3.2	Status reserves		-	-	-
14.3.3	Extraordinary reserves		688,628	-	688,628
14.3.4	Other profit reserves		86,920	-	86,920
14.4	Profit or loss		745,193	(107,902)	637,291
14.4.1	Prior period income/(losses)		86,367	(77,931)	8,436
14.4.2	Current period income/(losses)		658,826	(29,971)	628,855
14.5	Minority shares	(5.2.13)	23,054	-	23,054
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>27,843,790</b>	<b>29,720,912</b>	<b>57,564,702</b>

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND**  
**CONTINGENCIES AS OF 31 DECEMBER 2018**

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

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

		Note	TL	FC	Audited Current Period 31.12.2018 Total
<b>A.</b>	<b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>57,546,517</b>	<b>29,212,634</b>	<b>86,759,151</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>(5.3.1.)</b>	<b>6,416,633</b>	<b>5,459,447</b>	<b>11,876,080</b>
1.1	Letters Of Guarantee		6,206,886	4,184,393	10,391,279
1.1.1	Guarantees Subject To State Tender Law		217,252	174,971	392,223
1.1.2	Guarantees Given For Foreign Trade Operations		371,535	167,020	538,555
1.1.3	Other Letters Of Guarantee		5,618,099	3,842,402	9,460,501
1.2	Bank Loans		17,516	56,582	74,098
1.2.1	Import Letter Of Acceptance		17,516	56,582	74,098
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters Of Credit		11,512	1,068,364	1,079,876
1.3.1	Documentary Letters Of Credit		367	215,062	215,429
1.3.2	Other Letters Of Credit		11,145	853,302	864,447
1.4	Guaranteed Refinancing		-	1,791	1,791
1.5	Endorsements		-	-	-
1.5.1	Endorsements To The Central Bank Of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Other Guarantees		180,719	143,999	324,718
1.7	Other Warrantees		-	4,318	4,318
<b>II.</b>	<b>COMMITMENTS</b>	<b>(5.3.1.)</b>	<b>50,194,084</b>	<b>1,305,169</b>	<b>51,499,253</b>
2.1	Irrevocable Commitments		3,572,418	1,305,169	4,877,587
2.1.1	Forward Asset Purchase And Sales Commitments		345,756	1,295,480	1,641,236
2.1.2	Share Capital Commitment To Associates And Subsidiaries		-	-	-
2.1.3	Loan Granting Commitments		214,413	-	214,413
2.1.4	Securities Underwriting Commitments		-	-	-
2.1.5	Payment Commitments For Reserve Deposits		-	-	-
2.1.6	Payment Commitments For Checks		1,136,474	-	1,136,474
2.1.7	Tax And Fund Liabilities From Export Commitments		-	-	-
2.1.8	Commitments For Credit Card Expenditure Limits		1,858,018	-	1,858,018
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	9,689	27,446
2.2	Revocable Commitments		46,621,666	-	46,621,666
2.2.1	Revocable Loan Granting Commitments		46,621,666	-	46,621,666
2.2.2	Other Revocable Commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(5.3.2.)</b>	<b>935,800</b>	<b>22,448,018</b>	<b>23,383,818</b>
3.1	Derivative Financial Instruments Held For Risk Management		-	2,165,533	2,165,533
3.1.1	Fair Value Hedges		-	-	-
3.1.2	Cash Flow Hedges		-	2,165,533	2,165,533
3.1.3	Hedge of net Investments in Foreign Operations		-	-	-
3.2	Held For Trading Transactions		935,800	20,282,485	21,218,285
3.2.1	Forward Foreign Currency Buy/Sell Transactions		652,622	1,755,501	2,408,123
3.2.1.1	Forward Foreign Currency Buy Transactions		347,631	862,093	1,209,724
3.2.1.2	Forward Foreign Currency Sell Transactions		304,991	893,408	1,198,399
3.2.2	Other Forward Buy/Sell Transactions		283,178	18,526,984	18,810,162
3.3	Other		-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>316,497,679</b>	<b>142,487,425</b>	<b>458,985,104</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>10,816,866</b>	<b>5,644,771</b>	<b>16,461,637</b>
4.1	Assets Under Management		-	-	-
4.2	Investment Securities Held In Custody		2,159,381	156,528	2,315,909
4.3	Checks Received For Collection		7,157,340	906,367	8,063,707
4.4	Commercial Notes Received For Collection		1,500,145	242,668	1,742,813
4.5	Other Assets Received For Collection		-	-	-
4.6	Assets Received For Public Offering		-	-	-
4.7	Other Items Under Custody		-	-	-
4.8	Custodians		-	4,339,208	4,339,208
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>305,669,174</b>	<b>136,780,695</b>	<b>442,449,869</b>
5.1	Marketable Securities		185,945	99,786	285,731
5.2	Guarantee Notes		101,681	2,133,522	2,235,203
5.3	Commodity		6,094,405	633,381	6,727,786
5.4	Warranty		-	-	-
5.5	Properties		112,015,122	2,715,023	114,730,145
5.6	Other Pledged Items		187,272,021	131,198,983	318,471,004
5.7	Pledged Items-Depository		-	-	-
<b>VI.</b>	<b>ACCEPTED GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>61,959</b>	<b>73,598</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>			<b>374,044,196</b>	<b>171,700,059</b>	<b>545,744,255</b>

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

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND**  
**CONTINGENCIES AS OF 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Note	TL	FC	Audited Prior Period 31.12.2017 Total
<b>A.</b>	<b>OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>54,025,598</b>	<b>19,151,373</b>	<b>73,176,971</b>
<b>I.</b>	<b>GUARANTEES</b>	(5.3.1.)	<b>6,501,080</b>	<b>4,570,973</b>	<b>11,072,053</b>
1.1	Letters of guarantees		6,342,565	3,227,614	9,570,179
1.1.1	Guarantees subject to state tender law		214,018	-	214,018
1.1.2	Guarantees given for foreign trade operations		424,035	187,285	611,320
1.1.3	Other letters of guarantee		5,704,512	3,040,329	8,744,841
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	Pre-financing given as guarantee		-	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	331,074	485,897
1.7	Other collaterals		-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	(5.3.1.)	<b>45,832,293</b>	<b>948,032</b>	<b>46,780,325</b>
2.1	Irrevocable commitments		3,306,919	948,032	4,254,951
2.1.1	Forward asset purchase commitments		217,951	948,032	1,165,983
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 deposit requirements		-	-	-
2.1.6	Payment commitment for checks		1,345,239	-	1,345,239
2.1.7	Tax and fund liabilities from export commitments		99	-	99
2.1.8	Commitments for credit card expenditure limits		1,357,354	-	1,357,354
2.1.9	Commitments for promotions related with credit cards and banking activities		-	-	-
2.1.10	Receivables from short sale commitments		-	-	-
2.1.11	Payables for short sale commitments		-	-	-
2.1.12	Other irrevocable commitments		17,757	-	17,757
2.2	Revocable commitments		42,525,374	-	42,525,374
2.2.1	Revocable loan granting commitments		42,525,374	-	42,525,374
2.2.2	Other revocable commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	(5.3.2.)	<b>1,692,225</b>	<b>13,632,368</b>	<b>15,324,593</b>
3.1	Derivative financial instruments for hedging purposes		-	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	12,066,865	13,759,090
3.2.1	Forward foreign currency buy/sell transactions		737,140	1,804,963	2,542,103
3.2.1.1	Forward foreign currency transactions-buy		388,590	976,977	1,365,567
3.2.1.2	Forward foreign currency transactions-sell		348,550	827,986	1,176,536
3.2.2	Other forward buy/sell transactions		955,085	10,261,902	11,216,987
3.3	Other		-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>264,937,891</b>	<b>106,948,648</b>	<b>371,886,539</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>9,232,412</b>	<b>3,224,354</b>	<b>12,456,766</b>
4.1	Assets under management		-	-	-
4.2	Investment securities held in custody		965,091	73,865	1,038,956
4.3	Checks received for collection		6,397,936	624,523	7,022,459
4.4	Commercial notes received for collection		1,869,385	190,069	2,059,454
4.5	Other assets received for collection		-	-	-
4.6	Assets received for public offering		-	-	-
4.7	Other items under custody		-	-	-
4.8	Custodians		-	2,335,897	2,335,897
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>255,693,840</b>	<b>103,679,813</b>	<b>359,373,653</b>
5.1	Marketable securities		195,245	73,046	268,291
5.2	Guarantee notes		101,701	1,527,824	1,629,525
5.3	Commodity		5,045,489	470,272	5,515,761
5.4	Warranty		-	-	-
5.5	Properties		101,298,823	1,970,258	103,269,081
5.6	Other pledged items		149,052,582	99,638,413	248,690,995
5.7	Pledged items-depository		-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>44,481</b>	<b>56,120</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>			<b>318,963,489</b>	<b>126,100,021</b>	<b>445,063,510</b>

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

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

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

**3. CONSOLIDATED INCOME STATEMENT (STATEMENT OF INCOME / LOSS)**

		Audited Current Period 01.01.2018 - 31.12.2018
		Note
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>6,043,165</b>
1.1	Profit Share On Loans	5,091,408
1.2	Profit Share On Reserve Deposits	92,411
1.3	Profit Share On Banks	172,954
1.4	Profit Share On Money Market Placements	-
1.5	Profit Share On Marketable Securities Portfolio	418,770
1.5.1	Fair Value Through Profit Or Loss	27,920
1.5.2	Fair Value Through Other Comprehensive Income	390,850
1.5.3	Measured At Amortised Cost	-
1.6	Finance Lease Income	229,320
1.7	Other Profit Share Income	(5 4 13 ) 38,302
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>	<b>2,857,709</b>
2.1	Expense On Profit Sharing Accounts	(5 4 2 4 ) 2,000,908
2.2	Profit Share Expense On Funds Borrowed	260,715
2.3	Profit Share Expense On Money Market Borrowings	35,789
2.4	Expense On Securities Issued	560,283
2.5	Other Profit Share Expense	(5 4 13 ) 14
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>	<b>3,185,456</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>	<b>367,871</b>
4.1	Fees And Commissions Received	571,696
4.1.1	Non-Cash Loans	145,665
4.1.2	Other	426,031
4.2	Fees And Commissions Paid	203,825
4.2.1	Non-Cash Loans	27
4.2.2	Other	(5 4 13 ) 203,798
<b>V.</b>	<b>PERSONNEL EXPENSES (-)</b>	<b>842,182</b>
<b>VI.</b>	<b>DIVIDEND INCOME</b>	<b>1,273</b>
<b>VII.</b>	<b>NET TRADING INCOME / LOSS</b>	<b>539,144</b>
7.1	Capital Market Transaction Gain/Losses	10,241
7.2	Gain/Losses From Derivative Financial Instruments	136,774
7.3	Foreign Exchange Gain/Losses	392,129
<b>VIII.</b>	<b>OTHER OPERATING INCOME</b>	<b>540,934</b>
<b>IX.</b>	<b>NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)</b>	<b>3,792,496</b>
<b>X.</b>	<b>EXPECTED LOSS PROVISIONS (-)</b>	<b>1,979,564</b>
<b>XI.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>766,241</b>
<b>XII.</b>	<b>NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>	<b>1,046,691</b>
<b>XIII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>	<b>7,715</b>
<b>XIV.</b>	<b>INCOME / (LOSS) ON NET MONETARY POSITION</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)</b>	<b>1,054,406</b>
<b>XVII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(243,699)</b>
17.1	Current Tax Provision	(454,233)
17.2	Deferred Tax Income Effect (+)	(46,249)
17.3	Deferred Tax Expense Effect (-)	256,783
<b>XVIII.</b>	<b>CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>810,707</b>
<b>XIX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>	<b>-</b>
19.1	Income on Non-Current Assets Held For Sale	-
19.2	Income on Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-
19.3	Income on Other Discontinued Operations	(5 4 13 ) -
<b>XX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>	<b>-</b>
20.1	Losses From Non-Current Assets Held For Sale	-
20.2	Losses From Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-
20.3	Losses From Other Discontinued Operations	(5 4 13 ) -
<b>XXI.</b>	<b>PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	<b>-</b>
<b>XXII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	<b>-</b>
22.1	Current Tax Provision	-
22.2	Deferred Tax Expense Effect (+)	-
22.3	Deferred Tax Income Effect (-)	-
<b>XXIII.</b>	<b>CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	<b>-</b>
<b>XXIV.</b>	<b>NET PROFIT/LOSS (XVII±XXII)</b>	<b>810,707</b>
24.1	Group's Income/Loss	809,543
24.2	Minority Interest Income/Loss (-)	1,164
	Earnings Per Share Income/Loss	-

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

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

		Audited Prior Period 01.01.2017 - 31.12.2017
		Note
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>3,867,338</b>
1.1	Profit share on loans	3,343,174
1.2	Profit share on reserve deposits	50,595
1.3	Profit share on banks	31,929
1.4	Profit share on money market placements	-
1.5	Profit share on marketable securities portfolio	280,612
1.5.1	Held-for-trading financial assets	-
1.5.2	Financial assets at fair value through profit and loss	8,771
1.5.3	Available-for-sale financial assets	271,841
1.5.4	Investments held-to-maturity	-
1.6	Finance lease income	140,419
1.7	Other profit share income	20,609
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>	<b>1,717,000</b>
2.1	Expense on profit sharing accounts	1,171,225
2.2	Profit share expense on funds borrowed	196,853
2.3	Profit share expense on money market borrowings	29,270
2.4	Expense on securities issued	319,652
2.5	Other profit share expense	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>	<b>2,150,338</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>	<b>250,785</b>
4.1	Fees and commissions received	406,055
4.1.1	Non-cash loans	117,348
4.1.2	Other	288,707
4.2	Fees and commissions paid	155,270
4.2.1	Non-cash loans	17
4.2.2	Other	155,253
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(5.4.3.) -</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	<b>(5.4.4.) 288,332</b>
6.1	Capital market transaction gains / (losses)	6,960
6.2	Gains/ (losses) from derivative financial instruments	(398,234)
6.3	Foreign exchange gains / (losses)	679,606
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5.4.5.) 186,489</b>
<b>VIII.</b>	<b>NET OPERATING INCOME (III+IV+V+VI+VII)</b>	<b>2,875,944</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(5.4.6.) 786,177</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(5.4.7.) 1,280,913</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>	<b>808,854</b>
<b>XII.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>	<b>-</b>
<b>XIII.</b>	<b>GAIN / (LOSS) ON EQUITY METHOD</b>	<b>4,104</b>
<b>XIV.</b>	<b>GAIN / (LOSS) ON NET MONETARY POSITION</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(5.4.8.) 812,958</b>
<b>XVI.</b>	<b>TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	<b>(5.4.9.) (183,251)</b>
16.1	Current income tax charge	(197,654)
16.2	Deferred tax charge / benefit	14,403
<b>XVII.</b>	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(5.4.10.) 629,707</b>
<b>XVIII.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>	<b>-</b>
18.1	Income on assets held for sale	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent )	-
18.3	Income on other discontinued operations	-
<b>XIX.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>	<b>-</b>
19.1	Loss from assets held for sale	-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entries (joint vent )	-
19.3	Loss from other discontinued operations	-
<b>XX.</b>	<b>PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>	<b>-</b>
<b>XXI.</b>	<b>TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	<b>-</b>
21.1	Current income tax charge	-
21.2	Deferred tax charge / benefit	-
<b>XXII.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	<b>-</b>
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>(5.4.11.) 629,707</b>
23.1	Group's income/loss	628,855
23.2	Minority interest income/loss (-)	852
	Earnings per share income/loss (full TL)	-

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ STATEMENT OF CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2018**

**(Tutarlar aksi belirtilmedikçe Bin Türk Lirası (TL) olarak ifade edilmiştir.)**

**4. CONSOLIDATED STATEMENT OF INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY (STATEMENT OF OTHER COMPREHENSIVE INCOME AND LOSS)**

	<b>Audited</b>
	<b>Current Period</b>
	<b>01.01.2018-31.12.2018</b>
<b>I. CURRENT PROFIT (LOSS)</b>	<b>810,707</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(31,385)</b>
<b>2.1 Other Comprehensive Income Not Reclassified Through Profit Or Loss</b>	<b>13,651</b>
2.1.1 Property And Equipment Revaluation Increase/Decrease	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	17,064
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-
2.1.5 Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(3,413)
<b>2.2 Other Comprehensive Income Reclassified Through Profit Or Loss</b>	<b>(45,036)</b>
2.2.1 Foreign Currency Translation Difference	89,577
Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value	
2.2.2 Through Other Comprehensive Income	(142,495)
2.2.3 Cash Flow Hedge Income /Loss	50,973
2.2.4 Foreign Net Investment Hedge Income/Loss	(86,930)
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	43,839
<b>III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>779,322</b>

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ STATEMENT OF CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2018**

(Tutarlar aksi belirtilmedikçe Bin Türk Lirası (TL) olarak ifade edilmiştir.)

	Audited Prior Period 01.01.2017- 31.12.2017
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	30,871
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	14,106
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	3,295
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	(41,449)
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	(16,493)
IX. DEFERRED TAX ON VALUATION DIFFERENCES	6,196
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	(3,474)
XI. PROFIT/LOSS	629,707
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	(1,518)
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	631,225
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	626,233

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 consolidated financial statements.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

CHANGES IN THE EQUITY ITEMS	Notes	Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss		Other Capital Reserves	Share Premiums	Share Issuance Profits	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	Shareholders' Equity Less Minority Shares	Total Shareholders' Equity	
		1	2				3	4						5
<b>(91.01.2018-31.12.2018)</b>														
I. Prior Period Ending Balance		3,897,322	24,288	-	-	(26,947)	83,655	(10,583)	843,581	637,391	-	4,587,761	23,854	4,611,615
II. Corrections and Accounting Policy Changes		-	-	-	-	-	-	-	-	35,548	-	35,548	-	35,548
2.1. Effect of Changes in IFRS		-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (1-1)		3,897,322	24,288	-	-	(26,947)	83,655	(10,583)	843,581	672,931	-	4,523,961	23,854	4,546,385
IV. Total Comprehensive Income (Loss)		-	-	-	-	11,651	89,377	(106,367)	-	-	869,543	778,158	1,164	779,322
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Reserves		-	-	-	-	-	-	-	(400,000)	-	-	-	-	-
VII. Profit in Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Contributions		-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Contributions Made to Share Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes		-	-	-	-	-	-	-	(2,143)	-	-	(2,143)	894	(1,249)
XI. Profit Distribution		-	-	-	-	-	-	-	669,897	(673,991)	-	(4,894)	-	(4,894)
11.1. Dividends Paid		-	-	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)
11.2. Transfers To Legal Reserves		-	-	-	-	-	-	-	669,897	(669,097)	-	-	-	-
11.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at end of the period (31.12.2018-31.12.2018)</b>		<b>3,897,322</b>	<b>24,288</b>	-	-	<b>(13,296)</b>	<b>173,232</b>	<b>(17,695)</b>	<b>1,118,635</b>	<b>(1,169)</b>	<b>869,653</b>	<b>5,394,422</b>	<b>25,112</b>	<b>5,419,534</b>

1. Revaluation income/losses of non-current assets.  
2. Revaluation income/losses on defined benefit plans.  
3. Other (Accrued) amount of the other comprehensive income items that will not be reclassified as other profit or loss and the shares that will not be classified in profit or loss from the other comprehensive income of the investments under the equity method)  
4. Foreign currency translation difference  
5. Income/losses on the revaluation and the reclassification of financial assets at fair value through other comprehensive income.  
6. Other (contributions on cash flow hedges, accrued amount of the other comprehensive income items that will be reclassified as other profit or loss, the shares that will be classified in profit or loss from the other comprehensive income of the investments under the equity method)

(\*) 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 consolidated financial statements.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Attributed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserves	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserves	Tangible and intangible assets revaluation	Shares from investments	Hedging reserves	Asset held for sale and disposal valuation (loss)	Total excluding minority interest	Minority interest	Total equity
Prior Period - (01.01.2017) (12.2017)																			
I.	Balance at beginning of the period	3,797,322	-	24,208	-	122,261	-	351,549	253,201	-	559,482	(35,288)	-	-	(70,836)	-	3,963,827	19,993	4,083,820
III.	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	24,697	-	-	-	-	-	-	-
V.	Adjusted balances at beginning of the period (I+II)	-	-	-	-	-	-	-	-	-	-	24,697	-	-	-	-	-	-	-
4.1	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities revaluation difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Exchange rate (effective periods)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Cash-flow hedges (effective periods)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Hedges of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Reserve shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes related to the revaluation of non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Capital increase	310,000	-	-	-	1,299	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inclusion adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other(*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	620,855	-	-	-	-	-	-	-	-	-
XVIII.	Profit distribution(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of the period																			
(01.01.2018) - (31.12.2018)																			
		3,697,322	-	24,208	-	122,261	-	686,628	59,973	620,855	6,436	(10,583)	-	-	(68,766)	-	4,587,761	21,654	4,618,815

(\*) Ordinary General Assembly Meeting dated 28 March 2017, the Bank decided on reserving primary reserves amount to TL 27,098; other reserves amount to TL 51,007 funded via retained profit from sales of real estates, cash dividend, dividend to management amount to TL 4,297; funding capital increase from internal sources via remaining net income amount to TL 121,801 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 430 and remaining amount to TL 336,679 to extraordinary legal reserves, other reserve amount to TL 660 which obtained from research and development activities according to Law No. 5746 under Articles 3, 136,532 TL funding capital increase from internal sources.

(\*\*) Amounting to TL (13,194) represents actuarial loss and tax effect of retirement payments.

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 consolidated financial statements.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ CONSOLIDATED  
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**6. CONSOLIDATED CASH FLOWS STATEMENT**

		Audited Current Period
		01.01.2018-31.12.2018
		Note
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1</b>	<b>Operating Profit Before Changes In Assets And Liabilities From Banking Operations</b>	<b>2,478,564</b>
1.1.1	Profit Share Income Received	5,705,346
1.1.2	Profit Share Expense Paid	(2,666,854)
1.1.3	Dividends Received	1,096
1.1.4	Fees And Commissions Received	576,090
1.1.5	Other Income	1,024,683
1.1.6	Collections From Previously Written Off Loans	106,667
1.1.7	Payments To Personnel And Service Suppliers	(781,850)
1.1.8	Taxes Paid	(403,181)
1.1.9	Others	(1,083,433)
		(6.3)
<b>1.2</b>	<b>Changes In Assets And Liabilities Subject to Banking Operations</b>	<b>2,183,958</b>
1.2.1	Net (Increase) Decrease In Financial Assets Held For Sale	89,843
1.2.2	Net (Increase) Decrease In Financial Assets At Fair Value Through Profit Or Loss	101,518
1.2.3	Net (Increase) Decrease In Due From Banks And Other Financial Institutions	(9,455,894)
1.2.4	Net (Increase) Decrease In Loans	(2,846,285)
1.2.5	Net (Increase) Decrease In Other Assets	252,892
1.2.6	Net Increase (Decrease) In Bank Deposits	14,548,317
1.2.7	Net Increase (Decrease) In Other Deposits	-
1.2.8	Net Increase (Decrease) In Funds Borrowed	(1,408,194)
1.2.9	Net Increase (Decrease) In Due Payables	-
1.2.10	Net Increase (Decrease) In Other Liabilities	901,761
		(6.3)
<b>I.</b>	<b>Net Cash Provided From / (Used In) Banking Operations</b>	<b>4,662,522</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II.</b>	<b>Net Cash Provided From / (Used In) Investing Activities</b>	<b>(1,762,343)</b>
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	-
2.2	Cash Obtained From Sale Of Jointly Controlled Operations, Associates And Subsidiaries	16,901
2.3	Fixed Assets Purchases	(65,736)
2.4	Fixed Assets Sales	-
2.5	Cash Paid For Purchase Of Financial Assets at Fair Value Through Other Comprehensive Income	(4,043,117)
2.6	Cash Obtained From Sale Of Financial Assets at Fair Value Through Other Comprehensive Income	2,424,997
2.7	Cash Paid For Purchase Of Investment Securities	-
2.8	Cash Obtained From Sale Of Investment Securities	-
2.9	Other	(95,388)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III.</b>	<b>Net Cash Provided From / (Used In) Financing Activities</b>	<b>404,171</b>
3.1	Cash Obtained From Funds Borrowed And Securities Issued	4,744,065
3.2	Cash Used For Repayment Of Funds Borrowed And Securities Issued	(4,335,000)
3.3	Capital Increase	-
3.4	Dividends Paid	(4,894)
3.5	Payments For Finance Leases	-
3.6	Other	-
<b>IV.</b>	<b>Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents</b>	<b>(66,621)</b>
		(6.4)
<b>V.</b>	<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>3,237,729</b>
<b>VI.</b>	<b>Cash And Cash Equivalents At The Beginning Of The Period</b>	<b>3,472,726</b>
		(6.1.1.1.)
<b>VII.</b>	<b>Cash And Cash Equivalents At The End Of The Period</b>	<b>6,710,455</b>
		(6.1.1.2.)

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 consolidated financial statements.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ CONSOLIDATED  
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Audited Prior Period
Note	01.01.2017-31.12.2017
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>1,394,462</b>
1.1.1 Profit share income received	4,304,305
1.1.2 Profit share expense paid	(1,664,208)
1.1.3 Dividend received	-
1.1.4 Fees and commissions received	407,452
1.1.5 Other income	398,357
1.1.6 Collections from previously written off loans	53,054
1.1.7 Payments to personnel and service suppliers	(991,075)
1.1.8 Taxes paid	(222,108)
1.1.9 Others	(891,315)
	(6 3 )
<b>1.2 Changes in operating assets and liabilities</b>	<b>(3,446,052)</b>
1.2.1 Net (increase) decrease held for trading financial assets	(9,866)
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	(916,309)
1.2.4 Net (increase) decrease in loans	(9,534,520)
1.2.5 Net (increase) decrease in other assets	(279,341)
	(6 3 )
1.2.6 Net increase (decrease) in bank deposits	-
1.2.7 Net increase (decrease) in other deposits	8,189,069
1.2.8 Net increase (decrease) in funds borrowed	(508,799)
1.2.9 Net increase (decrease) in due payables	-
1.2.10 Net increase (decrease) in other liabilities	(386,286)
	(6 3 )
<b>I. Net cash provided from / (used in) banking operations</b>	<b>(2,051,590)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II. Net cash provided from / (used in) investing activities</b>	<b>(649,580)</b>
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries	-
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries	132,619
2.3 Fixed assets purchases	(83,840)
2.4 Fixed assets sales	1,998
2.5 Cash paid for purchase of financial assets available for sale	(2,139,911)
2.6 Cash obtained from sale of financial assets available for sale	1,498,651
2.7 Cash paid for purchase of investment securities	-
2.8 Cash obtained from sale of investment securities	-
2.9 Other	(59,097)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III. Net cash provided from / (used in) financing activities</b>	<b>1,291,567</b>
3.1 Cash obtained from funds borrowed and securities issued	3,085,860
3.2 Cash used for repayment of funds borrowed and securities issued	(1,790,002)
3.3 Capital increase	-
3.4 Dividends paid	(4,291)
3.5 Payments for finance leases	-
3.6 Other	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(16,107)</b>
	(6 4 )
<b>V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>	<b>(1,425,710)</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>4,898,436</b>
	(6.1.1.1.)
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>3,472,726</b>
	(6.1.1.1.)

(\* ) Due to the liquidation of the subsidiary of the Group in Dubai, TL 202,431 amount cash inflow to the Group. TL 69,812 of that cash inflow is indicated on cash and cash equivalents at the beginning of the period

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 consolidated financial statements.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ CONSOLIDATED  
STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER  
2018**

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

**7. THE PARENT BANK'S STATEMENT OF PROFIT DISTRIBUTION**

	Audited Current Period 01.01.2018- 31.12.2018 (*)
<b>I. Distribution of current year profit</b>	
1.1. Current period profit	1,126,057
1.2. Taxes and legal duties payable (-)	256,245
1.2.1. Corporate tax (income tax)	454,141
1.2.2. Withholding tax	-
1.2.3. Other taxes and duties (**)	(197,896)
<b>A. Net profit for the period (1.1-1.2) (Not V-I-17-c)</b>	<b>869,812</b>
1.3. Accumulated losses (-)	-
1.4. First legal reserves (-)	-
1.5. Other statutory reserves (-)	-
<b>B. Net profit available for distribution [(A-(1.3+1.4+1.5))]</b>	<b>869,812</b>
1.6. First dividend to shareholders (-)	-
1.6.1. To owners of ordinary shares	-
1.6.2. To owners of privileged shares	-
1.6.3. To owners of redeemed shares	-
1.6.4. To profit sharing bonds	-
1.6.5. To holders of profit and loss sharing certificates	-
1.7. Dividends to personnel(-)	-
1.8. Dividends to board of directors (-)	-
1.9. Second dividend to shareholders (-)	-
1.9.1. To owners of ordinary shares	-
1.9.2. To owners of privileged shares	-
1.9.3. To owners of redeemed shares	-
1.9.4. To profit sharing bonds	-
1.9.5. To holders of profit and loss sharing certificates	-
1.10. Second legal reserves (-)	-
1.11. Status reserves (-)	-
1.12. Extra ordinary reserves (**)	-
1.13. Other reserves	-
1.14. Special funds	-
<b>II. Distribution of reserves</b>	-
2.1. Appropriated reserves	-
2.2. Second legal reserves (-)	-
2.3. Dividends to shareholders (-)	-
2.3.1. To owners of ordinary shares	-
2.3.2. To owners of privileged shares	-
2.3.3. To owners of redeemed shares	-
2.3.4. To profit sharing bonds	-
2.3.5. To holders of profit and loss sharing certificates	-
2.4. Dividends to personnel (-)	-
2.5. Dividends to board of directors (-)	-
<b>III. Earnings per share</b>	-
3.1. To owners of ordinary shares	-
3.2. To owners of ordinary shares (%)	-
3.3. To owners of privileged shares	-
3.4. To owners of privileged shares (%)	-
<b>IV. Dividend per share</b>	-

(\*) The profit distribution of the Bank is decided by the General Assembly which is not held as of date of these financial statements

(\*\*) Deferred income tax is presented under other tax and legal liabilities. Deferred tax income can not be added into profit distribution, thus it is classified under extraordinary reserves.

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 consolidated financial statements.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ CONSOLIDATED  
STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER  
2018**

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

7.

	Audited Prior Period 01.01.2017- 31.12.2017
<b>I. Distribution of current year profit</b>	
1.1. Current period profit	848,933
1.2. Taxes and legal duties payable (-)	174,942
1.2.1. Corporate tax (income tax)	197,638
1.2.2. Withholding tax	-
1.2.3. Other taxes and duties (**)	(22,696)
<b>A. Net profit for the period (1.1-1.2) (Not V-I-17-c)</b>	<b>673,991</b>
1.3. Accumulated losses (-)	-
1.4. First legal reserves (-)	33,700
1.5. Other statutory reserves (-)	-
<b>B. Net profit available for distribution [(A-(1.3+1.4+1.5))]</b>	<b>640,291</b>
1.6. First dividend to shareholders (-)	-
1.6.1. To owners of ordinary shares	-
1.6.2. To owners of privileged shares	-
1.6.3. To owners of redeemed shares	-
1.6.4. To profit sharing bonds	-
1.6.5. To holders of profit and loss sharing certificates	-
1.7. Dividends to personnel(-)	-
1.8. Dividends to board of directors (-)	4,894
1.9. Second dividend to shareholders (-)	-
1.9.1. To owners of ordinary shares	-
1.9.2. To owners of privileged shares	-
1.9.3. To owners of redeemed shares	-
1.9.4. To profit sharing bonds	-
1.9.5. To holders of profit and loss sharing certificates	-
1.10. Second legal reserves (-)	489
1.11. Status reserves (-)	-
1.12. Extra ordinary reserves (***)	234,908
1.13. Other reserves	12,858
1.14. Special funds	-
<b>II. Distribution of reserves</b>	-
2.1. Appropriated reserves	-
2.2. Second legal reserves (-)	-
2.3. Dividends to shareholders (-)	-
2.3.1. To owners of ordinary shares	-
2.3.2. To owners of privileged shares	-
2.3.3. To owners of redeemed shares	-
2.3.4. To profit sharing bonds	-
2.3.5. To holders of profit and loss sharing certificates	-
2.4. Dividends to personnel (-)	-
2.5. Dividends to board of directors (-)	-
<b>III. Earnings per share</b>	
3.1. To owners of ordinary shares	-
3.2. To owners of ordinary shares (%)	-
3.3. To owners of privileged shares	-
3.4. To owners of privileged shares (%)	-
<b>IV. Dividend per share</b>	
4.1. To owners of ordinary shares	-
4.2. To owners of ordinary shares (%)	-
4.3. To owners of privileged shares	-
4.4. To owners of privileged shares (%)	-

(\*) Deferred tax income is presented under other tax and legal liabilities. It should not be subject to profit distribution and is kept in extraordinary reserves.  
(\*\*) TL 12,858 from other reserves and TL 387,142 from prior period profit has been added to share capital.

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 consolidated financial statements.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 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 consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**1.2 Classifications**

Records of Classifications and Amendments Regarding the Initial Implementation of TFRS 9 Financial Instruments dated 1 January 2018 are demonstrated on the table below:

ASSETS	31/12/2017	TFRS 9 Classification Effect	TFRS 9 Evaluation Effect	01/01/2018
<b>FINANCIAL ASSETS (Net)</b>	<b>17,108,757</b>	-	(6,096)	<b>17,102,661</b>
Cash and Cash Equivalents	12,596,793	-	-	12,596,793
Cash And Balances With Central Bank	9,024,719	-	-	9,024,719
Banks	3,572,074	-	-	3,572,074
Receivables From Money Markets	-	-	-	-
<b>Financial Assets At Fair Value Through Profit Or Loss</b>	<b>88,234</b>	(26,699)	-	<b>61,535</b>
Government Debt Securities	36,319	-	-	36,319
Equity Instruments	-	-	-	-
Derivative Financial Assets Held for Trading	26,699	(26,699)	-	-
Other Financial Assets	25,216	-	-	25,216
<b>Financial Assets At Fair Value Through Other Comprehensive Income</b>	<b>4,423,730</b>	-	-	<b>4,423,730</b>
Government Debt Securities	4,103,448	-	-	4,103,448
Equity Instruments	48,497	-	-	48,497
Other Financial Assets	271,785	-	-	271,785
<b>Financial Assets Measured At Amortised Cost</b>	-	-	-	-
Government Debt Securities	-	-	-	-
Other Financial Assets	-	-	-	-
<b>Derivative Financial Assets</b>	-	26,699	-	<b>26,699</b>
Derivative Financial Assets At Fair Value Through Profit Or Loss	-	26,699	-	26,699
Derivative Financial Assets At Fair Value Through Other Comprehensive Income	-	-	-	-
<b>Non-Performing Financial Assets</b>	-	-	-	-
Expected Loss Provision (-)	-	-	6,096	6,096
<b>LOANS (Net)</b>	<b>38,686,230</b>	(203,329)	50,622	<b>38,533,523</b>
Loans	36,558,208	-	-	36,558,208
Loans Measured At Amortised Cost	36,558,208	(57,516)	-	36,500,692
Loans At Fair Value Through Profit Or Loss	-	57,516	-	57,516
Loans At Fair Value Through Other Comprehensive Income	-	-	-	-
<b>Lease Receivable</b>	<b>2,080,730</b>	-	-	<b>2,080,730</b>
Finance Lease Receivables	2,395,740	-	-	2,395,740
Operational Lease Receivables	-	-	-	-
Unearned Income ( - )	315,010	-	-	315,010
<b>Factoring Receivables</b>	-	-	-	-
Measured At Amortised Cost	-	-	-	-
Fair Value Through Profit Or Loss	-	-	-	-
Fair Value Through Other Comprehensive Income	-	-	-	-
<b>Non-Performing Loans</b>	<b>715,060</b>	-	-	<b>715,060</b>
Expected Credit Losses (-)	667,768	203,329	(50,622)	820,475
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)	667,768	-	(177,376)	490,392
<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(Net)</b>	<b>117,006</b>	-	-	<b>117,006</b>
Held For Sale	117,006	-	-	117,006
Related to Discontinued Operations	-	-	-	-
<b>EQUITY INVESTMENTS</b>	<b>43,085</b>	-	-	<b>43,085</b>
<b>Investments in Associates (Net)</b>	-	-	-	-
Associates Valued Based on Equity Method	-	-	-	-
Unconsolidated Associates	-	-	-	-
<b>Subsidiaries (Net)</b>	<b>23,680</b>	-	-	<b>23,680</b>
Unconsolidated Financial Subsidiaries	-	-	-	-
Unconsolidated Non-Financial Subsidiaries	23,680	-	-	23,680
<b>Joint Ventures (Net)</b>	<b>19,405</b>	-	-	<b>19,405</b>
Joint Ventures Valued Based on Equity Method	19,405	-	-	19,405
Unconsolidated Joint Ventures	-	-	-	-
<b>TANGIBLE ASSETS (Net)</b>	<b>416,049</b>	-	-	<b>416,049</b>
<b>INTANGIBLE ASSETS (Net)</b>	<b>168,965</b>	-	-	<b>168,965</b>
Goodwill	-	-	-	-
Other	168,965	-	-	168,965
<b>INVESTMENT PROPERTIES (Net)</b>	<b>25,419</b>	-	-	<b>25,419</b>
<b>CURRENT TAX ASSETS</b>	-	-	-	-
<b>DEFERRED TAX ASSETS</b>	<b>138,710</b>	-	-	<b>138,710</b>
<b>OTHER ASSETS</b>	<b>860,481</b>	-	-	<b>860,481</b>
<b>TOTAL ASSETS</b>	<b>57,564,702</b>	<b>(203,329)</b>	<b>44,526</b>	<b>57,405,899</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>LIABILITIES</b>	<b>31/12/2017</b>	<b>TFRS 9 Classification Effect</b>	<b>TFRS 9 Evaluation Effect</b>	<b>01/01/2018</b>
<b>FUNDS COLLECTED</b>	40,254,963	-	-	40,254,963
<b>FUNDS BORROWED</b>	3,387,127	-	-	3,387,127
<b>MONEY MARKETS</b>	750,524	-	-	750,524
<b>SECURITIES ISSUED (Net)</b>	5,651,841	-	-	5,651,841
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	-	-	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	80,697	(80,697)	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES</b>	-	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	-	-	-	-
<b>LEASE PAYABLES</b>	-	-	-	-
Finance Lease Payables	-	-	-	-
Operating Lease Payables	-	-	-	-
Other	-	-	-	-
Deferred Finance Lease Expenses ( - )	-	-	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	70,795	(70,795)	-	-
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	70,795	(70,795)	-	-
Hedge Of Net Investment In Foreign Operations	-	-	-	-
<b>PROVISIONS</b>	795,420	(203,329)	-	592,091
General Provisions	407,954	(407,954)	-	-
Restructuring Provision	-	-	-	-
Reserves For Employee Benefits	185,394	-	-	185,394
Insurance For Technical Provision (Net)	-	-	-	-
<b>Diğer Karşılıklar</b>	202,072	204,625	-	406,697
<b>CURRENT TAX LIABILITIES</b>	56,259	-	-	56,259
<b>DEFERRED TAX LIABILITIES</b>	-	-	8,986	8,986
<b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	-	-	-	-
Held For Sale	-	-	-	-
Related To Discontinued Operations	-	-	-	-
<b>SUBORDINATED DEBT INSTRUMENTS</b>	1,360,338	-	-	1,360,338
Loans	1,360,338	-	-	1,360,338
Other Debt Instruments	-	-	-	-
<b>SUNDRY CREDITORS</b>	200,005	(200,005)	-	-
<b>OTHER LIABILITIES</b>	345,918	(345,918)	-	-
<b>OTHER FINANCIAL LIABILITIES</b>	-	545,923	-	545,923
<b>SHAREHOLDERS' EQUITY</b>	4,610,815	-	35,540	4,646,355
Paid-In Capital	3,097,322	-	-	3,097,322
Capital Reserves	(74,088)	98,296	-	24,208
Equity Share Premiums	24,208	-	-	24,208
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	-	(71,349)	-	(71,349)
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)	(60,766)	60,766	-	-
Value Increase On Assets Held For Resale	-	-	-	-
Profit Reserves	927,236	-	-	927,236
Legal Reserves	151,688	-	-	151,688
Statutory Reserves	-	-	-	-
Extraordinary Reserves	688,628	-	-	688,628
Other Profit Reserves	86,920	-	-	86,920
Profit Or Loss	637,291	-	35,540	672,831
Prior Years' Profits Or Losses	8,436	-	35,540	43,976
Current Period Net Profit Or Loss	628,855	-	-	628,855
Minority Shares	23,054	-	-	23,054
<b>TOTAL LIABILITIES</b>	<b>57,564,702</b>	<b>(203,329)</b>	<b>44,526</b>	<b>57,405,899</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Details of the Records of Classifications and Amendments Regarding the Initial Implementation of TFRS 9 Financial Instruments dated 1 January 2018 are stated below.

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

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

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

**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 consolidated financial statements:**

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

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

**1.4 Preparation of the consolidated financial statements in the current purchasing power of money:**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**1.5 Disclosures of 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. TFRS 9 replaced TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

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 Group 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 subsequently 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 Parent Bank applied 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 Group 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 assets:**

According to TFRS 9 requirements, classification and measurement of financial assets 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 will be classified as either fair value through profit or loss (“FVTPL”), amortized cost or fair value through other comprehensive income (“FVOCI”). As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

**Impairment:**

As of 1 January 2018, the Parent Bank recognized 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-c of Explanation on Accounting Policies



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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 impact values of DP and LGD. Three scenarios as Base, Good and Bad and expected credit loss are calculated. The default probabilities of borrowers and the loss given default ratios are changing for each scenario.

**Stage 1:** TFRS 9 replaces the 'realized loss' model in TAS 39 with the 'expected credit loss' model. The Parent Bank has created a 3-stage impairment model based on a change in credit quality after initial recognition.

**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.

B Within this scope, main considerations that are taken into account in determining the significant increase in the credit risk of a financial asset and transferring to stage 2 are not limited to these but the following.

- 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 note distortion is the comparison by Parent Bank between rating note at reporting date and rating note at credit opening date by using credit rating models on the basis of Bank's models of credit rating models depending on internal ratings. It is accepted as a rating distortion when a credit note that is calculated for the credit at reporting date, exceeds the determined threshold.

**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 Parent 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.

## **1.6 Explanations on TFRS 15 Revenue from Contracts with Customers**

TFRS 15 Revenue from Customer Contracts provides a single and comprehensive model and guide to registering revenue and replaces the TAS 18 Revenue standard. The standard became effective on 1 January 2018 and has no material impact on the unconsolidated financial statements of the Group.

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

TFRS 16 Leases Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, to be applied in the accounting periods beginning after 31 December 2018. According to this standard, the difference between operating leases and financial leases has been eliminated and leasing transactions will be shown by the lessee on the balance sheet as the asset (utilization right) and financial debt related to lease payment.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

The Group has started its operations to comply with TFRS 16 Leases standard as of 1 January 2019, and its work still continues as of 31 December 2018. As of 1 January 2019, no significant impact on the Bank's financial statements is expected during the transition to TFRS 16.

The Group will apply this standard from 1 January 2019, the mandatory application date. The Group plans not to use the simplified migration application and to rearrange the comparable amounts for the year prior to the first implementation.

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

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

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

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

**3. Information about the Parent Bank and its Consolidated Subsidiaries**

The consolidated financial statements have been prepared in accordance with the "Consolidated Financial Statements" ("TFRS 10").

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

Description	Address (City/ Country)	Principal Activity	31 December 2018	31 December 2017	Consolidation Method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Financial Institution	75.00%	75.00%	Full consolidation
KT Sukuk Company Limited	George Town/ Cayman Islands	Financial Institution	100.00%	100.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institution	50.00%	50.00%	Accounted for under equity method
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	Financial Institution	50.00%	100.00%	Accounted for under equity method

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

**Consolidation principles of subsidiaries:**

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

Control is obtained as the Parent Bank has more than half of the voting rights directly or indirectly through subsidiaries or do not have the majority of the voting rights but has privileged shares or has half of the voting rights with respect to agreements made with other shareholders or has authority to manage financial and operating policies of the company through a regulation or an agreement or has power to control the majority of

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

votes at the board of directors or at executive body containing these rights or has power to appoint or dispose the majority of the members of the board of directors.

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

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

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

The Group enters into forward agreements to mitigate its currency risk and to manage its foreign currency liquidity. The Group classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Financial asset at fair value through profit or loss" in accordance with "IFRS 9". Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as "Financial asset at fair value through profit or loss" within the framework of "IFRS 9", and are reflected in the "Derivative Financial Assets / Liabilities" account in the balance sheet.

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 "IFRS 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 IFRS 9, the Parent 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 Parent 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 Group enters into profit share and cross currency swap transactions in order to hedge the change in fair value of fixed-rate financial instruments. While applying fair value hedge accounting, the changes in fair values of hedging instrument and hedged item are recognised in income statement. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of fixed-rate financial assets available for sale, such changes are reclassified from shareholders' equity to income statement.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

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

**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. For the customers who have become non-performing loans after 1 January 2018, which is the transition date of TFRS 9, accruals and discounts are not canceled and calculations are continued under TFRS 9.

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

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

The Group recognizes a financial asset in the financial statements only when it becomes a party to the contractual terms of a financial instrument. During the initial recognition of a financial asset, the business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Parent 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. Financial assets at fair value

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

through profit or loss are recorded at their fair value and as of record date they are valued at their fair values. Profits or losses caused by valuation are included in profit/loss accounts.

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

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

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

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 Group does not have any financial assets to be held until maturity.

**7.4 Derivative Financial Assets:**

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

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

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, the positive fair value amounts are classified as the "Portion of Derivative Financial Assets Designated at Fair Value through Profit or Loss" or the "Portion of Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income"; and the negative fair value amounts are classified as the "Portion of Derivative Financial Liabilities Designated at Fair Value through Profit or Loss" or the "Portion of Derivative Financial Liabilities Designated at Fair Value through Other Comprehensive Income". The fair value differences of derivative

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

financial instruments of fair value through profit or loss derivative transactions are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The principles on accounting for derivative transactions for hedging purposes, are explained in Note VIII of Section Four. 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 Group's loans indexed below the amount of TL 40,829 were not able to pass the contractual cash flow test, these loans have been recorded under "Fair Value Through Profit or Loss" account

**8. Explanations on expected loss provisions**

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

As of 1 January 2018, the Group 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 Determining Loan Qualifications 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 Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

**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 rent certificates that are recognized in the assets of the Bank in return for conditional repurchasing. Beginning from this date, the Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for Treasury rent certificates that are reported as assets in balance sheet in order to raise funds.

As of 31 December 2018, the Group has repurchaseng agreements amounting to TL 188,003 (31 December 2017 - TL 750,524).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

There is no goodwill related to associates and subsidiaries.

**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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
**(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)**

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

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

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.

The Group records rent payments made in the context of operating leases in equal amounts during the lease term.

*Bank as a lessor*

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

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

Provisions are recognized for obligations which arose from prior periods in current financial year, only if, the possibility of realization is high and a reliable estimation can be made. A provision is provided if liabilities have been originated as a result of past events in the period they arise, if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

**16.1 Defined benefit plans:**

In accordance with existing social legislation, the Group is required to make severance pay to each employee who has completed over one year of service with the Group and who retires or quits the employment to receive old age or disability benefits, to fulfil 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.

The retirement pay provision recognized in the accompanying financial statements, is calculated based on "Turkish Accounting Standard on Employee Benefits ("TAS 19"), and these liabilities are calculated by an independent actuary firm. Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

**16.2 Defined contribution plans:**

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

**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.

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

**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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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 change in legislation in years 2018-2019-2020's each quarter advance tax amount is calculated using a rate of 22% over tax base and Corporate tax returns are filed by the fourteenth day of the second month following the balance sheet date and taxes is paid by the seventeenth day of the second until evening. Paid advance taxes are paid during the year are belong to the current year, then the paid advance taxes are deducted from the corporate tax liability that is calculated for the year. If the balance of paid advance taxes remains after deduction of paid advance taxes, it can be paid back in cash or it can be deducted from financial loans to the government

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

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

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

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

As of 31 December 2018, the tax rates applied in foreign countries where the Group operates is as follow:

Institutions located in Germany (legal or business center located in Germany) are subject to corporate tax in Germany through all their income. Regardless of whether or not it is distributed, a corporate tax of 15% is calculated over all earnings. The effective corporate tax rate is 15,825% as 5,5% solidarity tax is applied over the calculated corporate tax.. In addition, commercial profit tax is applied on the basis of local administrations. This tax is approximately 16%, and all tax types (corporate tax, solidarity tax and commercial earnings tax) are taken into account, taking into account a tax burden of approximately 32%.

***Deferred Tax***

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). Deferred tax asset is calculated on all temporary differences other than "expected loan loss for 12 months" and lifetime expected loan loss" which is significant increase in credit risk after initial recognition that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. The tax rate used in the calculation of deferred tax assets and liabilities is 22% over the temporary timing differences expected to reverse in 2018, 2019 and 2020, and 20% over the temporary timing differences expected to reverse after 2021 (2017: 20%-22%).

**18. Additional explanations on borrowings**

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

The Group has not issued convertible bonds.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**19. Explanations on share certificates issued**

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

**20. Explanations on bill guarantees and acceptances**

Bill guarantees and acceptances 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 Group.

**22. Explanations on segment reporting**

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

Segment reporting is disclosed in Section Four, Note 10.

**23. Explanations on Prior Period Accounting Policies Not Valid For The Current Period**

TFRS 9 Financial Instruments" standard came into effect to replace "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies no longer applicable after the transition of TFRS 9 are given below:

The Group categorized its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity" in prior periods.

**23.1 Financial assets at fair value through profit and loss**

There are two sub-categories of this category that "Financial assets held for trading" and "Financial assets at fair value through profit and loss".

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are measured at fair values after the initial recognition. All gains and losses arising from valuations of trading financial assets are reflected in the income statement.

The Parent Bank does not have any financial assets that are classified as "Financial assets at fair value through profit or loss" other than those held for trading purposes.

**23.2 Financial Assets Available For Sale**

Available-for-sale financial assets are initially recognized at fair value, which reflects their acquisition cost and include transaction costs. Non-quoted equity instruments classified as available-for-sale financial assets are recognized initially at cost, if any.

Discounts and premiums of available-for-sale financial assets are recognized as profit share income in the income statement considering the internal rate of return. Profit share losses of financial assets available for sale are recognized in profit / loss and the market value differences are recorded in on "Marketable Securities Valuation Difference" account. When the available-for-sale financial assets are disposed of, fair value differences accumulated in equity until that time are reflected in the income statement.

**23.3 Loans and Receivables**

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market and which are designated for trading, are carried at fair value through profit or loss, or are designated as available-for-sale financial assets. The Group recognizes the initial recognition of loans and receivables at their acquisition cost which reflects the fair value, and is subsequently measured at amortized cost using the internal rate of return method. And the fees, transaction costs and other expenses paid in connection with the assets received as collateral for these transactions are not recognized as part of the transaction cost and reflected directly to the expense accounts.

**23.4 Financial assets held to maturity:**

Held-to-maturity financial assets; The Group's financial assets, other than loans and receivables, which have fixed maturity and fixed maturity with fixed or determinable payments provided that the maturity. Held-to-maturity financial assets are initially recognized at cost and subsequently measured at amortized cost using the internal rate of return method. Profit share income related to held-to-maturity financial assets is reflected in the income statement.

**23.5 Explanations on impairment of financial assets**

Whether there is objective evidence that a financial asset or group of financial assets is impaired is assessed at each balance sheet date. In the case of an indication of such type, the provision for impairment is set out on the basis of the classes of financial assets as described below.

**Loans and receivables:**

The Parent Bank, if there is evidence that loans cannot be collected, according to the regulation "Principles and Procedures for the Determination of the Qualifications of Loans and Other Receivables by Banks and Provisions to be Reserved" published in the Official Gazette No. 26333 dated November 1, 2006 classifies in group credits III., IV., V and reserves special provisions for these amounts. The Bank may allocate special provisions above the minimum rates stipulated in the group to which the financial position and / or the ability to pay is weak.

The collections made in accordance with the provisions in the current period related to the loans in question are deducted from the "Loans and Other Receivables Provision" account in the income statement, the principal collections made in accordance with the loans which were set aside or deleted from the assets in previous periods are recorded in the "Other Operating Income" account.

**Financial Assets Held-to-Maturity:**

In the event that there is an objective indicator that an impairment loss occurred in held-to-maturity financial assets, the amount of the related loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original profit share rate of the financial asset; a provision for impairment is allocated and the provisioned provision is associated with expense accounts.

**Financial Assets Available For Sale**

In the event that there is an objective indication that the decrease in the fair value of a financial asset that is directly accounted in equity is impaired, the total loss recognized directly in equity is removed from equity and recognized in profit or loss.

Impairment losses recognized in profit or loss relating to investments in equity instruments classified as available for sale are not reversed by profit or loss. In the event that there is an objective indicator that an impairment loss is recognized in respect of equity instruments that are not registered at the fair value due to the fact that their fair value cannot be determined reliably, the amount of impairment loss related to a similar financial asset of the expected future cash flows the present value of the asset calculated by discounting on the market rate of return is measured as the difference between the carrying amount and the carrying amount of the asset. Such impairment losses cannot be reversed.

**24. Explanations on other matters**

None.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)*

**SECTION FOUR**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**1. Explanations on consolidated shareholders' equity**

Shareholders' equity amount and capital adequacy standard ratio are calculated within the framework of "Regulation Regarding Equities of Banks" and "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2018, the shareholders' equity of the Group is TL 7,389,107 (31 December 2017: TL 5,825,898) and the capital adequacy standard ratio is 17.22% (31 December 2017: 17.32%).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**1.1. Components of consolidated shareholders' equity:**

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	3,500,000	
Share Premium	24,208	
Reserves	1,110,535	
Other Comprehensive Income according to TAS	-	
Profit	808,383	
Current Period Profit	809,543	
Prior Period Profit	(1,160)	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Interests	25,112	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>5,468,238</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	40,313	
Leasehold Improvements on Operational Leases (-)	54,010	
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	193,471	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	7,583	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	13,296	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,678	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>Total Deductions from Common Equity Tier I Capital</b>	<b>311,351</b>
<b>Total Common Equity Tier I Capital</b>	<b>5,156,887</b>
<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Tier I Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios 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 Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital+ Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>5,156,887</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,847,727
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	468,639
<b>Total Deductions from Tier II Capital</b>	<b>2,316,366</b>
<b>Deductions from Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>2,316,366</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>7,473,253</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)		-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)		-
Other items to be Defined by the BRSA (-)		84,146
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)		-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)		-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)		-
<b>CAPITAL</b>		
<b>Total Capital ( Total of Tier I Capital and Tier II Capital)</b>		<b>7,389,107</b>
<b>Total Risk Weighted Assets</b>		<b>42,921,666</b>
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)		12.01
Tier I Capital Ratio (%)		12.01
Capital Adequacy Ratio (%)		17.22
<b>BUFFERS</b>		
Bank-specific total CET1 Capital Ratio		1.88
Capital Conservation Buffer Ratio (%)		1.88
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)		-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation		6.01
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital		-
Remaining Mortgage Servicing Rights		-
Net Deferred Tax Assets arising from Temporary Differences		-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)		468,639
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets		468,639
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach		-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets		-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		-
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4		-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4		-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		-



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	3,100,000	
Share Premium	24,208	
Reserves	927,236	
Other Comprehensive Income according to TAS	12,609	
Profit	637,291	
Current Period Profit	628,855	
Prior Period Profit	8,436	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Shares	23,054	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>4,724,398</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	110,905	
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	135,173	168,966
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,678	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>296,274</b>	
<b>Total Common Equity Tier I Capital</b>	<b>4,428,124</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
<b>Additional Tier I Capital before Deductions</b>	-
<b>Deductions from Additional Tier I Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	33,793
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>33,793</b>
<b>Total Additional Tier I Capital</b>	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>4,394,331</b>
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)	1,322,272
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	-
<b>Total Deductions from Tier II Capital</b>	<b>280,412</b>
<b>Deductions from Tier II Capital</b>	
<b>Total Deductions from Tier II Capital</b>	<b>1,602,684</b>
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Additional Tier I Capital</b>	-
<b>Total Tier II Capital</b>	<b>1,602,684</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>5,997,015</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	171,117
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>CAPITAL</b>	
<b>Total Capital ( Total of Tier I Capital and Tier II Capital )</b>	<b>5,825,898</b>
<b>Total Risk Weighted Assets</b>	<b>33,628,878</b>
<b>CAPITAL ADEQUACY RATIOS</b>	
CET1 Capital Ratio (%)	13.17
Tier I Capital Ratio (%)	13.07
Capital Adequacy Ratio (%)	17.32
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio	1.25
Capital Conservation Buffer Ratio (%)	1.25
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7.07
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	280,412
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	280,412
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**1.2. Approaches for assessment of adequacy of internal capital requirements for 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 for these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Group's growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effects 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 Group's risk profile and risk appetite.

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

**2. Explanations on Consolidated Credit Risk:**

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

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

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

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

In accordance with Regulation on Procedures and Principles for Classification of Loans and Provisions to be Reserved, the credit worthiness of borrowers of loans and other receivables are monitored at regular intervals, in case of early detection of possible repayment problems, credit limits are re-determined and additional collateral is taken, in this way it is aimed to prevent the loss of the Group. Account status documents received for the loans are taken as required by the relevant legislation. The collaterals are taken within the framework of the related legislation, taking into account the allocation decision taken by the credit committee in view of the nature of the loan and the financial structure of the company.

The positions in the form of futures, options agreements and similar agreements are not held.

Indemnified non-cash loans are subject to the same risk weight with the overdue loans in compliance with the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans. The re-scheduled and re-structured loans are followed up in compliance with the methods determined in the relevant legislation.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

The Bank's top 100 and 200 cash loan customers represent 26% and 33% of the total cash loan portfolio, respectively.

The Bank's top 100 and 200 non-cash loan customers represent 40% and 48% of the total non-cash loan portfolio, respectively.

The Bank's top 100 and 200 cash and non-cash loan customers represent 25% and 31% of the total cash and non-cash loan portfolio, respectively.

<b>Exposure Categories (Current Period)</b>	<b>Risk Amount at the End of the Period (*)</b>	<b>Average Risk Amount (**)</b>
Conditional and unconditional exposures to central governments or central banks	14,541,105	11,099,179
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	11,778,118	8,846,417
Conditional and unconditional exposures to corporates	13,781,704	13,510,514
Conditional and unconditional retail exposures	8,545,598	8,809,967
Conditional and unconditional exposures secured by real estate property	15,069,170	15,366,306
Past due items	148,718	119,924
Items in regulatory high-risk categories	142,541	59,865
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	110,567	78,440
Equity share investments	-	-
Other items	6,548,071	4,638,583
<b>Total</b>	<b>70,665,592</b>	<b>62,529,195</b>

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>Exposure Categories (Prior Period)</b>	<b>Risk Amount at the End of the Period (*)</b>	<b>Average Risk Amount (**)</b>
Conditional and unconditional exposures to central governments or central authorities	11,834,234	10,304,922
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	6,104,252	6,356,336
Conditional and unconditional exposures to corporates	10,892,833	10,166,377
Conditional and unconditional retail exposures	7,876,889	6,909,911
Conditional and unconditional exposures secured by real estate property	14,381,976	13,373,928
Past due items	18,320	64,302
Items in regulatory high-risk categories	7,299	21,978
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	163,734	103,723
Stock Certificate Investments	-	-
Other items	3,666,991	3,489,746
<b>Total</b>	<b>54,946,528</b>	<b>50,791,223</b>

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

(\*\*) Average risk amounts are the arithmetical average of the amounts in monthly reports according to the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**2.1. Profile of significant exposures in major regions:**

Current Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of collective investment undertakings	Other	Total
Domestic	14,535,871	6,950,787	12,625,853	8,528,354	14,900,002	148,049	137,339	81,584	-	57,907,839
European Union (EU) Countries	-	1,032,719	1,063,763	7,514	28,575	-	5,202	-	-	2,137,773
OECD Countries(**)	-	1,454,388	1,067	183	6,246	-	-	-	-	1,461,884
Off-Shore Banking Regions	-	63,003	25,733	4,044	75,875	-	-	-	-	168,655
USA, Canada	-	1,414,111	200	70	1,639	-	-	-	-	1,416,020
Other Countries	5,234	863,110	65,088	5,433	56,833	669	-	28,983	-	1,025,350
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	522,950	522,950
Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	-	6,025,121	6,025,121
<b>Total</b>	<b>14,541,105</b>	<b>11,778,118</b>	<b>13,781,704</b>	<b>8,545,598</b>	<b>15,069,170</b>	<b>148,71</b>	<b>142,541</b>	<b>110,567</b>	<b>6,548,071</b>	<b>70,665,592</b>

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

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

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

Prior Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Other	Total	Prior Period (*)
Domestic	11,834,234	3,881,462	10,123,609	7,848,907	14,287,876	18,208	7,299	145,383	-	48,146,978
European Union (EU) Countries	-	627,212	718,969	2,420	12,431	109	-	-	-	1,361,141
OECD Countries(**)	-	541,635	840	344	976	-	-	-	-	543,795
Off-Shore Banking Regions	-	275,384	-	120	831	-	-	3,824	-	280,159
USA, Canada	-	330,188	-	92	1,162	1	-	-	-	331,443
Other Countries	-	448,371	49,415	25,006	78,700	2	-	14,527	-	616,021
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	377,647	377,647
Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	-	3,289,344	3,289,344
<b>Total</b>	<b>11,834,234</b>	<b>6,104,252</b>	<b>10,892,833</b>	<b>7,876,889</b>	<b>14,381,976</b>	<b>18,320</b>	<b>7,299</b>	<b>163,734</b>	<b>3,666,991</b>	<b>54,946,528</b>

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**2.2. Risk profile by sectors or counterparties**

Current Period(*)	Conditional and unconditional receivables from central banks	Conditional and unconditional receivables from regional governments or local administrative units and non-commercial enterprises	Conditional and unconditional receivables from banks and multilateral development organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from retail and unsecured receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivable	Receivables defined in high risk category by BRSR	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to investment funds	Other receivables	TL	FC	Total
<b>Agriculture</b>	-	-	-	-	162,292	127,432	170,992	887	165	-	-	-	-	369,171	92,597	461,768
<b>Farming and Stockbreeding</b>	-	-	-	-	141,219	89,493	119,124	514	165	-	-	-	-	271,617	78,898	350,515
<b>Forestry</b>	-	-	-	-	21,057	37,653	51,481	373	-	-	-	-	-	96,874	13,690	110,564
<b>Fishery</b>	-	-	-	-	16	286	387	-	-	-	-	-	-	680	9	689
<b>Manufacturing</b>	-	-	-	-	5,571,102	2,360,429	2,934,869	27,184	6,139	-	-	-	-	4,680,606	6,219,117	10,899,723
<b>Mining and Quarrying</b>	-	-	-	-	656,519	442,318	466,638	4,991	1,496	-	-	-	-	934,316	637,646	1,571,962
<b>Production</b>	-	-	-	-	2,419,377	1,807,383	2,212,894	21,775	3,778	-	-	-	-	3,481,545	2,983,662	6,465,207
<b>Electricity, Gas and Water</b>	-	-	-	-	2,495,206	110,728	255,337	418	865	-	-	-	-	264,745	2,597,809	2,862,554
<b>Construction</b>	-	-	-	-	2,619,301	1,308,575	3,178,670	33,537	13,240	-	-	-	-	4,661,653	2,491,670	7,153,323
<b>Services</b>	14,541,105	-	-	-	11,778,118	4,464,627	3,070,787	64,328	36,570	-	-	110,567	-	10,598,950	27,408,111	38,007,061
<b>Wholesale and Retail Trade</b>	-	-	-	-	1,741,363	2,052,541	2,609,256	43,163	33,816	-	-	-	-	4,520,753	1,959,386	6,480,139
<b>Accommodation and Dining</b>	-	-	-	-	102,139	84,121	240,799	5,366	1,168	-	-	-	-	209,585	224,008	433,593
<b>Transportation and Telecom</b>	-	-	-	-	871,931	457,554	331,670	10,364	343	-	-	-	-	730,921	940,941	1,671,862
<b>Financial Institutions</b>	14,541,105	-	-	-	11,778,118	1,065,281	3,474	1	-	-	-	110,567	-	3,855,940	23,643,315	27,499,255
<b>Real Estate and Rental Services</b>	-	-	-	-	329,550	101,156	269,928	1,111	302	-	-	-	-	381,393	320,654	702,047
<b>Professional Services</b>	-	-	-	-	37	357	217	-	-	-	-	-	-	611	-	611
<b>Educational Services</b>	-	-	-	-	81,693	55,495	158,899	42	-	-	-	-	-	193,728	102,401	296,129
<b>Health and Social Services</b>	-	-	-	-	272,633	318,854	326,716	4,281	941	-	-	-	-	706,020	217,405	923,425
<b>Others</b>	-	-	-	-	964,382	1,678,375	4,843,680	22,782	86,427	-	-	-	6,548,071	8,912,865	5,230,852	14,143,717
<b>Total</b>	14,541,105	-	-	-	11,778,118	13,781,704	8,545,598	15,069,170	148,718	142,541	-	110,567	6,548,071	29,223,245	41,442,347	70,665,592

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
 (Amounts expressed in thousands of Turkish Lira (TL), unless otherwise stated.)

Prior Period (*)	Conditional and unconditional receivables from central or federal governments	Conditional and unconditional receivables from regional administrative or local governments	Conditional and unconditional receivables from central banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporations	Conditional and unconditional receivables from retail receivables	Conditional and unconditional receivables from mortgage securitizations	Receivables defined as high risk by BRSA	Securities positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TRY	FC	Total
11,834,234	-	-	-	-	-	26,832	67,081	92,983	189	129	-	-	-	-	136,914	50,220	187,134
Farming and Stockbreeding	-	-	-	-	-	16,351	31,712	44,691	66	-	-	-	-	-	60,200	32,620	92,820
Forestry	-	-	-	-	-	10,457	32,412	47,808	123	129	-	-	-	-	73,367	17,562	90,929
Fishery	-	-	-	-	-	24	2,877	484	-	-	-	-	-	-	3,347	38	3,385
Manufacturing	-	-	-	-	-	1,361,540	918,037	1,236,538	4,074	3,932	-	-	-	-	2,031,799	1,512,322	3,544,121
Mining and Quarrying	-	-	-	-	-	254,543	169,297	166,850	629	125	-	-	-	-	345,072	246,372	591,444
Production of Electricity, Gas and Heat	-	-	-	-	-	752,979	682,853	1,036,530	3,444	3,807	-	-	-	-	1,404,541	1,073,072	2,479,613
Water	-	-	-	-	-	354,018	65,887	53,158	1	-	-	-	-	-	282,186	190,878	473,064
Construction	-	-	-	-	-	1,369,793	893,379	879,668	5,128	556	-	-	-	-	2,276,625	773,849	3,050,474
Services	11,834,234	-	-	-	-	6,184,252	2,202,692	1,910,385	5,387	1,716	-	-	163,734	-	7,503,083	16,124,582	23,628,765
Wholesale and Retail Trade	-	-	-	-	-	1,136,399	863,704	1,318,295	4,253	1,463	-	-	-	-	2,531,426	792,688	3,324,114
Accommodation and Dining	-	-	-	-	-	65,364	54,671	93,219	189	5	-	-	-	-	145,646	67,802	213,448
Transportation and Telecommunications	-	-	-	-	-	687,406	214,529	182,450	626	89	-	-	-	-	612,783	472,317	1,085,100
Financial Institutions	-	-	-	-	-	6,104,252	1,331	1,283	-	-	-	-	163,734	-	3,502,934	14,602,932	18,105,866
Real Estate and Rental Services	-	-	-	-	-	95,046	32,815	62,258	1	79	-	-	-	-	121,798	64,401	190,199
Professional Services	-	-	-	-	-	311	150	624	-	-	-	-	-	-	1,072	13	1,085
Educational Services	-	-	-	-	-	20,784	22,293	30,285	16	52	-	-	-	-	69,654	3,776	73,430
Health and Social Services	-	-	-	-	-	196,350	216,892	221,971	302	28	-	-	-	-	318,490	117,053	635,543
Others	-	-	-	-	-	5,931,976	4,592,137	10,242,402	3,542	966	-	-	-	3,666,991	21,556,656	2,881,358	24,438,014
<b>Total</b>	<b>11,834,234</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,104,252</b>	<b>7,876,889</b>	<b>14,381,976</b>	<b>18,320</b>	<b>7,299</b>	<b>-</b>	<b>-</b>	<b>163,734</b>	<b>-</b>	<b>13,604,797</b>	<b>21,341,731</b>	<b>54,946,528</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

Exposure Categories (*)– Current Period	Term to Maturity				
	1 Month	1–3 Months	3–6 Months	6–12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	194,001	365,306	155,773	-	5,351,089
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2,048,784	1,561,667	792,936	303,169	174,186
Conditional and unconditional exposures to corporates	3,841,421	537,376	1,446,766	1,408,712	6,522,535
Conditional and unconditional retail exposures	1,375,118	704,468	1,080,494	1,723,192	3,520,864
Conditional and unconditional exposures secured by real estate property	832,833	568,743	1,188,187	2,224,151	10,255,256
Past due exposures	-	-	-	-	-
Items in regulatory high-risk categories	100,306	1,498	1,635	2,745	36,357
Mortgage-backed securities	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	11,227	16,545	82,795
Stock Investments	-	-	-	-	-
Other Items	-	-	-	-	-
<b>Total</b>	<b>8,392,463</b>	<b>3,739,058</b>	<b>4,677,018</b>	<b>5,678,514</b>	<b>25,943,082</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Exposure Categories (*) Prior Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	733,495	-	-	-	3,976,618
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	406,051	462,087	449,180	154,059	1,188,461
Conditional and unconditional exposures to corporates	2,715,591	207,722	366,131	910,098	6,660,767
Conditional and unconditional retail exposures	1,539,990	204,543	381,882	690,451	4,879,665
Conditional and unconditional exposures secured by real estate property	2,344,188	139,328	441,883	957,315	10,499,262
Past due exposures	-	-	-	-	-
Items in regulatory high-risk categories	125	2,418	40	460	4,256
Mortgage-backed securities	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	163,734	-	-	-	-
Stock Investments	-	-	-	-	-
Other Items	-	-	-	-	-
<b>Total</b>	<b>7,903,174</b>	<b>1,016,098</b>	<b>1,639,116</b>	<b>2,712,383</b>	<b>27,209,029</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**2.4. Exposure Categories**

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

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

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

"Credit Quality Levels" corresponding to the ratings of the credit rating institution are presented in the following table.

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**2.5. Credit risk using the standard approach:**

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

Risk Classes	Receivable before CCF and CRM		Receivable post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Receivables from central governments and Central Banks	14,347,104	-	17,049,935	-	2,760,992	16
2 Receivables from regional and local government	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	11,351,383	1,121,250	11,351,383	262,204	5,755,652	50
7 Receivables from corporate	10,616,113	6,517,105	9,608,286	3,150,548	12,562,741	98
8 Retail receivables	6,615,373	5,992,437	5,720,867	1,920,640	5,608,992	73
9 Receivables secured by residential property	6,402,362	698,200	6,245,509	299,413	2,276,070	35
10 Receivables secured by commercial property	7,734,732	1,323,497	7,144,899	628,678	4,920,010	63
11 Non-performing receivables	148,718	-	129,395	-	86,495	67
12 Receivables in high-risk categories	142,541	-	108,052	-	161,947	150
13 Mortgage-backed securities	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	110,567	-	110,567	-	59,345	54
16 Other receivables	6,548,071	-	6,548,071	-	3,209,168	49
17 Equity share investments	-	-	-	-	-	-
18 Total	64,016,964	15,652,489	64,016,964	6,261,483	37,401,412	655

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

Risk Classes / Risk Weights *	%0	%10	%20	%50	%75	%100	%150	%200	Others *	Total risk amount (post-CCF and CRM)
1 Receivables from central governments and Central Banks	11,533,186	-	-	5,511,515	-	5,234	-	-	-	17,049,935
2 Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	13,783	3,007,027	6,877,061	1,715,716	-	12,541,473	-	-	-	11,613,587
7 Receivables from corporate	111,021	106,340	78,423	7,457,743	-	-	-	-	-	12,758,834
8 Retail receivables	105,341	30,971	25,423	-	-	-	-	-	6,488,528	7,641,507
9 Receivables secured by residential property	45,925	69,480	5,504,115	2,154,057	-	43,726	-	-	-	6,544,922
10 Receivables secured by commercial property	65	109	85,495	-	-	-	-	-	-	7,773,577
11 Non-performing receivables	85	2	-	-	-	-	107,965	-	-	129,395
12 Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	108,052
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	23,745	3,207	49,824	33,791	-	-	-	-	-	110,567
16 Equity share investments	-	-	-	-	-	-	-	-	-	-
17 Other receivables	2,777,236	702,084	-	-	-	3,068,751	-	-	-	6,548,071
<b>18 Total</b>	<b>14,641,358</b>	<b>3,992,095</b>	<b>18,028,010</b>	<b>7,457,743</b>	<b>19,562,748</b>	<b>107,965</b>	<b>6,488,528</b>	<b>70,278,447</b>		

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**2.6. Risk amounts according to risk weights:**

Current Period										Deductions
Risk Weights	%0	% 10	%20	%35	%50	%75	%100	%150	%200	from Equity
Exposures before										
Credit Risk										
Mitigation	12,856,658	-	3,712,318	6,701,775	17,331,237	8,536,013	20,997,905	142,541	-	84,146
Exposures after										
Credit Risk										
Mitigation	14,641,358	-	3,992,095	6,488,528	18,028,010	7,457,743	19,562,748	107,965	-	84,146
Prior Period										Deductions
Risk Weights	%0	% 10	%20	%35	%50	%75	%100	%150	%200	from Equity
Exposures before										
Credit Risk										
Mitigation	11,054,594	-	1,589,319	6,435,736	11,797,208	7,870,642	15,324,830	7,299	-	171,117
Exposures after										
Credit Risk										
Mitigation	11,356,423	-	1,868,146	6,339,522	11,712,825	7,702,750	15,092,663	7,299	-	171,117

**2.7. Information by major sectors and type of counterparties**

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

Past Due Loans; are the credits that overdue up to 90 days but not impaired. For such credits, "general provisions" are allocated as per IFRS 9.

	Loans	Provisions	
	Impaired Loans		
Current Period	Significant Increase in Credit Risk (Second Stage)	Default (Third Stage)	Expected Credit Loss Provisions (*)
<b>Agriculture</b>	<b>63,086</b>	<b>9,746</b>	<b>13,846</b>
Farming and Stockbreeding	31,154	2,938	2,987
Forestry	31,293	1,804	5,850
Fishery	639	5,004	5,009
<b>Manufacturing</b>	<b>1,115,007</b>	<b>262,681</b>	<b>378,696</b>
Mining and Quarrying	250,079	54,398	90,889
Production	806,806	193,924	239,988
Electricity, Gas and Water	58,122	14,359	47,819
<b>Construction</b>	<b>1,510,587</b>	<b>325,507</b>	<b>491,122</b>
<b>Services</b>	<b>1,451,460</b>	<b>482,450</b>	<b>473,147</b>
Wholesale and Retail Trade	972,821	301,443	279,822
Accommodation and Dining	147,390	23,628	45,081
Transportation and			
Telecommunication	148,179	49,934	42,779
Financial Institutions	58	13,584	13,582
Real Estate and Rental Services	59,340	64,699	65,087
Professional Services	217	2	14
Educational Services	14,885	109	1,536
Health and Social Services	108,570	29,051	25,246
<b>Others</b>	<b>425,368</b>	<b>105,456</b>	<b>140,605</b>
<b>Total</b>	<b>4,565,508</b>	<b>1,185,840</b>	<b>1,497,416</b>

(\*) Expected credit loss provisions include second and third stages.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Prior Period	Loans		Provisions	
	Impaired Loans	Past due Loans	Value Adjustments (*)	Impaired Loans
<b>Agriculture</b>	<b>11,913</b>	<b>8,155</b>	<b>48</b>	<b>11,293</b>
Farming and Stockbreeding	2,121	861	21	1,997
Forestry	4,889	7,293	27	4,393
Fishery	4,903	1	-	4,903
<b>Manufacturing</b>	<b>117,724</b>	<b>371,499</b>	<b>5,795</b>	<b>102,452</b>
Mining and Quarrying	38,749	77,201	1,279	37,324
Production	59,645	260,600	3,871	45,799
Electricity, Gas and Water	19,330	33,698	645	19,329
<b>Construction</b>	<b>200,518</b>	<b>232,952</b>	<b>5,518</b>	<b>189,524</b>
<b>Services</b>	<b>341,976</b>	<b>309,913</b>	<b>6,795</b>	<b>329,029</b>
Wholesale and Retail Trade	216,419	210,527	4,483	206,034
Accommodation and Dining	11,799	10,753	671	11,546
Transportation and				
Telecommunication	18,759	35,486	559	17,368
Financial Institutions	17,756	-	-	17,756
Real Estate and Rental Services	65,432	12,207	259	65,276
Professional Services	-	-	-	-
Educational Services	530	552	54	402
Health and Social Services	11,281	40,388	769	10,647
<b>Others</b>	<b>42,929</b>	<b>237,930</b>	<b>4,162</b>	<b>35,470</b>
<b>Total</b>	<b>715,060</b>	<b>1,160,449</b>	<b>22,318</b>	<b>667,768</b>

(\*) The general provision amount is presented for past due loans.

**2.8. Movements in value adjustments and provisions**

Current Period(****)	Opening		Provision Reversals(***)	Other Adjustments(****)	Closing Balance
	Balance(After TFRS 9)	Provision for Period			
Provisions (Stage III)(*)	489,571	658,814	(203,316)	(103,142)	841,927
Provisions(Stage-I (**))	330,083	1,291,161	(528,055)	-	1,099,680

(\*) Refers to expected loss provision (Stage III)

(\*\*) Refers to expected loss provision (Stage I-II)

(\*\*\*) Related amount includes provision reversals and foreign exchange differences.

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

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

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(****)	Closing Balance
Specific Provisions	586,519	632,352	(89,750)	(461,353)	667,768
General Provisions	318,825	101,046	(14,403)	-	405,468

(\*\*\*\*) Represents written-off loans.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**2.9. Risk involved in counter-cyclical capital buffer calculation**

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	24,970,123	-	24,970,123
Germany	1,075,439	-	1,075,439
Bahrain	73,673	-	73,673
Albania	34,419	-	34,419
Saudi Arabia	22,379	-	22,379
Iraq	12,135	-	12,135
Qatar	9,751	-	9,751
Marshall Islands	8,217	-	8,217
United Arab Emirates	5,257	-	5,257
Uzbekistan	5,170	-	5,170
Other	28,222	-	28,222

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

Risk Management Department develops rating models for legal and individual portfolios based on statistical methods. As of 31 December 2018, the classification of performing loans are given in the table below.

	Cash Loans	Non-Cash Loans	Total
High Quality	49%	73%	54%
Medium Quality	29%	12%	26%
Average	12%	11%	12%
Below Average	10%	4%	8%
Unrated	0%	0%	0%

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**3. Explanations on consolidated currency risk**

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

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

As of 31 December 2018, the Group carries a net foreign currency short position of TL 716,838 (31 December 2017 – TL 542 long position) comprising of TL 661,104 off-balance sheet long position (31 December 2017 - TL 300,898 short position) and TL 55,734 off balance sheet long position (31 December 2017 – TL 300,356 long position).

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

	24/12/2018	25/12/2018	26/12/2018	27/12/2018	28/12/2018	Balance sheet evaluation rate
USD	5.29230	5.29915	5.28385	5.28572	5.26135	5.27922
EUR	6.03194	6.04001	6.01851	6.02046	6.02750	6.03915
GBP	6.70173	6.72389	6.70477	6.68312	6.66538	6.72374
CHF	5.32745	5.37648	5.34259	5.33083	5.35241	5.36103
JPY	0.04767	0.04807	0.04780	0.04768	0.04767	0.04792

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

	Monthly average FC purchase rate
USD	5.3019
EUR	6.0369
GBP	6.7234
CHF	5.3462
JPY	0.0473

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Currency risk of the Group:**

	<b>EURO</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	2,900,281	3,790,062	2,738,469	9,428,812
Banks	4,250,288	347,438	2,222,693	6,820,419
Financial assets at fair value through profit and loss	-	75,181	-	75,181
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	1,804,547	2,240,753	-	4,045,300
Loans and finance lease receivables (*)	6,933,619	14,371,868	50,451	21,355,938
Subsidiaries, associates and joint ventures	-	-	-	-
Financial assets measured at amortized cost	-	37,156	-	37,156
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	7,697	203	-	7,900
Intangible assets	63,785	48	-	63,833
Other assets	1,980,855	27,625	11,221	2,019,701
<b>Total Assets</b>	<b>17,941,072</b>	<b>20,890,334</b>	<b>5,022,834</b>	<b>43,854,240</b>
<b>Liabilities</b>				
Funds collected from Banks via participation accounts and individual current accounts.	32,822	69,569	142,643	245,034
Current and participation accounts FC (***)	8,320,149	18,900,253	5,248,062	32,468,464
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	384,635	3,418,477	-	3,803,112
Marketable securities issued	-	5,119,262	1,038,674	6,157,936
Miscellaneous payables	21,480	13,707	582	35,769
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	106,482	234,565	86,040	427,087
<b>Total Liabilities</b>	<b>8,865,568</b>	<b>27,755,833</b>	<b>6,516,001</b>	<b>43,137,402</b>
Net balance sheet position	9,075,504	(6,865,499)	(1,493,167)	716,838
Net off-balance sheet position	(9,061,656)	6,923,802	1,476,750	(661,104)
Financial derivative assets	418,581	9,417,560	1,705,056	11,541,197
Financial derivative liabilities	9,480,237	2,493,758	228,306	12,202,301
Non-cash loans (**)	1,728,487	3,064,977	665,983	5,459,447
<b>Prior period</b>				
Total assets	8,922,919	17,632,243	3,087,584	29,642,746
Total liabilities	4,844,204	20,831,263	3,967,821	29,643,288
Net balance sheet position	4,078,715	(3,199,020)	(880,237)	(542)
Net off-balance sheet position	(3,840,325)	3,230,809	910,414	300,898
Financial derivative assets	665,383	5,406,552	1,222,468	7,294,403
Financial derivative liabilities	4,505,708	2,175,743	458,323	7,139,774
Non-cash loans (**)	1,549,915	2,616,933	404,125	4,570,973

(\*) Includes foreign currency indexed loans amounting to TL 5,425,809 (31 December 2017 – TL 7,240,328 ) followed as TL on the balance sheet and expected credit loss amounting to TL 301,187.

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

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

(\*\*\*\*) Other liabilities amounting to TL 368 are not included in the currency risk as financial assets at fair value through profit and loss. It also includes provision of foreign currency indexed loans amounting to TL 121,772.

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 12,528 (31 December 2017 – 12,531 TL)
- Prepaid expenses : TL 706 (31 December 2017 – 408 TL)
- Derivative financial liabilities held for trading: TL 42,766 (31 December 2017 – 59,251 TL)
- Marketable securities of FC revaluation reverse: TL (51,432) (31 December 2017 – 12,609 TL)
- Derivative financial liabilities held for hedging : TL 106,352 (31 December 2017 – 70,795 TL)

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

- Forward foreign currency purchase transactions :TL 522,969 (31 December 2017 – TL 492,002 )
- Forward foreign currency sale transactions: TL 772,511 (31 December 2017 – TL 456,030 )

**Currency risk sensitivity:**

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

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

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	5,830	3,179	5,830	4,439
EUR	10%	1,385	9,251	1,385	9,251
GOLD	10%	(62,195)	(11,072)	(62,195)	(11,072)

**4. Explanations on position risk of equity securities in banking accounts**

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

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

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

Current Period	Equity Securities (shares)	Carrying Value	Comparison	
			Fair Value	Market Value
<b>1 Financial assets whose fair value through other comprehensive income</b>		27,548	-	-
Quoted Securities		-	-	-
<b>2 Investment in Subsidiaries</b>		-	-	-
Quoted Securities		-	-	-
<b>3 Investments in Associates</b>		23,680	-	-
Quoted Securities		-	-	-
<b>4 Other</b>		28,520	-	-
Quoted Securities		-	-	-
<b>Prior Period</b>				
Prior Period	Equity Securities (shares)	Carrying Value	Comparison	
			Fair Value	Market Value
<b>1 Securities Available-for-Sale</b>		48,497	-	-
Quoted Securities		-	-	-
<b>2 Investment in Subsidiaries</b>		-	-	-
Quoted Securities		-	-	-
<b>3 Investments in Associates</b>		23,680	-	-
Quoted Securities		-	-	-
<b>4 Other</b>		19,405	-	-
Quoted Securities		-	-	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

None noted.

**5. Explanations on consolidated liquidity risk**

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

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

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

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

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

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

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

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

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

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

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

**5.7. General information on 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 Commitee is responsible from the determination of actions to be taken.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Analysis of financial liabilities by remaining contractual maturities:**

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

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years(*)	Total	Adjustments	Balance Sheet Value
<b>31 December 2018</b>								
Funds Collected	49,161,442	4,219,221	1,623,929	225,426	-	55,230,018	-	55,230,018
Other Fundings	14,633	649,749	1,411,517	747,878	2,212,652	5,036,429	(1,139,923)	3,896,506
Issued Securities	902,322	604,764	2,892,671	4,245,755	2,212,653	10,858,165	(3,065,295)	7,792,870
Funds provided under repurchase agreements	188,990	-	-	-	-	188,990	(987)	188,003
<b>Total</b>	<b>50,267,387</b>	<b>5,216,279</b>	<b>6,513,235</b>	<b>4,945,751</b>	<b>2,212,653</b>	<b>69,155,305</b>	<b>(2,047,908)</b>	<b>67,107,397</b>
<b>31 December 2017</b>								
Funds Collected	35,435,820	3,503,609	1,226,759	88,775	-	40,254,963	-	40,254,963
Other Fundings	102,193	350,347	2,751,889	2,327,619	-	5,532,048	(784,583)	4,747,465
Issued Securities	608,398	490,583	369,498	3,194,820	1,687,880	6,351,179	(699,338)	5,651,841
Funds provided under repurchase agreements	751,048	-	-	-	-	751,048	(524)	750,524
<b>Total</b>	<b>36,897,459</b>	<b>4,344,539</b>	<b>4,348,146</b>	<b>5,611,214</b>	<b>1,687,880</b>	<b>52,889,238</b>	<b>(1,484,445)</b>	<b>51,404,793</b>

(\*) Includes subordinated debts.

**Maturity analysis for guarantees and contingencies:**

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
<b>31 December 2018</b>								
Letters of Guarantee	5,688,077	81,800	441,412	2,453,996	1,605,546	120,448	0	10,391,279
Bills of Exchange and Bank Acceptances	360	19,120	27,698	26,920	0	0	0	74,098
Letters of Credit	429,522	139,102	212,454	241,055	57,665	78	0	1,079,876
Other guarantees	203,053	0	1,630	109,403	11,773	3,177	0	329,036
Pre-financings given as guarantee	1,791	0	0	0	0	0	0	1,791
<b>Total</b>	<b>6,322,803</b>	<b>240,022</b>	<b>683,194</b>	<b>2,831,374</b>	<b>1,674,984</b>	<b>123,703</b>	<b>-</b>	<b>11,876,080</b>
<b>31 December 2017</b>								
Letters of Guarantee	4,910,302	208,190	537,290	2,103,104	1,748,757	62,536	-	9,570,179
Bills of Exchange and Bank Acceptances	-	13,380	19,098	21,497	1,983	-	-	55,958
Letters of Credit	279,735	112,881	263,010	264,459	12,015	-	-	932,100
Other guarantees	305,764	593	2,971	162,176	14,393	-	-	485,897
Pre-financings given as guarantee	27,919	-	-	-	-	-	-	27,919
<b>Total</b>	<b>5,523,720</b>	<b>335,044</b>	<b>822,369</b>	<b>2,551,236</b>	<b>1,777,148</b>	<b>62,536</b>	<b>-</b>	<b>11,072,053</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Contractual maturity analysis of derivative instruments:**

31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	7,688,220	2,699,172	224,786	-	-	10,612,178
Exit	7,691,214	2,692,695	222,198	-	-	10,606,107
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Entry	-	-	-	1,020,984	-	1,020,984
Exit	-	-	-	1,144,549	-	1,144,549
<b>Total Cash Inflow</b>	<b>7,688,220</b>	<b>2,699,172</b>	<b>224,786</b>	<b>1,020,984</b>	<b>-</b>	<b>11,633,162</b>
<b>Total Cash Outflow</b>	<b>7,691,214</b>	<b>2,692,695</b>	<b>222,198</b>	<b>1,144,549</b>	<b>-</b>	<b>11,750,656</b>

31 December 2017	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	4,828,992	1,140,288	961,865	-	-	6,931,145
Exit	4,859,152	1,142,688	826,105	-	-	6,827,945
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Entry	-	-	-	746,440	-	746,440
Exit	-	-	-	819,063	-	819,063
<b>Total Cash Inflow</b>	<b>4,828,992</b>	<b>1,140,288</b>	<b>961,865</b>	<b>746,440</b>	<b>-</b>	<b>7,677,585</b>
<b>Total Cash Outflow</b>	<b>4,859,152</b>	<b>1,142,688</b>	<b>826,105</b>	<b>819,063</b>	<b>-</b>	<b>7,647,008</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Liquidity Coverage Ratio-Parent Bank**

<i>Current Period (Parent Bank)</i>		Total Unweighted Value (*)		Total Weighted Value (*)	
		TL+FC	FC	TL+FC	FC
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	10,508,441	8,795,462	10,488,821	8,775,842
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small usiness	39,025,039	21,661,571	3,389,442	2,166,157
3	Stable deposits	10,261,242	-	513,062	-
4	Less stable deposits	28,763,797	21,661,571	2,876,380	2,166,157
5	Unsecured wholesale funding, of which:	10,237,486	6,333,153	5,244,979	3,132,932
6	Operational deposits	-	-	-	-
7	Non-operational deposits	9,329,972	6,111,483	4,337,465	2,911,262
8	Unsecured funding	907,514	221,670	907,514	221,670
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which	8,432,694	7,464,267	8,432,694	7,464,267
11	Outflows related to derivative exposures and other collateral requirements	8,007,192	7,464,267	8,007,192	7,464,267
12	Outflows related to restructured financial	425,502	-	425,502	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	15,380,687	5,760,329	1,017,528	306,640
16	<b>Total Cash Outflows</b>			<b>18,084,643</b>	<b>13,069,996</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	14,676,955	11,138,438	12,592,834	10,612,342
19	Other cash inflows	8,518,216	8,076,938	8,518,216	8,076,938
20	<b>Total Cash Inflows</b>	<b>23,195,171</b>	<b>19,215,376</b>	<b>21,111,050</b>	<b>18,689,280</b>
				Total Adjusted Value	
21	<b>Total HQLA</b>			<b>10,488,821</b>	<b>8,775,842</b>
22	<b>Total Net Cash Outflows</b>			<b>4,521,161</b>	<b>3,267,499</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>231.99</b>	<b>268.58</b>

(\*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages. The table below presents highest, lowest and average liquidity coverage ratios within 2018:

Current Period	Highest	Date	Lowest	Date	Average
TL+FC	311.34	20/07/2018	215.70	19/10/2018	248.32
FC	422.71	16/02/2018	251.08	28/12/2018	331.97

The liquidity coverage rate is calculated by the ratio of the high quality liquid assets that the Parent Bank has to the net cash outflows in the one month maturity window. Important balance sheet items that determine the rate are: required reserves held by CBRT, securities not subject to repo / receivables, institutional qualified participation accounts, funds originated from abroad and receivables from banks. These items have higher share of liquid assets and net cash outflows, higher than other items due to their high rate of consideration and their variability over time.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Prior Period (Parent Bank)		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TP+YP	YP	TP+YP	YP
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	9,241,665	8,060,513	9,199,442	8,018,290
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small usiness	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	320,000	-	320,000	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	14,265,869	4,644,155	1,049,378	240,162
16	<b>Total Cash Outflows</b>			<b>14,642,666</b>	<b>9,712,147</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	6,637,367	4,169,519	5,037,108	3,778,429
19	Other cash inflows	6,993,193	5,664,245	6,993,193	5,664,245
20	<b>Total Cash Inflows</b>	<b>13,630,560</b>	<b>9,833,764</b>	<b>12,030,301</b>	<b>9,442,674</b>
				Total Adjusted Value	
21	<b>Total HQLA</b>			<b>9,199,442</b>	<b>8,018,290</b>
22	<b>Total Net Cash Outflows</b>			<b>3,660,667</b>	<b>2,428,037</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>251.31</b>	<b>330.24</b>

(\*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages. The table below presents highest, lowest and average liquidity coverage ratios in 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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

Current Period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	4,138,895	6,473,026	-	-	-	-	-	10,611,921
Banks	6,352,267	1,136	543,524	-	-	-	-	6,896,927
Financial assets at fair value through profit and loss	-	22,228	20,532	14,921	34,974	10,439	-	103,094
Money market placements	-	-	-	-	-	-	-	-
Financial assets at FVTOCI	-	194,356	365,308	277,283	4,813,983	415,375	138,115	6,204,420
Loans (*)	-	11,211,572	5,648,338	14,258,792	13,881,644	2,721,773	(753,976)	46,968,143
Held-to-maturity investments	-	-	-	-	37,156	-	-	37,156
Other assets (**)	145,233	2,737,567	295,581	-	346,640	-	666,304	4,191,325
<b>Total Assets</b>	<b>10,636,395</b>	<b>20,639,885</b>	<b>6,873,283</b>	<b>14,550,996</b>	<b>19,114,397</b>	<b>3,147,587</b>	<b>50,443</b>	<b>75,012,986</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	225,025	27,867	-	-	-	-	-	252,892
Current and profit sharing accounts	22,508,876	26,399,674	4,219,221	1,623,929	225,426	-	-	54,977,126
Funds provided from other financial institutions	-	14,564	530,480	1,302,063	148,189	1,901,210	-	3,896,506
Money market borrowings	-	188,003	-	-	-	-	-	188,003
Marketable securities issued	-	381,578	494,604	3,215,751	3,700,937	-	-	7,792,870
Miscellaneous payables	180,832	81,062	-	-	-	-	-	261,894
Other liabilities (**)	-	1,214,284	191,616	5,351	107,182	-	6,125,262	7,643,695
<b>Total Liabilities</b>	<b>22,914,733</b>	<b>28,307,032</b>	<b>5,435,921</b>	<b>6,147,094</b>	<b>4,181,734</b>	<b>1,901,210</b>	<b>6,125,262</b>	<b>75,012,986</b>
Net liquidity gap	(12,278,338)	(7,667,147)	1,437,362	8,403,902	14,932,663	1,246,377	(6,074,819)	-
<b>Prior period</b>								
Total assets	6,171,125	14,062,475	5,827,793	12,796,499	14,680,788	3,066,996	959,026	57,564,702
Total liabilities	16,430,348	21,035,351	4,354,487	4,053,616	4,913,272	1,360,338	5,417,290	57,564,702
Net liquidity gap	(10,259,223)	(6,972,876)	1,473,306	8,742,883	9,767,516	1,706,658	(4,458,264)	-
(*)	This line also includes receivables from leasing transactions.							
(**)	Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, joint ventures, stationary supplies and prepaid expenses are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions balances.							

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**6. Explanations on consolidated 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:

<b>On-balance sheet assets</b>		<b>Current Period (*)</b>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	74,347,783
2	(Assets deducted in determining Tier I capital)	(297,605)
3	<b>Total on-balance sheet risks (sum of lines 1 and 2)</b>	<b>74,050,179</b>
<b>Derivative financial instruments and credit derivatives</b>		
4	Replacement cost associated with all derivative instruments and credit derivatives	125,968
5	Add-on amounts for PFE associated with all derivative instruments and credit	134,811
6	<b>Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)</b>	<b>260,779</b>
<b>Securities or commodity financing transactions (SCFT)</b>		
7	Risks from SCFT assets (excluding on-balance sheet)	924,333
8	Risks from brokerage activities related exposures	-
9	<b>Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)</b>	<b>924,333</b>
<b>Other off-balance sheet transactions</b>		
10	Gross notional amounts of off-balance sheet transactions	61,755,452
11	(Adjustments for conversion to credit equivalent amounts)	40,649,139
12	<b>Total risks of off-balance sheet items (sum of lines 10 and 11)</b>	<b>21,106,313</b>
<b>Capital and total risks</b>		
13	Tier I capital	5,322,366
14	<b>Total risks (sum of lines 3, 6, 9 and 12)</b>	<b>96,319,313</b>
15	<b>Leverage ratio</b>	<b>5.53</b>

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

The leverage ratio calculated on the basis of the arithmetic average of the nominal value at the month-ends for the prior three-month period as of the consolidated balance sheet date of the Group, was realized as 5.53% (31 December 2017 – 5.55%). The main reason for the changes compared to the previous period is that the increase in off-balance sheet items is higher than the increase in other items. Accordingly, the main capital increased by 20% from the period profit, and on-balance sheet risk increased by 29% while off-balance sheet items decreased by 1%. Consequently, current leverage ratio decreased by 2 basis points compared to the previous period.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>On-balance sheet assets</b>		<b>Prior Period (*)</b>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	57,880,037
2	(Assets deducted in determining Tier I capital)	(278,887)
3	<b>Total on-balance sheet risks (sum of lines 1 and 2)</b>	<b>57,601,150</b>
<b>Derivative financial instruments and credit derivatives</b>		
4	Replacement cost associated with all derivative instruments and credit derivatives	55,367
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	118,417
6	<b>Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)</b>	<b>173,784</b>
<b>Securities or commodity financing transactions (SCFT)</b>		
7	Risks from SCFT assets (excluding on-balance sheet)	647,446
8	Risks from brokerage activities related exposures	-
9	<b>Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)</b>	<b>647,446</b>
<b>Other off-balance sheet transactions</b>		
10	Gross notional amounts of off-balance sheet transactions	57,807,376
11	(Adjustments for conversion to credit equivalent amounts)	(36,583,749)
12	<b>Total risks of off-balance sheet items (sum of lines 10 and 11)</b>	<b>21,223,627</b>
<b>Capital and total risks</b>		
13	Tier I capital	4,424,981
14	<b>Total risks (sum of lines 3, 6, 9 and 12)</b>	<b>79,646,007</b>
<b>Leverage ratio</b>		
15	<b>Leverage ratio</b>	<b>5.55</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

	Book Value	Fair Value
	Current period	Current period
<b>Financial Assets</b>		
Banks	6,896,927	6,896,927
Financial assets at fair value through comprehensive income	6,204,420	6,204,420
Financial assets measured at amortized cost	37,156	37,156
Loans and lease receivables	47,723,910	46,316,457
<b>Financial Liabilities</b>		
Funds collected from banks via individual current accounts and participation accounts	252,892	252,892
Other current and profit sharing accounts	54,977,126	54,977,126
Money market balances	188,003	188,003
Funds provided from other financial institutions	3,896,506	3,895,868
Issued securities	7,792,870	8,222,941
Miscellaneous payables	1,337,718	1,337,718

	Book Value	Fair Value
	Prior period	Prior period
<b>Financial Assets</b>		
Banks	3,572,074	3,572,074
Financial assets available for sale	4,423,730	4,423,730
Loans and lease receivables	38,638,938	35,933,362
<b>Financial Liabilities</b>		
Funds collected from banks via individual current accounts and participation accounts	310,471	310,471
Other current and profit sharing accounts	39,944,492	39,944,492
Money market balances	750,524	750,524
Funds provided from other financial institutions	4,747,465	5,565,826
Issued securities	5,651,841	4,794,549
Miscellaneous payables	200,005	200,005

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

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

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

**9. Explanations on consolidated risk management**

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee ("ALCO") and the Risk Management Department ("RMD") which has been composed in order to manage systemic risks that the Group is exposed. The Board of Directors is the owner of the Group'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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

identify, measure, monitor and control the risks that the Group 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 Group's future cash flows and the level & the quality of related activities.

**9.1. Explanations on risk management and risk weighted amounts:**

**9.1.1. Overview of risk weighted amounts:**

	Risk Weighted Amounts		Minimum Capital Requirements	
	Current Period 31/12/2018	Prior Period 31/12/2017	Current Period 31/12/2018	
1	Credit risk (excluding counterparty credit risk) (CCR) <sup>(*)</sup>	37,342,067	28,810,537	2,987,365
2	Of which standardised approach (SA)	37,401,412	28,865,185	2,992,113
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	89,725	80,519	7,178
5	Of which standardised approach for counterparty credit risk (SA-CCR)	89,725	80,519	7,178
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	59,345	54,648	4,748
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	1,076,251	669,886	86,100
17	Of which standardised approach (SA)	1,076,251	669,886	86,100
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	4,354,278	3,522,742	348,342
20	Of which basic indicator approach	4,354,278	3,522,742	348,342
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>42,921,666</b>	<b>33,138,332</b>	<b>3,433,733</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**9.1.2. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation:**

	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards					No subject to capital requirements or subject to deduction from capital
		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securization Position	Market Risk	
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	10,611,921	10,611,921	10,611,921	-	-	-	-
Financial Assets Held for Trading	6,896,927	6,896,927	6,896,927	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	103,094	103,094	-	-	-	103,094	-
Receivables from money markets	6,204,420	6,204,420	6,204,420	-	-	-	-
Available for sale financial assets (net)	37,156	37,156	37,156	-	-	-	-
Loans and receivables	42,011	42,011	-	42,011	-	-	-
Factoring receivables	132,002	132,002	-	-	-	-	132,002
Held to maturity investments (net)	44,517,444	44,517,444	45,617,124	-	-	-	1,099,680
Investments in associates (net)	2,450,699	2,450,699	2,450,699	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-	-	-
Investments in joint ventures (net)	270,382	270,382	270,382	-	-	-	-
Leasing receivables	23,680	23,680	23,680	-	-	-	-
Derivative financial assets held for hedges	28,520	28,520	28,520	-	-	-	-
Tangible assets (net)	457,187	457,187	457,187	-	-	-	-
Intangible assets (net)	200,765	200,765	200,765	-	-	-	-
Investment properties (net)	29,671	29,671	29,671	-	-	-	-
Tax assets	-	-	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	380,683	380,683	380,683	-	-	-	-
Other Assets	2,890,428	2,890,428	2,890,428	-	-	-	-
<b>Total Assets</b>	<b>75,012,986</b>	<b>75,012,986</b>	<b>76,099,563</b>	<b>42,011</b>	<b>-</b>	<b>103,094</b>	<b>1,231,682</b>
<b>Liabilities</b>							
Deposits	55,230,018	55,230,018	-	-	-	-	55,230,018
Loans	1,995,296	1,995,296	-	-	-	-	1,995,296
Money market borrowings	188,003	188,003	-	188,003	-	-	-
Securities issued	7,792,870	7,792,870	-	-	-	-	7,792,870
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Derivative financial liabilities	170,163	170,163	-	-	-	-	170,163
Debts from leasing transactions	-	-	-	-	-	-	-
Provisions	800,522	800,522	-	-	-	-	800,522
Current tax liability	177,652	177,652	-	-	-	-	177,652
Deferred tax liability	-	-	-	-	-	-	-
Subordinated Debts	1,901,210	1,901,210	-	-	-	-	1,901,210
Other Liabilities	1,337,718	1,337,718	-	-	-	-	1,337,718
Equity	5,419,534	5,419,534	-	-	-	-	5,419,534
<b>Total Liabilities</b>	<b>75,012,986</b>	<b>75,012,986</b>	<b>-</b>	<b>188,003</b>	<b>-</b>	<b>-</b>	<b>74,824,983</b>

**9.1.3. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:**

	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1- Carrying Value of Assets in Accordance with TAS (as per template 1B)	75,012,986	76,099,563	-	42,011	103,094
2- Carrying Value of Liabilities in Accordance with TAS (as per template 1B)	-	-	-	188,003	-
3- Total net amount	75,012,986	76,099,563	-	230,014	103,094
4- Off-balance sheet amounts	86,759,151	6,261,483	-	195,789	23,383,818
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	-	-	-	-
<b>9-Risk Amounts</b>	<b>161,772,137</b>	<b>82,361,046</b>	<b>-</b>	<b>425,803</b>	<b>23,486,912</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

**9.2.1. How the business model translates into the components of the Group's credit risk profile:**

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

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

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

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

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

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

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

**9.4. Relations between the credit risk management, risk control, compliance and internal audit functions:**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

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

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

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Credit quality of assets:**

		<i>Gross carrying value as per TAS included in the financial statements prepared as per legal consolidation</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	1,185,840	47,723,910	841,927	48,067,823
2	Debt securities	-	6,365,505	164,441	6,201,064
3	Off-balance sheet exposures(*)	-	14,228,231	239,316	13,988,915
4	<b>Total</b>	<b>1,185,840</b>	<b>68,317,646</b>	<b>1,245,684</b>	<b>68,257,802</b>

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

**Changes in stock of defaulted loans and debt securities:**

	Current Period
1 Defaulted loans and debt securities at end of the previous reporting period	715,060
2 Loans and debt securities that have defaulted since the last reporting period	884,877
3 Receivables back to non-defaulted status	-
4 Amounts written off	(103,142)
5 Other changes	(310,955)
6 <b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>1,185,840</b>

**9.6. Qualitative disclosures related to the credit quality of assets:**

**9.6.1. Scope and definitions of "overdue" and "provision allocated" receivables for accounting purposes and the differences of definitions between "overdue" and "provision allocated" , if any**

Overdue receivables and provision allocated receivables are determined according to the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves.

Provision allocated receivables: All financial instruments other than those included in TFRS 9 and whose fair value is accounted for under profit / loss.

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

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

**9.6.3. Definitions of the methods used when determining the provision amount**

TFRS 9 requires a 12-month expected credit loss provision for all financial assets in Stage 1 and the expected credit loss for all other financial assets. 12-month expected credit loss is the part of the expected credit loss from the potential default events within 12 months of the reporting date. Lifetime losses are losses from all possible default events during the expected life of the financial instrument after the reporting date. Lifetime refers to the maturity of the financial instrument. In non-performing financial instruments, the Parent Bank calculates the behavioral maturity and uses this to calculate the expected loan loss for the lifetime. ECL is calculated at each instrument level by taking into account the projected cash flows, P (Probability), LoD (Loss on Default), CCR (Credit Conversion Rate) and discount rate. In small, very insignificant and unrated portfolios, the ELC estimate can be made on a collective basis.

**9.6.4. Definitions of restructured receivables**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

restructured, the debtor must be in financial difficulty and the debtor must be provided with the concession requirements for changing the loan conditions.

**9.6.5. Breakdown of exposures by geographical regions, industry and ageing:**

The distribution of cash receivables by sectors is as follows:

Sector	Cash Loan Amount
Retail	7,503,339
Other Services	4,067,604
Education	349,526
Real Estate and Rental Services	382,518
Financial Services	5,506,964
Food, Beverage & Tobacco	1,387,365
Government	55,730
Production	2,010,030
Construction	6,319,400
Public Services (Elektricity, Water ve Gas)	3,674,016
Mining & Chemistry	2,318,818
Machinery & Equipment	354,933
Automobile	1,540,260
Petrol, Gas & Petroleum Products	133,942
Health	509,078
Agriculture	152,941
Textile	3,107,012
Wholesale & Retail Trade	8,126,200
Tourism	347,300
Transportation & Warehousing	1,062,774
<b>Total</b>	<b>48,909,750</b>

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

Regions	Cash Loan Amount
Mediterranean Region	3,425,548
Eastern Anatolia Region	914,832
Aegean Region	2,996,116
Southeastern Anatolia Region	2,492,121
Central Anatolia Region	7,737,345
Black Sea Region	1,415,864
Marmara Region	26,109,922
Foreign	3,818,002
<b>Total</b>	<b>48,909,750</b>

The maturity distribution of cash receivables is as follows:

Maturity Distribution	Cash Loan Amount
1 year to 3 years	14,612,307
3 years to 5 years	5,810,681
Over 5 years	7,130,585
Up to 1 year	20,769,489
Overdue	586,688
<b>Total</b>	<b>48,909,750</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**9.6.6. Provisions based on geographical and sectoral concentration and written off amounts:**

Sector	Loans Under Follow-Up	Specific Provisions	Write-Offs
<b>Agriculture</b>	<b>9,746</b>	<b>8,390</b>	<b>409</b>
Farming and Stockbreeding	2,938	2,035	15
Forestry	1,804	1,350	394
Fishery	5,004	5,005	-
<b>Manufacturing</b>	<b>262,681</b>	<b>217,367</b>	<b>29,796</b>
Mining and Quarrying	54,398	44,639	2,112
Production	193,924	159,070	12,199
Electricity, Gas and Water	14,359	13,658	15,485
<b>Construction</b>	<b>325,507</b>	<b>237,015</b>	<b>9,106</b>
<b>Services</b>	<b>482,837</b>	<b>319,652</b>	<b>51,643</b>
Wholesale and Retail Trade	301,830	177,978	37,841
Accommodation and Dining	23,628	11,543	5,098
Transportation and Telecommunication	49,934	34,419	5,520
Financial Institutions	13,584	13,582	-
Real Estate and Rental Services	64,699	62,512	67
Professional Services	2	1	-
Educational Services	109	99	515
Health and Social Services	29,051	19,518	2,602
<b>Other</b>	<b>105,069</b>	<b>59,503</b>	<b>12,188</b>
<b>TOTAL</b>	<b>1,185,840</b>	<b>841,927</b>	<b>103,142</b>

Geographical Region	Loans Under Follow-Up	Specific Provisions	Write-Offs
Marmara Region	666,034	476,553	67,110
Southeastern Anatolia Region	153,563	116,028	8,109
Central Anatolia Region	160,541	116,592	14,728
Mediterranean Region	110,693	66,340	5,438
Aegean Region	54,219	39,686	2,714
Eastern Anatolia Region	22,434	13,574	3,650
Black Sea Region	12,283	12,283	1,393
Foreign	6,073	871	-
<b>Total</b>	<b>1,185,840</b>	<b>841,927</b>	<b>103,142</b>

**9.6.7. Aging analysis for non-performing loans**

Current Period	Up to 3 months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years
Corporate and Commercial Loans	283,516	347,316	374,104	99,369	16,347
Retail Loans	6,893	28,860	10,244	1,475	955
Credit Cards	6,590	8,298	1,352	438	83
Other	-	-	-	-	-
<b>Total</b>	<b>296,999</b>	<b>384,474</b>	<b>385,700</b>	<b>101,282</b>	<b>17,385</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**9.6.8. Distribution of restructured receivables based on whether provision is allocated or not**

The distribution of restructured receivables according to whether the provision is allocated or not is below:

Restructure Status	Risk
Performing	732,523
Non-performing Leon	58,870
<b>Total</b>	<b>791,393</b>

**9.7. Credit risk mitigation techniques:**

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	34,548,444	13,519,379	3,276,016	-	-	-	-
2 Debt securities	6,204,420	-	-	-	-	-	-
<b>3 Total</b>	<b>40,752,864</b>	<b>13,519,379</b>	<b>3,276,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4 Overdue	208,225	135,688	72,099	-	-	-	-

**9.8. Explanations on Counterparty Credit Risk (CCR):**

**9.8.1. Risk management objectives and polices for CCR:**

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

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

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

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

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

**9.8.4. Rules with respect to wrong-way risk:**

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

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

Currently, the Group does not borrow by providing security for the cash exposure transactions where it is debtor. Therefore, the Group is not subject to such impacts in case of a possible rating downgrade and the Group's contracts do not contain such terms and conditions.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1 Standardised Approach CCR (for derivatives)	40,956	154,833		1.4	195,789	75,810
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6 <b>Total</b>	-	-	-	-	-	<b>75,810</b>

**9.8.7. Capital requirement for credit valuation adjustment (CVA)**

	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation		
1 (i) VaR component (including the 3×multiplier)	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-
3 All portfolios subject to the Standardised CVA capital obligation	195,789	13,915
4 <b>Total subject to the CVA capital obligation</b>	<b>195,789</b>	<b>13,915</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**9.8.8. CCR exposures by risk class and risk weights**

	Risk Classes / Risk Weights *	%0	%10	%20	%50	%75	%100	%150	%200	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	194,001	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	106,085	58,446	-	-	-	-	-	50,440
7	Receivables from corporate	-	-	-	-	-	15,043	-	-	-	15,043
8	Retail receivables	-	-	-	-	9,585	-	-	-	-	7,189
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	955	334
10	Receivables secured by commercial property	-	-	-	452	-	2,378	-	-	-	2,804
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
<b>18</b>	<b>Total</b>	<b>194,001</b>	<b>-</b>	<b>106,085</b>	<b>58,898</b>	<b>9,585</b>	<b>17,621</b>	<b>-</b>	<b>-</b>	<b>955</b>	<b>75,810</b>

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

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

\*\*\* 35% Risk Weight is classified in Other



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**9.9. Explanations on securitization positions**

None.

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

**9.10.1. Group's processes and strategies:**

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

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

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

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

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

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

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

**9.10.3. Structure and scope of risk reporting and/or measurement systems**

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

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

The details of the market risk calculated as of 31 December 2018 and 31 December 2017 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

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

		Risk Weighted Amounts
		Current Period
	<b>Outright products</b>	<b>1,076,251</b>
1	Profit share risk (general and specific)	403,149
2	Equity risk (general and specific)	-
3	Foreign exchange risk	671,790
4	Commodity risk	1,312
	<b>Options</b>	<b>-</b>
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	<b>Securitisation</b>	<b>-</b>
9	<b>Total</b>	<b>1,076,251</b>

		Risk Weighted Amounts
		Prior Period
	<b>Outright products</b>	<b>664,964</b>
1	Profit share risk (general and specific)	370,459
2	Equity risk (general and specific)	-
3	Foreign exchange risk	293,678
4	Commodity risk	827
	<b>Options</b>	<b>-</b>
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	<b>Securitisation</b>	<b>-</b>
9	<b>Total</b>	<b>664,964</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**9.11. Explanation on Operational Risk**

"Basic Indicator Method" is used in operational risk calculation of the Group. The amount that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years, 2017, 2016 and 2015 in compliance with "Calculation of the Operational Risk" which is the Third Section of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 348,342 corresponding to the 8% of TL 4,354,279 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 348,342 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

<b>Current Period</b>	<b>31/12/2015 Amount</b>	<b>31/12/2016 Amount</b>	<b>31/12/2017 Amount</b>	<b>Total/ No. of Years of Positive Gross</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	1,916,914	2,273,905	2,776,027	2,322,282	15	348,342
Value at Operational Risk (Total*12.5)						4,354,279

<b>Prior Period</b>	<b>31/12/2014 Amount</b>	<b>31/12/2015 Amount</b>	<b>31/12/2016 Amount</b>	<b>Total/ No. of Years of Positive Gross</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	1,493,752	1,916,914	2,273,905	1,894,857	15	284,229
Value at Operational Risk (Total*12.5)						3,552,857

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**9.12. Profit-share rate risk related to banking accounts:**

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

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

\*Parent Bank

	Currency*	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's equity- Losses/shareholder's equity
1	TRY	(+) 500bp	(531,871)	%(9.09)
2	TRY	(-) 400bp	496,216	%8.48
3	USD	(+) 200bp	271,534	%4.64
4	USD	(-) 200bp	(303,292)	%(5.18)
5	EURO	(+) 200bp	(23,052)	%(0.39)
6	EURO	(-) 200bp	28,817	%0.49
	<b>Total (For negative shocks )</b>		<b>221,740</b>	<b>%3.79</b>
	<b>Total (For positive shocks)</b>		<b>(283,389)</b>	<b>%(4.84)</b>

\*Parent Bank

**9.13. Risk management objectives and policies:**

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

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

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

Fair value hierarchy of the financial assets and liabilities of the Group carried at fair value according to the foregoing principles as of 31 December 2018 and 31 December 2017 are given in the table below:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	103,094	42,011	-	145,105
Forward transactions	-	30,919	-	30,919
Swap transactions	-	11,092	-	11,092
Government debt securities	30,097	-	-	30,097
Other marketable securities	72,997	-	-	72,997
Financial assets at fair value through other comprehensive income	6,204,420	-	-	6,204,420
Equity securities	27,548	-	-	27,548
Government debt securities	5,869,940	-	-	5,869,940
Other marketable securities	306,932	-	-	306,932
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	62,981	-	62,981
Forward transactions	-	22,126	-	22,126
Swap transactions	-	41,685	-	41,685
Financial liabilities held for cash flow hedges	-	106,352	-	106,352
<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading	61,535	26,699	-	88,234
Forward transactions	-	16,467	-	16,467
Swap transactions	-	10,232	-	10,232
Government debt securities	36,319	-	-	36,319
Other marketable securities	25,216	-	-	25,216
Available-for-sale financial assets	4,423,730	-	-	4,423,730
Equity securities	48,497	-	-	48,497
Government debt securities	4,103,448	-	-	4,103,448
Other marketable securities	271,785	-	-	271,785
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	80,697	-	80,697
Forward transactions	-	14,948	-	14,948
Swap transactions	-	65,749	-	65,749
Financial liabilities held for cash flow hedges	-	70,795	-	70,795

There are no transfers between Level 1 and Level 2 in the current year.

**10. Explanations on consolidated business segments**

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

In 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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

products. Domestic and foreign business opportunities are supported by using different corporate banking instruments to serve the sustainability of the production of entities.

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

In International Banking, in the scope of the aim of improvement of the foreign trade financing and long-term mutual financing agreements with foreign banks, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms which exceed certain limits are classified as "corporate" customers and directed to the Corporate Banking. The products offered to these customers are similar to the products of 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 issuing the Sukuk for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. In addition to monitoring foreign currency position and liquidity of the Bank, the Treasury 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.

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

<b>Current Period</b> <b>1 January 2018 – 31 December 2018</b>	<b>Retail and</b> <b>enterprise</b> <b>banking</b>	<b>Commercial</b> <b>banking</b>	<b>Corporate and</b> <b>international</b> <b>banking</b>	<b>Unallocated</b>	<b>Total</b> <b>operations of</b> <b>the Group</b>
Operating income	4,352,694	2,843,746	499,772	-	7,696,212
Operating expenses	3,186,982	1,367,772	490,173	1,604,594	6,649,521
Transfers between segments	2,305,206	(305,654)	(1,999,552)	-	-
<b>Net operating income(loss)</b>	<b>3,470,918</b>	<b>1,170,320</b>	<b>(1,989,953)</b>	<b>(1,604,594)</b>	<b>1,046,691</b>
Income from associates	-	-	-	7,715	7,715
<b>Income (loss) before tax</b>	<b>3,470,918</b>	<b>1,170,320</b>	<b>(1,989,953)</b>	<b>(1,596,879)</b>	<b>1,054,406</b>
Provision for taxation	-	-	-	243,699	243,699
<b>Net income for the period</b>	<b>3,470,918</b>	<b>1,170,320</b>	<b>(1,989,953)</b>	<b>(1,840,578)</b>	<b>810,707</b>
<b>Current Period</b> <b>31 December 2018</b>					
Segment assets	18,471,406	27,461,414	25,069,232	-	71,002,052
Associates, subsidiaries and joint Ventures	-	-	-	52,200	52,200
Undistributed assets	-	-	-	3,958,734	3,958,734
<b>Total assets</b>	<b>18,471,406</b>	<b>27,461,414</b>	<b>25,069,232</b>	<b>4,010,934</b>	<b>75,012,986</b>
Segment liabilities	43,086,534	11,972,999	12,218,027	-	67,277,560
Undistributed liabilities	-	-	-	2,315,892	2,315,892
Shareholders' equity	-	-	-	5,419,534	5,419,534
<b>Total liabilities</b>	<b>43,086,534</b>	<b>11,972,999</b>	<b>12,218,027</b>	<b>7,735,426</b>	<b>75,012,986</b>

<b>Current Period</b> <b>1 January 2017 – 31 December 2017</b>	<b>Retail and</b> <b>enterprise</b> <b>banking</b>	<b>Commercial</b> <b>banking</b>	<b>Corporate and</b> <b>international</b> <b>banking</b>	<b>Unallocated</b>	<b>Total</b> <b>operations of</b> <b>the Group</b>
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**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Operating income	3,276,503	1,209,587	262,124	-	4,748,214
Operating expenses	1,576,719	519,866	561,971	1,280,804	3,939,360
Transfers between segments	1,207,795	(271,476)	(936,319)	-	-
<b>Net operating income(loss)</b>	<b>2,907,579</b>	<b>418,245</b>	<b>(1,236,166)</b>	<b>(1,280,804)</b>	<b>808,854</b>
Income from associates	-	-	-	4,104	4,104
<b>Income (loss) before tax</b>	<b>2,907,579</b>	<b>418,245</b>	<b>(1,236,166)</b>	<b>(1,276,700)</b>	<b>812,958</b>
Provision for taxation	-	-	-	183,251	183,251
<b>Net income for the period</b>	<b>2,907,579</b>	<b>418,245</b>	<b>(1,236,166)</b>	<b>(1,459,951)</b>	<b>629,707</b>
<b>Current Period</b>					
<b>31 December 2017</b>					
Segment assets	17,955,408	20,095,632	17,743,947	-	55,794,987
Associates, subsidiaries and joint Ventures	-	-	-	43,085	43,085
Undistributed assets	-	-	-	1,726,630	1,726,630
<b>Total assets</b>	<b>17,955,408</b>	<b>20,095,632</b>	<b>17,743,947</b>	<b>1,769,715</b>	<b>57,564,702</b>
Segment liabilities	30,626,355	9,627,238	11,302,692	-	51,556,285
Undistributed liabilities	-	-	-	1,397,602	1,397,602
Shareholders' equity	-	-	-	4,610,815	4,610,815
<b>Total liabilities</b>	<b>30,626,355</b>	<b>9,627,238</b>	<b>11,302,692</b>	<b>6,008,417</b>	<b>57,564,702</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**1.1. Cash and balances with 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	491,059	1,524,450
The Central Bank of Republic of Turkey	692,050	6,947,252
Other (*)	-	957,110
<b>Total</b>	<b>1,183,109</b>	<b>9,428,812</b>
	Prior Period	
	TL	FC
Cash/foreign currency	366,164	1,025,763
The Central Bank of Republic of Turkey	255,738	6,468,109
Other (*)	3,120	905,825
<b>Total</b>	<b>625,022</b>	<b>8,399,697</b>

(\*) As of 31 December 2018, precious metal deposit account amounting to TL 957,110 (31 December 2017 - TL 693,239) is presented in this line.

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

	Current Period	
	TL	FC
Unrestricted demand deposit	677,230	53
Unrestricted time deposit	-	-
Restricted time deposit	14,820	6,947,199
<b>Total</b>	<b>692,050</b>	<b>6,947,252</b>
	Prior Period	
	TL	FC
Unrestricted demand deposit	254,185	38
Unrestricted time deposit	-	-
Restricted time deposit	1,553	6,468,071
<b>Total</b>	<b>255,738</b>	<b>6,468,109</b>

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Parent 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 31 December 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 31 December 2018 (31 December 2017: 4% and 24% for all foreign currency liabilities).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

As of 31 December 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 Derivative Financial Assets Held-for-Trading:

Derivative financial assets at fair value through profit and loss	Current Period	
	TL	FC
Forward transactions	29,120	1,799
Swap transactions	363	10,729
Futures transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>29,483</b>	<b>12,528</b>

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

**1.3. Information on Banks:**

**1.3.1. Information on Banks Account:**

	Current Period	
	TL	FC
Banks	12,858	6,884,069
Domestic	12,858	3,608,271
Foreign	-	3,275,798
Branches and head office abroad	-	-
<b>Total</b>	<b>12,858</b>	<b>6,884,069</b>

	Prior Period	
	TL	FC
Banks	8,619	3,563,455
Domestic	8,505	2,413,931
Foreign	114	1,149,524
Branches and head office abroad	-	-
<b>Total</b>	<b>8,619</b>	<b>3,563,455</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**1.3.2. Information on foreign bank accounts:**

	<b>Current Period</b>	
	<b>Unrestricted Amount</b>	<b>Restricted Amount</b>
EU Countries	1,639,665	-
USA and Canada	1,344,351	-
OECD Countries (*)	13,458	-
Off-shore Banking Regions	567	-
Other	277,757	-
<b>Total</b>	<b>3,275,798</b>	<b>-</b>
	<b>Prior Period</b>	
	<b>Unrestricted Amount</b>	<b>Restricted Amount</b>
EU Countries	645,819	-
USA and Canada	455,757	-
OECD Countries (*)	13,107	-
Off-shore Banking Regions	945	-
Other	34,010	-
<b>Total</b>	<b>1,149,638</b>	<b>-</b>

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

**1.4. Financial assets at fair value through other comprehensive income:**

	<b>Current Period</b>	
Debt Securities	6,240,372	
Quoted on stock exchange	6,240,372	
Not quoted on stock exchange	-	
Share certificates	128,489	
Quoted on stock exchange	60,764	
Not quoted on stock exchange	67,725	
Impairment provision (-)	(164,441)	
<b>Total</b>	<b>6,204,420</b>	
	<b>Prior Period</b>	
Debt Securities	4,289,387	
Quoted on stock exchange	4,289,387	
Not quoted on stock exchange	-	
Share certificates	174,134	
Quoted on stock exchange	124,923	
Not quoted on stock exchange	49,211	
Impairment provision (-)	(39,791)	
<b>Total</b>	<b>4,423,730</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**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	1,034	398
Corporate shareholders	-	398
Real person shareholders	1,034	-
Indirect loans granted to shareholders	204,988	520
Loans granted to employees	16,311	6
<b>Total</b>	<b>222,333</b>	<b>924</b>

  

	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
<b>Total</b>	<b>170,088</b>	<b>1,706</b>

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

Current Period Cash Loans(*)	Performing Loans	Loans Under Close Monitoring		
		Loans which are not covered by restructuring	Loans with Revised Contract Terms	
			Loans and Receivables with Revised Contract Terms	Refinancing
<b>Loans</b>	<b>43,152,970</b>	<b>3,722,571</b>	<b>731,716</b>	<b>-</b>
Export Loans	26,872	506	2	-
Import Loans	1,867,353	81,466	-	-
Enterprise Loans	22,876,217	3,034,533	710,335	-
Consumer Loans	6,603,831	225,107	3,883	-
Credit Cards	746,845	46,666	16,975	-
Loans Given to Financial Sector	5,314,217	-	-	-
Other	5,717,635	334,293	521	-
Other Receivables	5,432	110,414	807	-
<b>Total</b>	<b>43,158,402</b>	<b>3,832,985</b>	<b>732,523</b>	<b>-</b>

(\*) Receivables from Leasing Transactions are included.

Cash Loans	Prior Period		Loans and Other Receivables under Close Monitoring			
	Performing Loans and Other Receivables		Loans and Other Receivables		Loans and Receivables with Revised Contract Terms	
	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
<b>Loans</b>	<b>35,390,714</b>	<b>632,516</b>	<b>1,159,692</b>	<b>653,608</b>	<b>-</b>	<b>-</b>
Financing commodity against document	-	-	-	-	-	-
Exports Loan	43,351	16	603	-	-	-
Imports Loans	1,687,948	-	168	-	-	-
Enterprise Loans	22,529,634	610,366	836,171	550,430	-	-
Consumer Loans	6,636,210	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	209,358	4,148	60,611	56,734	-	-
Other	2,446,989	-	42,140	-	-	-
<b>Other Receivables</b>	<b>7,045</b>	<b>-</b>	<b>757</b>	<b>-</b>	<b>-</b>	<b>-</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>Total</b>	<b>35,397,759</b>	<b>632,516</b>	<b>-</b>	<b>1,160,449</b>	<b>653,608</b>	<b>-</b>
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<b>Current Period</b>	<b>Performing Loans</b>	<b>Loans and other receivables under close monitoring</b>
12 Month Expected Credit Losses	444,191	-
Significant Increase in Credit Risk	-	655,489

	<b>Prior Period</b>
<b>General Provisions</b>	<b>407,954</b>
<b>I. For Loans and Receivables in Group I (Total)</b>	<b>332,145</b>
Profit Sharing Accounts' Share	116,559
The Bank's Share	215,586
Other	-
<b>I. Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>-</b>
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
<b>II. Loans and Receivables in Group II (Total)</b>	<b>22,318</b>
Profit Sharing Accounts' Share	10,983
The Bank's Share	11,335
Other	-
<b>II. Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>-</b>
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
<b>Provisions for Non-Cash Loans</b>	<b>25,422</b>
Other	28,069

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

	Performing Loans	Loans under Close Monitoring	
		Loans without Revised Contract Terms	Loans with Revised Contract Terms
<b>Cash Loans (*)</b>			
Short-term Loans	13,090,222	795,138	56,300
Medium and Long-term Loans (**)	30,068,180	3,037,847	676,223
<b>Total</b>	<b>43,158,402</b>	<b>3,832,985</b>	<b>732,523</b>

(\*)Leasing receivables are included.

<b>Prior Period</b>	<b>Performing Loans and Other Receivables</b>		<b>Loans and other receivables under Follow-Up</b>	
	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Cash Loans</b>				
Short-term loans and other receivables	8,833,779	15,623	36,151	10,748
Loans	8,826,734	15,623	35,394	10,748
Other receivables	7,045	-	757	-
Medium and long-term loans and other receivables (*)	25,931,464	616,893	470,690	642,860
Loans	25,931,464	616,893	470,690	642,860
Other receivables	-	-	-	-
<b>Total</b>	<b>34,765,243</b>	<b>632,516</b>	<b>506,841</b>	<b>653,608</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

1.5.4. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards:

<b>Current Period</b>	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
<b>Consumer loans – TL</b>	<b>73,283</b>	<b>6,511,422</b>	<b>6,584,705</b>
Housing loans	20,865	5,729,170	5,750,035
Vehicle loans	30,836	480,515	511,351
Consumer loans	19,859	181,876	201,735
Other	1,723	119,861	121,584
<b>Consumer Loans-FC Indexed</b>	-	<b>38</b>	<b>38</b>
Housing loans	-	38	38
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	<b>237,380</b>	<b>237,380</b>
Housing Loans	-	169,628	169,628
Vehicle Loans	-	118	118
Consumer Loans	-	57,746	57,746
Other	-	9,888	9,888
<b>Retail Credit Cards-TL</b>	<b>345,849</b>	<b>75</b>	<b>345,924</b>
With Installment	66,190	75	66,265
Without Installment	279,659	-	279,659
<b>Retail Credit Cards-FC</b>	<b>273</b>	-	<b>273</b>
With Installment	273	-	273
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,133</b>	<b>9,565</b>	<b>10,698</b>
Housing Loans	-	1,096	1,096
Vehicle Loans	340	4,712	5,052
Consumer Loans	791	3,757	4,548
Other	2	-	2
<b>Personnel Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>8,779</b>	<b>70</b>	<b>8,849</b>
With Installment	3,306	70	3,376
Without Installment	5,473	-	5,473
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>429,317</b>	<b>6,758,550</b>	<b>7,187,867</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>57,159</b>	<b>6,583,441</b>	<b>6,640,600</b>
Housing Loans	13,722	5,883,855	5,897,577
Vehicle Loans	15,072	379,081	394,153
Consumer Loans	21,920	182,143	204,063
Other	6,445	138,362	144,807
<b>Consumer Loans-FC Indexed</b>	-	<b>1,604</b>	<b>1,604</b>
Housing Loans	-	1,604	1,604
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	<b>195,065</b>	<b>195,065</b>
Housing Loans	-	116,388	116,388
Vehicle Loans	-	8,148	8,148
Consumer Loans	-	44,893	44,893
Other	-	25,636	25,636
<b>Retail Credit Cards-TL</b>	<b>259,700</b>	<b>119</b>	<b>259,819</b>
With Installment	50,251	119	50,370
Without Installment	209,449	-	209,449
<b>Retail Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,467</b>	<b>10,222</b>	<b>11,689</b>
Housing Loans	-	1,097	1,097
Vehicle Loans	258	4,665	4,923
Consumer Loans	1,207	4,460	5,667
Other	2	-	2
<b>Personnel Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>10,151</b>	<b>51</b>	<b>10,202</b>
With Installment	3,124	51	3,175
Without Installment	7,027	-	7,027
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>328,477</b>	<b>6,790,502</b>	<b>7,118,979</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

1.5.5 Information on commercial installment loans and corporate credit cards:

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>255,142</b>	<b>4,395,428</b>	<b>4,650,570</b>
Business Loans	19,741	1,226,572	1,246,313
Vehicle Loans	191,863	1,615,884	1,807,747
Consumer Loans	43,538	1,552,971	1,596,509
Other	-	1	1
<b>Commercial Installment Loans-FC Indexed</b>	<b>14,884</b>	<b>1,559,774</b>	<b>1,574,658</b>
Business Loans	11,441	372,631	384,072
Vehicle Loans	3,112	245,751	248,863
Consumer Loans	331	941,392	941,723
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>49,128</b>	<b>1,207,390</b>	<b>1,256,518</b>
Business Loans	44,911	832,342	877,253
Vehicle Loans	4,217	111,545	115,762
Consumer Loans	-	-	-
Other	-	263,503	263,503
<b>Corporate Credit Cards-TL</b>	<b>455,440</b>	<b>-</b>	<b>455,440</b>
With Installment	160,745	-	160,745
Without Installment	294,695	-	294,695
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>774,594</b>	<b>7,162,592</b>	<b>7,937,186</b>
<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>203,320</b>	<b>4,618,220</b>	<b>4,821,540</b>
Business Loans	7,379	1,237,846	1,245,225
Vehicle Loans	134,318	1,517,461	1,651,779
Consumer Loans	61,623	1,862,838	1,924,461
Other	-	75	75
<b>Commercial Installment Loans-FC Indexed</b>	<b>27,462</b>	<b>1,644,797</b>	<b>1,672,259</b>
Business Loans	14,998	339,825	354,823
Vehicle Loans	9,581	374,138	383,719
Consumer Loans	2,883	923,133	926,016
Other	-	7,701	7,701
<b>Commercial Installment Loans-FC</b>	<b>28,632</b>	<b>595,549</b>	<b>624,181</b>
Business Loans	28,632	397,096	425,728
Vehicle Loans	-	37,664	37,664
Consumer Loans	-	-	-
Other	-	160,789	160,789
<b>Corporate Credit Cards-TL</b>	<b>292,685</b>	<b>-</b>	<b>292,685</b>
With Installment	106,201	-	106,201
Without Installment	186,484	-	186,484
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>552,099</b>	<b>6,858,566</b>	<b>7,410,665</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

1.5.6. Breakdown of public and private loans:

	<b>Current period</b>
Public	75,479
Private	45,197,732
<b>Toplam</b>	<b>45,273,211</b>
	<b>Prior period</b>
Public	17,136
Private	36,541,072
<b>Toplam</b>	<b>36,558,208</b>

1.5.7. Breakdown of domestic and foreign loans:

	<b>Current period</b>
Domestic Loans	44,934,188
Foreign Loans	339,023
<b>Total</b>	<b>45,273,211</b>
	<b>Prior period</b>
Domestic Loans	36,288,239
Foreign Loans	269,969
<b>Total</b>	<b>36,558,208</b>

1.5.8. Loans granted to subsidiaries and associates:

	<b>Current period</b>
Loans Granted Directly To Subsidiaries And Associates (*)	35
Loans Granted Indirectly To Subsidiaries And Associates	-
<b>Total</b>	<b>35</b>
	<b>Prior period</b>
Loans Granted Directly To Subsidiaries And Associates (*)	19
Loans Granted Indirectly To Subsidiaries And Associates	-
<b>Total</b>	<b>19</b>

(\*) Among the amounts stated above, the Group's loans granted directly to subsidiaries and associates are presented in the "Banks" line of the attached financial statements.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

1.5.9. Specific provisions for loans:

	<b>Current period</b>
Specific provisions	
Loans And Receivables With Limited Collectability	89,643
Loans And Receivables With Doubtful Collectability	243,531
Uncollectible Loans And Receivables	508,753
<b>Total</b>	<b>841,927</b>
	<b>Prior period</b>
Specific Provisions	
Loans And Receivables With Limited Collectability	145,827
Loans And Receivables With Doubtful Collectability	97,155
Uncollectible Loans And Receivables	424,786
<b>Total</b>	<b>667,768</b>

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

1.5.10.1. Information on non-performing loans and other receivables restructured or rescheduled:

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>			
(Gross amounts before special provisions)			
Restructured loans and other receivables	-	58,870	-
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before special provisions)			
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
<b>Ending Balance Of Prior Period 31.12.2017</b>	<b>158,589</b>	<b>117,234</b>	<b>439,237</b>
Additions In The Current Period (+)	322,009	271,152	291,716
Transfers From Other Categories Of Non-Performing Loans(+)	-	260,125	298,008
Transfers To Other Categories Of Non-Performing Loans (-)	259,090	299,043	-
Collections In The Current Period (-)	78,879	38,948	193,128
Write Offs (-)	-	-	103,142
<b>Sold Portfolio (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Corporate And Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending Balance Of The Current Period</b>	<b>142,629</b>	<b>310,520</b>	<b>732,691</b>
Specific Provisions (-)	89,643	243,531	508,753
<b>Net Balance at the Balance Sheet</b>	<b>52,986</b>	<b>66,989</b>	<b>223,938</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period</b>			
Ending Balance Of The Current Period	19,793	-	6,073
(Specific Provision)	(2,547)	-	(871)
<b>Prior period</b>			
Ending Balance Of The Prior Period	-	-	930
(Specific Provision)	-	-	(821)

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current Period (Net)</b>	<b>52,986</b>	<b>66,989</b>	<b>223,938</b>
Loans Granted To Real Persons And Legal Entities (Gross)	142,629	310,520	732,691
Specific Provision (-)	89,643	243,531	508,753
<b>Loans To Real Persons And Legal Entities (Net)</b>	<b>52,986</b>	<b>66,989</b>	<b>223,938</b>
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans And Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans And Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>12,762</b>	<b>20,079</b>	<b>14,451</b>
Loans To Real Persons And Legal Entities (Gross)	158,589	117,234	439,237
Specific Provision (-)	145,827	97,155	424,786
<b>Loans To Real Persons And Legal Entities (Net)</b>	<b>12,762</b>	<b>20,079</b>	<b>14,451</b>
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans And Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans And Receivables (Net)	-	-	-

The Parent Bank holds collaterals like mortgage pledge, customer cheques and other collaterals for non-performing loans.

1.5.10.5. The aging analysis of financial assets that are past due but not impaired by class of financial instruments is as follows:

	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
<b>Current period</b>					
Loans and receivables					
Corporate loans	2,835,639	639,881	608,330	-	4,083,850
Consumer loans	16,015	129,499	83,460	-	228,974
Credit cards	40,369	14,395	8,877	-	63,641
<b>Total</b>	<b>2,892,023</b>	<b>783,775</b>	<b>700,667</b>	<b>-</b>	<b>4,376,465</b>
<b>Prior period</b>					
Loans and receivables					
Corporate loans	683,540	137,828	119,108	-	940,476
Consumer loans	38,107	132,728	41,889	-	212,724
Credit cards	4,764	1,736	749	-	7,249
<b>Total</b>	<b>726,411</b>	<b>272,292</b>	<b>161,746</b>	<b>-</b>	<b>1,160,449</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>	<b>6,119</b>	<b>5,287</b>	<b>5,133</b>
Profit Share Accruals Discount And Valuation Differences	10,207	10,092	15,643
Provision (-)	4,088	4,805	10,510

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

Loans and other receivables, which were deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off as per the decision of the Parent Bank top management. Within 2018, non-performing loans amounting to TL 103,142 have been written-off (31 December 2017 – TL 461,353).

1.5.12. Information on write-off policy

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

1.6. Information on financial assets measured at amortised cost:

	<b>Current period</b>
Value at the Beginning of the Period	
Foreign Exchange Differences in Monetary Assets	-
Purchases within the year	37,156
Disposals through sales and redemptions	-
Impairment Provision (-)	-
<b>End of Period Total</b>	<b>37,156</b>
	<b>Prior period</b>
Value at the Beginning of the Period	
Foreign Exchange Differences in Monetary Assets	-
Purchases within the year	-
Disposals through sales and redemptions	-
Impairment Provision (-)	-
<b>End of Period Total</b>	<b>-</b>

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 7,055 (31 December 2017 – TL 7,149) are classified as financial assets at fair value through other comprehensive income since the Group's ownership in these entities is less than 10% and does not have a significant influence on these entities.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

1.8.2. Information on subsidiaries:

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.	Istanbul/Turkey	75.00%	97.61%
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	100%	100%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	100%	100%
KT Bank AG (*)	Frankfurt/Germany	100%	100%
Architech Bilgi Sistemleri ve Pazarlama Tic A.Ş (**)	Istanbul/Turkey	100%	100%
KT Sukuk Company Limited (***)	George Town/ Cayman Islands	100%	100%

Information on subsidiaries according to the order of 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
28,121	27,617	-	-	-	(4,710)	3,669	-
108,177	100,447	34,337	-	-	4,657	10,509	-
126,869	499	-	-	-	284	61	-
8,288,212	179	-	-	-	72	13	-
2,234,662	555,308	71,058	-	-	(3,330)	(33,923)	-
58,434	165,713	2,829	-	-	9,886	4,356	-
1,865,128	1	-	-	-	-	-	-

(\*) As at 31 December 2018, financial statements for this entity are prepared based on the local regulations of the country in which this entity operates.

(\*\*) These figures in the financial statements as at 31 December 2018 are prepared as per Turkish Commercial Law.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Movement regarding the subsidiaries

	<b>Current period</b>
	<b>31.12.2018</b>
<b>Balance At The Beginning Of The Year</b>	<b>23,680</b>
Movements During The Year	-
Purchases	-
Transfers From Subsidiaries (net)	-
Bonus Shares	-
Dividends From Current Year Income	-
Sales	-
Revaluation Increase (*)	-
Provisions for impairment	-
Capital Commitment Payments	-
<b>Balance At The End Of The Year</b>	<b>23,680</b>
Capital Commitments	-
Share Percentage At The End Of The Year (%)	-
	<b>Prior period</b>
	<b>31.12.2017</b>
<b>Balance At The Beginning Of The Year</b>	<b>23,680</b>
Movements During The Year	-
Purchases	-
Transfers From Subsidiaries (net)	-
Bonus Shares	-
Dividends From Current Year Income	-
Sales	-
Revaluation Increase	-
Impairment	-
Capital Commitment Payments	-
<b>Balance At The End Of The Year</b>	<b>23,680</b>
Capital Commitments	-
Share Percentage At The End Of The Year (%)	-

(\*) The Parent 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 Parent 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 Parent Bank monitors its subsidiary as a joint venture.

Consolidated subsidiaries quoted on stock exchange:

	<b>Current period</b>
Quoted to Domestic Stock Exchanges	53,415
Quoted to International Stock Exchanges	-
<b>Total</b>	<b>53,415</b>
	<b>Prior period</b>
Quoted to Domestic Stock Exchanges	50,173
Quoted to International Stock Exchanges	-
<b>Total</b>	<b>50,173</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

1.8.3. Information on the consolidated subsidiaries:

Title	Address (City/Country)	Parent Bank's share percentage, if different-voting percentage (%)	Parent Bank's risk group share percentage (%)
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	100.00%	100.00%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	100.00%	100.00%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	75.00%	97.61%
KT Bank AG (*)	Frankfurt/Germany	100.00%	100.00%
KT Sukuk Company Limited (**)	GeorgeTown/ Cayman Islands	100.00%	100.00%

(\*) As of 30 September 2018, the financial statements are prepared based on the local regulations of the country in which this entity operates.

(\*\*) KT Sukuk Varlık Kiralama A.Ş. ("Special Purpose Entity"), which had 100% control power established for the issuance of Islamic Bond ("Sukuk") on 24 August 2010 in the absence of a subsidiary of the Parent Bank has been included in the scope of the consolidation.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period
Banks	445,755
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	53,515
	<b>Prior period</b>
Banks	293,694
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	60,273

Consolidated subsidiaries that are quoted on the stock exchange: None (31 December 2017 - None).

1.8.4. Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of December 31, 2018 was EUR 84,042,977 and the capital adequacy ratio was 32,46%.

1.8.5. Reasons for consolidation of the consolidated subsidiaries and the methods used in the accounting of these subsidiaries:

The entities that are not subject to the consolidation as they are not financial subsidiary, are accounted at their cost value less impairment, if any.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

	Share of the Parent Bank	Total Asset	Equity	Total Fixed Asset	Current Period Profit/Loss	Previous Period Profit/Loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	1,672,519	40,000	7,633	14,497	7,883
KT Portföy Yönetimi A.Ş. (*) (***)	50%	8,082	6,784	114	431	(1,221)

(\*) Figures in the legal financial statements as at 31 December 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. Parent 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", with 895027 registry number dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

(\*\*\*) The Parent 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 Parent 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 Parent 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	1,674,227	1,307,276
1 to 4 years	910,320	854,221
More than 4 years	297,345	289,202
<b>Total</b>	<b>2,881,892</b>	<b>2,450,699</b>
	Prior period	
	Gross	Net
Less than 1 year	1,601,249	1,325,209
1 to 4 years	615,546	583,034
More than 4 years	178,945	172,487
<b>Total</b>	<b>2,395,740</b>	<b>2,080,730</b>

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

	Current period
Gross Receivable From Finance Leases	2,881,892
Unearned Finance Lease Income (-)	(431,193)
Cancelled Finance Lease Income (-)	-
<b>Net Receivable From Finance Leases</b>	<b>2,450,699</b>
	Prior period
Gross Receivable From Finance Leases	2,395,740
Unearned Finance Lease Income (-)	(315,010)
Cancelled Finance Lease Income (-)	-
<b>Net Receivable From Finance Leases</b>	<b>2,080,730</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

The Parent Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Parent 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 Group 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 9,493 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).

**1.12. Explanations on Tangible Assets (Net)**

Current period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>At End of Prior Period: 31 December 2017</b>					
Cost	234,653	7,957	1,819	390,255	634,684
Accumulated Depreciation (-)	32,575	2,812	788	182,460	218,635
Net Book Value	202,078	5,145	1,031	207,795	416,049
<b>At End of Current Period: 31 December 2018</b>					
Net book value at beginning of period	202,078	5,145	1,031	207,795	416,049
Additions	529	-	45,410	19,797	65,736
Disposals (-)	-	-	-	-	-
Transfers to assets held for sale (-)	-	-	-	1,208	1,208
Transfer from assets held for sale	-	-	-	40,170	40,170
Impairment of Impairment Losses (-)	-	-	-	-	-
Depreciation Expense (-)	(10,252)	804	333	72,675	63,560
Net FX Diff. from subsidiaries abr. (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of the period	235,182	7,957	47,229	449,014	739,382
Accumulated depreciation at the end of period (-)	22,323	3,616	1,121	255,135	282,195
<b>Closing Net Book Value</b>	<b>212,859</b>	<b>4,341</b>	<b>46,108</b>	<b>193,879</b>	<b>457,187</b>

Prior Period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>At End of Prior Period: 31 December 2017</b>					
Cost	259,427	7,694	795	312,144	580,060
Accumulated Depreciation (-)	26,936	2,042	680	134,832	164,490
Net Book Value	232,491	5,652	115	177,312	415,570
<b>At End of Current Period: 31 December 2018</b>					
Net book value at beginning of period	232,491	5,652	115	177,312	415,570
Additions	1,684	263	1,024	78,111	81,082
Disposals (-)	26,458	-	-	-	26,458
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment of Impairment Losses (-)	-	-	-	-	-
Depreciation Expense (-)	5,639	770	108	47,628	54,145
Net FX Diff. from subsidiaries abr. (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of the period	234,653	7,957	1,819	390,255	634,684
Accumulated depreciation at the end of the period (-)	32,575	2,812	788	182,460	218,635
<b>Closing Net Book Value</b>	<b>202,078</b>	<b>5,145</b>	<b>1,031</b>	<b>207,795</b>	<b>416,049</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**1.13. Explanations on Intangible Assets:**

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

	<b>Current Period</b>
Cost	342,421
Accumulated Amortization	(141,656)
<b>Total (net)</b>	<b>200,765</b>
	<b>Prior Period</b>
Cost	290,608
Accumulated Amortization	(121,643)
<b>Total (net)</b>	<b>168,965</b>

**1.13.2. Movements of intangible assets**

	<b>Current Period</b>
Opening balance	168,965
Additions	118,036
Disposals (-), net	22,648
Depreciation amount (-)	63,588
<b>Closing net book value</b>	<b>200,765</b>
	<b>Prior Period</b>
Opening balance	158,757
Additions	42,893
Disposals (-), net	1,928
Depreciation amount (-)	30,757
<b>Closing net book value</b>	<b>168,965</b>

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

**1.14. Explanations on investment property:**

	<b>Current Period</b>
Opening balance	25,419
Additions (*)	4,410
Disposals (-), net	-
Depreciation amount (-)	158
<b>Closing net book value</b>	<b>29,671</b>
	<b>Prior Period</b>
Opening balance	-
Additions	25,577
Disposals (-), net	-
Depreciation amount (-)	158
<b>Closing net book value</b>	<b>25,419</b>

The fair value of the investment property is TL 30,900 and the level is classified as Level 2 in the fair value hierarchy.

(\*) It refers to the transfer amount from inventories to investment properties.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

In accordance with the related regulations deferred tax asset calculated as of 31 December 2018 is TL 396,139 (31 December 2017 – TL 157,245) and deferred tax liability is TL 15,456 (31 December 2017 – TL 18,535).

	<b>Current period</b>
Reserve For Employee Benefits	31,297
Retirement Pay Liability	17,412
Deferred Income	55,507
Accruals of derivative financial instruments (net)	30,080
TFRS 9 Provisions	192,935
Precious Metals Valuation Difference	2,031
Carry Forward Financial Losses	34,043
Other	32,834
<b>Deferred Tax Asset</b>	<b>396,139</b>
Difference Between Carrying Value And Tax Base Of Tangible Assets	(7,293)
Revaluation difference of financial assets at fair value through other comprehensive income	(3,691)
Other	(4,472)
<b>Deferred Tax Liability</b>	<b>(15,456)</b>
<b>Deferred Tax Asset, (Net)</b>	<b>380,683</b>
	<b>Prior period</b>
Reserve For Employee Benefits	20,197
Retirement Pay Liability	16,788
Deferred Income	46,597
Accruals of derivative financial instruments (net)	26,181
Impairment provision for subsidiaries, fixed assets and assets held for sale	36,436
Other	11,046
<b>Deferred tax asset</b>	<b>157,245</b>
Difference Between Carrying Value And Tax Base Of Tangible Assets	(10,044)
Valuation difference for available-for-sale financial assets	(3,556)
Precious metals valuation difference	(652)
Other	(4,283)
<b>Deferred Tax Liability</b>	<b>(18,535)</b>
<b>Deferred Tax Asset, (Net)</b>	<b>138,710</b>

**Table of deferred tax asset movement:**

	<b>Current period</b>
As of 1 January	138,710
Deferred Tax (Expense)/Income	210,534
Deferred Tax Accounted Under Equity	40,426
TFRS 9 Opening Effect	(8,987)
<b>Deferred Tax Asset</b>	<b>380,683</b>
	<b>Prior period</b>
As of 1 January	118,111
Deferred Tax (Expense)/Income	14,403
Deferred Tax Accounted Under Equity	6,196
<b>Deferred Tax Asset</b>	<b>138,710</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

The Group has accounted its assets and assets with their fair value less cost to sell.

	<b>Current period</b>
Opening balance	117,006
Additions	203,974
Transfer from tangible assets	1,208
Disposals (-), net	11,636
Transfer to tangible assets (-)	40,170
Depreciation amount (-)	-
Impairment losses provision (-)	-
<b>Closing net book value</b>	<b>270,382</b>
	<b>Prior period</b>
Opening balance	47,975
Additions	30,957
Transfer from tangible assets	38,853
Disposals (-), net	779
Transfer to tangible assets (-)	-
Depreciation amount (-)	-
Impairment losses provision (-)	-
<b>Closing net book value</b>	<b>117,006</b>

**1.17. Information on other assets:**

As of balance sheet date, the Group's other assets amount to TL 2,890,428 (31 December 2017 – TL 860,481). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**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	1 year Accumulated and profit sharing accounts								Total
	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and profit sharing over	accounts	
<b>I. Real Persons Current Accounts-TL</b>	<b>4,753,832</b>	-	-	-	-	-	-	-	<b>4,753,832</b>
<b>ii. Real Persons Profit Sharing Accounts TL</b>	-	<b>4,802,842</b>	<b>7,316,485</b>	<b>424,115</b>	-	<b>229,178</b>	<b>266,378</b>	<b>17,002</b>	<b>13,056,000</b>
<b>iii. Other Current Accounts-TL</b>	<b>3,088,382</b>	-	-	-	-	-	-	-	<b>3,088,382</b>
Public Sector	186,809	-	-	-	-	-	-	-	186,809
Commercial Sector	2,847,456	-	-	-	-	-	-	-	2,847,456
Other Institutions	46,276	-	-	-	-	-	-	-	46,276
Commercial And Other Institutions	-	-	-	-	-	-	-	-	-
Banks And Participation Banks	7,841	-	-	-	-	-	-	-	7,841
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	7,708	-	-	-	-	-	-	-	7,708
Participation Banks	133	-	-	-	-	-	-	-	133
Others	-	-	-	-	-	-	-	-	-
<b>iv. Profit Sharing Accounts-TL</b>	-	<b>423,645</b>	<b>761,309</b>	<b>112,589</b>	-	<b>246,581</b>	<b>74,182</b>	-	<b>1,618,306</b>
Public Sector	-	146	2,285	-	-	1,388	-	-	3,819
Commercial Sector	-	380,225	698,953	102,196	-	233,421	72,119	-	1,486,914
Other Institutions	-	43,258	60,055	10,342	-	11,763	1,859	-	127,277
Commercial And Other Institutions	-	16	-	51	-	8	204	-	279
Banks And Participation Banks	-	-	16	-	-	1	-	-	17
<b>V. Real Persons Current Accounts-FC</b>	<b>8,316,910</b>	-	-	-	-	-	-	-	<b>8,316,910</b>
<b>vi. Real Persons Profit Sharing Accounts-FC</b>	-	<b>3,932,410</b>	<b>6,126,127</b>	<b>1,066,450</b>	-	<b>699,639</b>	<b>467,103</b>	<b>993</b>	<b>12,292,722</b>
<b>vii. Other Current Accounts-FC</b>	<b>3,986,544</b>	-	-	-	-	-	-	-	<b>3,986,544</b>
Commercial Residents In Turkey	3,254,669	-	-	-	-	-	-	-	3,254,669
Commercial Residents In Abroad	635,513	-	-	-	-	-	-	-	635,513
Banks And Participation Banks	96,362	-	-	-	-	-	-	-	96,362
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	96,257	-	-	-	-	-	-	-	96,257
Participation Banks	105	-	-	-	-	-	-	-	105
Others	-	-	-	-	-	-	-	-	-
<b>viii. Profit Sharing Accounts- FC</b>	-	<b>443,390</b>	<b>2,185,823</b>	<b>237,578</b>	-	<b>86,543</b>	<b>73,106</b>	<b>363</b>	<b>3,026,803</b>
Public Sector	-	39	3	-	-	-	-	-	42
Commercial Sector	-	409,203	2,018,221	232,632	-	86,417	73,020	363	2,819,856
Other Institutions	-	16,693	68,699	106	-	103	-	-	85,601
Commercial And Other Institutions	-	17,448	71,143	4,840	-	23	-	-	93,454
Banks And Participation Banks	-	7	27,757	-	-	-	86	-	27,850
<b>ix. Precious Metal Funds</b>	<b>2,588,233</b>	<b>1,020,239</b>	<b>1,205,711</b>	<b>212,397</b>	-	<b>61,746</b>	<b>2,174</b>	<b>19</b>	<b>5,090,519</b>
<b>X. Profit Sharing Accounts Special Funds – TL</b>	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Xi. Profit Sharing Accounts Special Funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22,733,901</b>	<b>10,622,526</b>	<b>17,595,455</b>	<b>2,053,129</b>	-	<b>1,323,687</b>	<b>882,943</b>	<b>18,377</b>	<b>55,230,018</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real Persons Current Accounts-TL</b>	<b>4,089,584</b>	-	-	-	-	-	-	-	<b>4,089,584</b>
<b>ii. Real Persons Profit Sharing Accounts-TL</b>	-	<b>3,920,064</b>	<b>6,325,033</b>	<b>449,754</b>	-	<b>245,635</b>	<b>194,490</b>	-	<b>11,134,976</b>
<b>iii. Other Current Accounts-TL</b>	<b>2,892,984</b>	-	-	-	-	-	-	-	<b>2,892,984</b>
Public Sector	70,537	-	-	-	-	-	-	-	70,537
Commercial Sector	2,775,649	-	-	-	-	-	-	-	2,775,649
Other Institutions	42,423	-	-	-	-	-	-	-	42,423
Commercial And Other Institutions	-	-	-	-	-	-	-	-	-
Banks And Participation Banks	4,375	-	-	-	-	-	-	-	4,375
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	3,875	-	-	-	-	-	-	-	3,875
Participation Banks	500	-	-	-	-	-	-	-	500
Others	-	-	-	-	-	-	-	-	-
<b>iv. Profit Sharing Accounts-TL</b>	-	<b>421,907</b>	<b>960,907</b>	<b>131,032</b>	-	<b>193,737</b>	<b>126,429</b>	-	<b>1,834,012</b>
Public Sector	-	108	34,391	-	-	29	-	-	34,528
Commercial Sector	-	394,722	852,072	122,025	-	187,200	124,735	-	1,680,754
Other Institutions	-	27,062	74,334	9,007	-	6,505	1,694	-	118,602
Commercial And Other Institutions	-	15	96	-	-	3	-	-	114
Banks And Participation Banks	-	-	14	-	-	-	-	-	14
<b>V. Real Persons Current Accounts-FC</b>	<b>5,006,983</b>	-	-	-	-	-	-	-	<b>5,006,983</b>
<b>vi. Real Persons Profit Sharing Accounts-FC</b>	-	<b>2,406,130</b>	<b>4,048,379</b>	<b>857,533</b>	-	<b>426,661</b>	<b>229,940</b>	-	<b>7,968,643</b>
<b>vii. Other Current Accounts-FC</b>	<b>2,824,367</b>	-	-	-	-	-	-	-	<b>2,824,367</b>
Commercial Residents In Turkey	2,444,177	-	-	-	-	-	-	-	2,444,177
Commercial Residents In Abroad	288,612	-	-	-	-	-	-	-	288,612
Banks And Participation Banks	91,578	-	-	-	-	-	-	-	91,578
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	91,578	-	-	-	-	-	-	-	91,578
Participation Banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>viii. Profit Sharing Accounts- FC</b>	-	<b>336,381</b>	<b>941,748</b>	<b>83,056</b>	-	<b>166,331</b>	<b>55,867</b>	-	<b>1,583,383</b>
Public Sector	-	5	47	-	-	-	-	-	52
Commercial Sector	-	281,489	868,374	62,970	-	165,324	55,781	-	1,433,938
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	8,367	-	-	-	86	-	8,458
<b>ix. Precious Metal Funds</b>	<b>1,478,006</b>	<b>270,606</b>	<b>1,038,247</b>	<b>87,510</b>	-	<b>45,658</b>	<b>4</b>	-	<b>2,920,031</b>
<b>X. Profit Sharing Accounts Special Funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>xi. Profit Sharing Accounts Special Funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16,291,924</b>	<b>7,355,088</b>	<b>13,314,314</b>	<b>1,608,885</b>	-	<b>1,078,022</b>	<b>606,730</b>	-	<b>40,254,963</b>

The Group does not have cumulative participation accounts with 7 days notice.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

	<b>Under The Guarantee Of Saving Deposit Insurance</b>	<b>Exceeding The Limit Of Saving Deposit</b>
	<b>Current Period</b>	<b>Current Period</b>
Real Persons Current And Profit Sharing Accounts That Are Not Subject To Commercial Activities		
TL Accounts	10,848,810	6,836,543
FC Accounts	8,572,475	15,911,931
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-
Off-Shore Banking Regions' Under Foreign Authorities' Insurance	-	-

	<b>Under The Guarantee Of Saving Deposit Insurance</b>	<b>Exceeding The Limit Of Saving Deposit</b>
	<b>Prior Period</b>	<b>Prior Period</b>
Real Persons Current And Profit Sharing Accounts That Are Not Subject To Commercial Activities		
TL Accounts	9,730,510	5,440,996
FC Accounts	5,804,410	9,535,405
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-
Off-Shore Banking Regions' Under Foreign Authorities' Insurance	-	-

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

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

The headquarters of the Parent Bank is in Turkey.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

	<b>Current period</b>	
Foreign Branches' Profit Sharing Accounts And Other Accounts		-
Profit Sharing Accounts And Other Accounts Of Controlling Shareholders And Profit Sharing Accounts Of Their Mother, Father, Spouse, Children In Care		-
Profit Sharing Account And Other Accounts Of President And Members Of Board Of Directors, CEO And Vice Presidents And Profit Sharing Accounts Of Their Mother, Father, Spouse And Children In Care		5,677
Profit Sharing Account And Other Accounts In Scope Of The Property Holdings Derived From Crime Defined In Article 282 Of Turkish Criminal Law No:5237 Dated 26 September 2004		-
Profit Sharing Accounts In Participation Banks Which Are Established In Turkey In Order To Engage In Off-Shore Banking Activities Solely		-
	<b>Prior period</b>	
Foreign Branches' Profit Sharing Accounts And Other Accounts		-
Profit Sharing Accounts And Other Accounts Of Controlling Shareholders And Profit Sharing Accounts Of Their Mother, Father, Spouse, Children In Care		-
Profit Sharing Account And Other Accounts Of President And Members Of Board Of Directors, CEO And Vice Presidents And Profit Sharing Accounts Of Their Mother, Father, Spouse And Children In Care		4,573
Profit Sharing Account And Other Accounts In Scope Of The Property Holdings Derived From Crime Defined In Article 282 Of Turkish Criminal Law No:5237 Dated 26 September 2004		-
Profit Sharing Accounts In Participation Banks Which Are Established In Turkey In Order To Engage In Off-Shore Banking Activities Solely		-

**2.2. Information on derivative financial liabilities:**

Negative differences related to the part of derivative financial liabilities at fair value through profit or loss:

	<b>Current period</b>	
	<b>TL</b>	<b>FC</b>
Forward transactions	20,764	1,362
Swap operations	281	41,404
Futures operations	-	-
Options	-	-
Other	-	-
<b>Toplam</b>	<b>21,045</b>	<b>42,766</b>
	<b>Prior period</b>	
	<b>TL</b>	<b>FC</b>
Forward transactions	10,269	4,679
Swap operations	11,177	54,572
Futures operations	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>21,446</b>	<b>59,251</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**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	93,394	315,352
From Foreign Banks, Institutions And Funds	-	1,586,550
<b>Total</b>	<b>93,394</b>	<b>1,901,902</b>
	Prior period	
	TL	FC
Loans From The Central Bank Of The Republic Of Turkey	-	-
From Domestic Banks And Institutions	51,243	280,602
From Foreign Banks, Institutions And Funds	58,873	2,996,409
<b>Total</b>	<b>110,116</b>	<b>3,277,011</b>

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

	Current period	
	TL	FC
Short-Term	93,394	1,753,713
Medium And Long-Term	-	148,189
<b>Total</b>	<b>93,394</b>	<b>1,901,902</b>
	Prior period	
	TL	FC
Short-Term	110,116	3,113,321
Medium And Long-Term	-	163,690
<b>Total</b>	<b>110,116</b>	<b>3,277,011</b>

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**2.4. Information on the issued marketable securities:**

The Group has the following issued sukuk certificates. The average income rate for the issued marketable securities is 21% for Turkish Lira, 5% for US Dollar, 6% for Malaysian Ringgit. The maturities for the sukuk issued in Turkish Lira are between January 2019 – May 2019, US Dollar between June 2019 – November 2021, and Malaysian Ringgit are between March 2020 – July 2020.

Current Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	1,229,428	345,000	-	6,115,734
Distribution of residual income	100,514	-	-	574,318
Carrying value	1,287,131	347,803	-	6,157,936

Prior Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	1,031,433	45,000	-	4,524,360
Distribution of residual income	40,051	-	-	601,376
Carrying value	1,059,378	45,240	-	4,547,223

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

As of 31 December 2018, other liabilities amount to TL 1,075,824 (31 December 2017 – TL 345,918), sundry creditors amount to TL 261,894 (31 December 2017 - TL 200,005). These items are included in the "Other Liabilities" line of the balance sheet and they do not exceed 10% of the balance sheet total.

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

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

**2.6.1 Information on the changes in agreements and new obligations originating from these changes:**

None (31 December 2017 – None).

**2.6.2 Information on Financial Lease Obligations:**

None (31 December 2017 – None).

**2.6.3. Information on Operational Leases:**

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

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

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

**2.6.4. Information on sale and leaseback transactions:**

None.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	Current period	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	-	106,352
Hedge Of Net Investment In Foreign Operations	-	-
<b>Total</b>	<b>-</b>	<b>106,352</b>

  

	Prior period	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	-	70,795
Hedge Of Net Investment In Foreign Operations	-	-
<b>Total</b>	<b>-</b>	<b>70,795</b>

**2.8. Information on provisions:**

2.8.1. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2018, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 4,654 (31 December 2017 – TL 19,143) and TL 1,266 for leasing receivables (31 December 2017 – TL 376) is offset against loans and receivables.

2.8.2. Information on other provisions:

	Current period
Provisions For Non- Liquidated Non Cash Loans	240,372
Provisions For Cheque Books	145,911
Provisions From Equity/Profit Sharing Accounts	129,152
Provisions For Promotion Activities For Credit Cards	1,778
Other (*)	54,231
<b>Total</b>	<b>571,444</b>

  

	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 (*)	72,447
<b>Total</b>	<b>202,072</b>

(\*) Other item includes, in current period TL 13,780 (31 December 2017 – TL 6,915) for litigation provision, TL 6,500 (31 December 2017 – TL 6,500) for expense provision, TL 29,761 (31 December 2017 – TL 18,472) other provisions and TL 0 (31 December 2017 – TL 40,560) for provision amount for projected repayment of delay penalties.

2.8.3. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 86,818 (31 December 2017 – TL 84,286), vacation pay liability amounting to TL 585 (31 December 2017 – TL 522), performance premium amounting TL 86,617 (31 December 2017 – TL 69,670), retirement bonuses amounting to TL 44,014 (31 December 2017 – TL 23,500) and committee fee amounting to 10,869 TL (31 December 2017 – TL 7,291) and other provision amounting to 175 TL (31 December 2017 – 125).

Under the Turkish Labor Law, the Group 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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 Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	<b>Current period</b>
Discount Rate (%)	16,30
Inflation Rate (%)	12,00
Salary Increase Rate (%)	13,00
	<b>Prior period</b>
Discount Rate (%)	11,60
Inflation Rate (%)	8,90
Salary Increase Rate (%)	9,90

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

	<b>Current period</b>
Balance At The Beginning Of The Period	84,286
Provisions Recognized During The Period	23,455
Paid During The Period	(7,272)
Actuarial Loss	(13,651)
<b>Balances At The End Of The Period</b>	<b>86,818</b>
	<b>Prior period</b>
Balance At The Beginning Of The Period	55,464
Provisions Recognized During The Period	17,566
Paid During The Period	(5,237)
Actuarial Loss	16,493
<b>Balances At The End Of The Period</b>	<b>84,286</b>

**2.9. Explanations on tax liability:**

**2.9.1. Explanations on current tax liability:**

2.9.1.1 Information on tax provisions: As of 31 December 2018, the Group has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 177,652.

	<b>Current period</b>
Provision For Corporate Income Tax	456,489
Prepaid Taxes	(278,837)
<b>Total (*)</b>	<b>177,652</b>
	<b>Prior period</b>
Provision For Corporate Income Tax	199,510
Prepaid Taxes	(143,251)
<b>Total (*)</b>	<b>56,259</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

2.9.1.2. Information on tax payable:

	Current period
Taxation Of Marketable Securities	21,252
Taxation Of Immovable Property	1,569
Banking Insurance Transaction Tax (BITT)	32,461
Value Added Tax Payable	1,904
Income Tax Deducted From Wages	9,675
Other	1,131
<b>Total</b>	<b>67,992</b>
	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	1,129
<b>Total</b>	<b>49,937</b>

2.9.1.3. Information on premiums (\*):

	Current period
Social Security Premiums-Employee	5,640
Social Security Premiums-Employer	6,075
Unemployment Insurance-Employee	404
Unemployment Insurance-Employer	952
<b>Total</b>	<b>13,071</b>
	Prior period
Social Security Premiums-Employee	4,862
Social Security Premiums-Employer	5,234
Unemployment Insurance-Employee	348
Unemployment Insurance-Employer	801
<b>Total</b>	<b>11,245</b>

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

2.9.1.4. Information on deferred tax liability:

None (31 December 2017 – None).

2.10. Information on liabilities of assets held for sale and discontinued operations:

None (31 December 2017 – None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**2.11. Information on subordinated loans:**

	Current period	
	TL	FC
From domestic banks	-	-
Other domestic organizations	-	-
From international banks	-	-
Other institutions abroad	-	1,901,210
<b>Total</b>	-	<b>1,901,210</b>
	Prior period	
	TL	FC
From domestic banks	-	-
Other domestic organizations	-	-
From international banks	-	-
Other institutions abroad	-	1,360,338
<b>Total</b>	-	<b>1,360,338</b>

The Bank has acquired 350 million US dollars contribution capital loan, with having the requirements defined by BRSA Regulation on the Capital Adequacy, from Special Purpose Vehicle (SPV) KT Sukuk Company Limited that resides in Cayman Island that acquired the amount via issuance of Sukuk on 17 February 2016. Annual rate of return for the loan that is included in contributonal capital calculation in accordance with the BRSA Letter of Conformity dated 2 September 2015 and No 20008792101.01[93]E.12819 is 7.90%, with a maturity of 10 years with a repayment option for the bank after 5 year from the opening date. Returns will be calculated with the implementation of annual rate of return to the loan amount defined as trasfer price of the assets, and installements will be made on 17 July and 17 February each year.

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

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

	Current period	
	Common Shares	3,500,000
Preference Shares	-	
Repurchased Shares Amount (*)	(2,678)	
<b>Total</b>	<b>3,497,322</b>	
	Prior period	
	Common Shares	3,100,000
Preference Shares	-	
Repurchased Shares Amount (*)	(2,678)	
<b>Total</b>	<b>3,097,322</b>	

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

Increase Date	Increase Amount	Internal Sources	Legal Reserves Used In The Increase
3 April 2018	400,000	400,000	-

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

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

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

- 2.12.6. Summary of privileges given to shares representing the capital:

None (31 December 2017: None).

- 2.12.7. Information on marketable securities value increase fund:

	Current period	
	TL	FC
From Associates, Subsidiaries And Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference(*)	18,702	(51,432)
Foreign Exchange Difference	-	-
<b>Total</b>	<b>18,702</b>	<b>(51,432)</b>
	Prior period	
	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference(*)	(23,192)	12,609
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(23,192)</b>	<b>12,609</b>

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

- 2.13. Information on minority shares: The minority shares amount is TL 25,112 (31 December 2017 – 23,054 TL).

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

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

3.1.1. Type and amount of irrevocable commitments

Commitment for credit card limits, as of 31 December 2018 is TL 1,858,018 (31 December 2017 – TL 1,357,354); payment commitments for cheque books are TL 1,136,474 (31 December 2017 - 1,345,239 TL).

3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items including below items:

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

As of 31 December 2018, the Group has guarantees and surety ships constituting of TL 10,391,279 (31 December 2017 - TL 9,570,179); TL 74,098 (31 December 2017 - 55,958 TL) acceptances and TL 1,079,876 (31 December 2017 – TL 932,100) letters of credit. Also the Group's has other acceptances amounting to TL 330,827 (31 December 2017 – TL 513,816).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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	11,876,080
<b>Total</b>	<b>11,876,080</b>
	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	11,072,053
<b>Total</b>	<b>11,072,053</b>

3.1.4. Information on risk concentration within the sector in non-cash loans:

	Current Period			
	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>59,926</b>	<b>0.93</b>	<b>5,316</b>	<b>0.10</b>
Farming and stockbreeding	33,396	0.52	2,812	0.05
Forestry	26,530	0.41	2,504	0.05
Fishery	-	-	-	-
<b>Industry</b>	<b>1,217,028</b>	<b>18.97</b>	<b>843,763</b>	<b>15.46</b>
Mining and quarrying	259,085	4.04	258,253	4.73
Manufacturing industry	551,993	8.60	560,254	10.26
Electricity, gas, Water.	405,950	6.33	25,256	0.46
<b>Construction</b>	<b>2,661,157</b>	<b>41.47</b>	<b>1,225,516</b>	<b>22.45</b>
<b>Services</b>	<b>1,798,834</b>	<b>28.03</b>	<b>2,241,769</b>	<b>41.06</b>
Wholesale and retail trade	862,869	13.45	602,006	11.03
Services of hotels and restaurants	96,061	1.50	80,239	1.47
Transportation and communication	454,742	7.09	1,157,055	21.19
Financial institutions	19,596	0.31	274,267	5.02
Real estate and rental services	24,755	0.39	7,644	0.14
Self-employment services	107	0.00	-	-
Educational services	34,881	0.54	8,732	0.16
Health and social services	305,823	4.77	111,826	2.05
<b>Other</b>	<b>679,688</b>	<b>10.59</b>	<b>1,143,083</b>	<b>20.94</b>
<b>Total</b>	<b>6,416,633</b>	<b>100.00</b>	<b>5,459,447</b>	<b>100.00</b>
	Prior period			
	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>48,091</b>	<b>0.74</b>	<b>5,538</b>	<b>0.12</b>
Farming and stockbreeding	20,246	0.31	4,013	0.09
Forestry	27,808	0.43	1,525	0.03
Fishery	37	0.00	-	-
<b>Industry</b>	<b>1,121,211</b>	<b>17.25</b>	<b>799,207</b>	<b>17.48</b>
Mining and quarrying	202,241	3.11	274,708	6.01
Manufacturing industry	463,059	7.12	496,475	10.86
Electricity, gas, Water.	455,911	7.01	28,024	0.61
<b>Construction</b>	<b>2,550,357</b>	<b>39.23</b>	<b>1,146,399</b>	<b>25.08</b>
<b>Services</b>	<b>1,783,281</b>	<b>27.43</b>	<b>1,767,303</b>	<b>38.66</b>
Wholesale and retail trade	745,878	11.47	546,190	11.95
Services of hotels and restaurants	79,406	1.22	36,509	0.80
Transportation and communication	470,117	7.23	774,580	16.95
Financial institutions	6,074	0.09	297,965	6.52
Real estate and rental services	81,800	1.26	3,419	0.07
Self-employment services	92	0.00	-	-
Educational services	33,252	0.51	3,006	0.07
Health and social services	366,662	5.64	105,634	2.31
<b>Other</b>	<b>998,140</b>	<b>15.35</b>	<b>852,526</b>	<b>18.65</b>
<b>Total</b>	<b>6,501,080</b>	<b>100.00</b>	<b>4,570,973</b>	<b>100.00</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

Current period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash Loans</b>	<b>6,184,965</b>	<b>5,415,437</b>	<b>231,668</b>	<b>44,010</b>
Letters of guarantee	5,976,533	4,164,743	230,353	19,650
Acceptance loans	17,516	56,582	-	-
Letters of credit	10,720	1,044,004	792	24,360
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other guarantees	180,196	150,108	523	-
<b>Prior period</b>	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Non-cash Loans</b>	<b>6,445,915</b>	<b>4,546,941</b>	<b>55,165</b>	<b>24,032</b>
Letters of guarantee	6,287,400	3,208,256	55,165	19,358
Acceptance loans	2,549	53,409	-	-
Letters of credit	1,143	926,283	-	4,674
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other guarantees	154,823	358,993	-	-

3.2. Explanations on derivative transactions:

	Derivative transactions based on their purpose	
	Current period	
<b>Types of trading transactions</b>		
<b>Foreign currency derivative transactions (I):</b>	<b>21,215,164</b>	
Forward foreign currency buy/sell transactions	2,408,123	
Swap buy/sell transactions	18,807,041	
Futures transactions	-	
Option buy/sell transactions	-	
<b>Derivative transactions related to dividends (II):</b>	<b>-</b>	
Term dividend contract buy/sell transactions	-	
Dividend swap buy/sell transactions	-	
Dividend buy/sell options	-	
Futures dividend buy/sell transactions	-	
<b>Other derivative buy/sell transactions (III)</b>	<b>3,121</b>	
<b>A. Total derivative buy/sell transactions (I+II+III)</b>	<b>21,218,285</b>	
<b>Types of derivative transactions for hedging purposes</b>		
Fair value hedge	-	
Cash flow hedge	2,165,533	
Hedge of net investment in foreign operations	-	
<b>B. Total derivative transactions for hedging purposes</b>	<b>2,165,533</b>	
<b>Total derivative transactions (A+B)</b>	<b>23,383,818</b>	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	Derivative transactions based on their purpose
	Prior period
<b>Types of trading transactions</b>	
<b>Foreign currency derivative transactions (I):</b>	<b>13,751,124</b>
Forward foreign currency buy/sell transactions	2,542,103
Swap buy/sell transactions	11,209,021
Futures transactions	-
Option buy/sell transactions	-
<b>Derivative transactions related to dividends (II):</b>	<b>-</b>
Term dividend contract buy/sell transactions	-
Dividend swap buy/sell transactions	-
Dividend buy/sell options	-
Futures dividend buy/sell transactions	-
<b>Other derivative buy/sell transactions (III)</b>	<b>7,966</b>
<b>A.Total derivative buy/sell transactions (I+II+III)</b>	<b>13,759,090</b>
<b>Types of derivative transactions for hedging purposes</b>	
Fair value hedge	-
Cash flow hedge	1,565,503
Hedge of net investment in foreign operations	-
<b>B. Total derivative transactions for hedging purposes</b>	<b>1,565,503</b>
<b>Total derivative transactions (A+B)</b>	<b>15,324,593</b>

The Group enters into short term foreign exchange transactions according to the expectations in the market and cash flow. These transactions are generally short term and consist of Turkish Lira selling contracts against foreign exchange and foreign currency against foreign exchange. As of 31 December 2018, the Group has made a commitment to purchase USD 633,559, USD 1,709,657,000, EUR 57,831,000, GBP 10,039,000, and 800,000,000 Malaysian Ringgits in exchange of selling 304,995 USD, 399,261,000 USD, 1,545,406,000 EUR and 89,000 GBP. (figures are given in Turkish Lira). (As of 31 December 2017, the Group has made a commitment to purchase 728,960 TL, 1,361,922,000 USD, 81,070,000 EUR, 29,404,000 GBP and 800,000,000 Malaysian Ringgits in exchange to sell 963,256 TL, 514,739,000 USD, 964,634,000 EUR and 19,364,000 GBP).

**3.3. Explanations on credit derivatives and the risks exposed to them:**

None.

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

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

**3.5. Information on services rendered on behalf of others:**

None.

**3.6. Information on the the parent bank's rating given by the international rating agencies**

Fitch Rating's October 2018	Ratings
Long-term rating in foreign currency	BB-
Short term rating in foreign currency	B
Local currency long-term rating	BB
Short-term rating in local currency	B
Support Rating	3

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**4. Disclosures and Footnotes on Consolidated Income Statement**

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

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

	Current period	
	TL	FC
<b>Profit Share On Loans</b>	<b>4,637,242</b>	<b>454,166</b>
Short Term Loans	1,405,131	101,091
Medium And Long Term Loans	3,204,900	353,075
Profit Share On Non-Performing Loans	27,211	-
Premiums Received From Resource Utilization Support Fund	-	-
	Prior period	
	TL	FC
<b>Profit Share On Loans</b>	<b>3,117,811</b>	<b>225,363</b>
Short Term Loans	806,921	33,377
Medium And Long Term Loans	2,303,217	191,986
Profit Share On Non-Performing Loans	7,673	-
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	21,392	150,816
Branches And Head Office Abroad	-	746
<b>Total</b>	<b>21,392</b>	<b>151,562</b>
	Prior period	
	TL	FC
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	-	31,929
Branches And Head Office Abroad	-	-
<b>Total</b>	<b>-</b>	<b>31,929</b>

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

The Group has received TL 27,920 profit financial assets at fair value through profit and loss which is given the details in available for sale financial assets information (1 January – 31 December 2017 – TL 8,771).

The Group has received TL 390,850 profit share income from rent certificates (sukuk) which is given in details in available for sale financial assets information (1 January – 31 December 2017 - TL 271,841).

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

	Current period
Profit share income received from associates and subsidiaries	116
	Prior period
Profit share income received from associates and subsidiaries	5

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

**4.2.1. Profit share expense paid to utilized loans:**

	Current period	
	TL	FC
Banks	9,620	36,242
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	5,128	10,449
Foreign Banks	4,492	25,793
Branches And Head Office Abroad	-	-
Other Institutions	-	214,853
<b>Total</b>	<b>9,620</b>	<b>251,095</b>
	Prior Period	
	TL	FC
Banks	6,521	47,542
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	2,127	8,896
Foreign Banks	4,394	38,646
Branches And Head Office Abroad	-	-
Other Institutions	88,537	54,253
<b>Total</b>	<b>95,058</b>	<b>101,795</b>

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

	Current period
Profit share expenses given to associates and subsidiaries	1,353
	Prior period
Profit share expenses given to associates and subsidiaries	1,738

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

The Group has accrued TL 560,283 for securities issued within 2018 (1 January – 31 December 2017: TL 319,652)

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

Account Name	Profit Sharing Accounts						Accumulated profit sharing accounts	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year		
<b>Current period</b>								
TL								
Collected Funds From Banks Through Current And Profit Share Accounts	-	1	-	-	-	-	-	1
Real Person's Non-Trading Profit Sharing Account	514,291	814,287	52,342	-	27,382	28,968	1,665	1,438,935
Public Sector Profit Sharing Account	652	2,303	-	-	2	-	-	2,957
Commercial Sector Profit Sharing Account	48,623	106,154	16,872	-	1,615	1,256	4	174,524
Other Institutions Profit Sharing Account	6,079	12,536	1,442	-	568	249	-	20,874
<b>Total</b>	<b>569,645</b>	<b>935,281</b>	<b>70,656</b>	<b>-</b>	<b>29,567</b>	<b>30,473</b>	<b>1,669</b>	<b>1,637,291</b>
FC								
Banks	58	1,361	-	-	-	-	-	1,419
Real Person's Non-Trading Profit Sharing Account	77,496	143,945	26,884	-	13,454	8,576	23	270,378
Public Sector Profit Sharing Account	-	-	-	-	-	-	-	-
Commercial Sector Profit Sharing Account	9,697	43,151	3,587	-	4,473	91	4	61,003
Other Institutions Profit Sharing Account	1,932	4,848	398	-	4	-	-	7,182
Precious Metal Accounts	6,658	14,552	1,682	-	743	-	-	23,635
<b>Total</b>	<b>95,841</b>	<b>207,857</b>	<b>32,551</b>	<b>-</b>	<b>18,674</b>	<b>8,667</b>	<b>27</b>	<b>363,617</b>
<b>Grand Total</b>	<b>665,486</b>	<b>1,143,138</b>	<b>103,207</b>	<b>-</b>	<b>48,241</b>	<b>39,140</b>	<b>1,696</b>	<b>2,000,908</b>
<b>Prior Period</b>								
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	Accumulated profit sharing accounts	Total
TL								
Collected Funds From Banks Through Current And Profit Share Accounts	-	-	-	-	-	-	-	-
Real Person's Non-Trading Profit Sharing Account	282,508	505,963	37,931	-	18,391	15,657	-	860,450
Public Sector Profit Sharing Account	79	2,610	631	-	-	-	-	3,320
Commercial Sector Profit Sharing Account	29,244	72,596	11,770	-	1,133	871	-	115,614
Other Institutions Profit Sharing Account	2,094	5,976	778	-	249	121	-	9,218
<b>Total</b>	<b>313,925</b>	<b>587,145</b>	<b>51,110</b>	<b>-</b>	<b>19,773</b>	<b>16,649</b>	<b>-</b>	<b>988,602</b>
FC								
Banks	730	144	-	-	-	-	-	874
Real Person's Non-Trading Profit Sharing Account	40,294	69,375	16,005	-	7,964	3,996	-	137,634
Public Sector Profit Sharing Account	-	-	-	-	-	-	-	-
Commercial Sector Profit Sharing Account	4,758	21,395	2,396	-	151	123	-	28,823
Other Institutions Profit Sharing Account	1,669	1,784	454	-	23	97	-	4,027
Precious Metal Accounts	660	9,450	749	-	406	-	-	11,265
<b>Total</b>	<b>48,111</b>	<b>102,148</b>	<b>19,604</b>	<b>-</b>	<b>8,544</b>	<b>4,216</b>	<b>-</b>	<b>182,623</b>
<b>Grand Total</b>	<b>362,036</b>	<b>689,293</b>	<b>70,714</b>	<b>-</b>	<b>28,317</b>	<b>20,865</b>	<b>-</b>	<b>1,171,225</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**4.3. Information on dividend income:**

	<b>Current period</b>
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	-
Diğer	1,273
<b>Total</b>	<b>1,273</b>
	<b>Prior period</b>
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	-
Financial Assets Available for Sale	-
Other	-
<b>Total</b>	<b>-</b>

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

	<b>Current period</b>
<b>Trading Income/Loss (Net)</b>	<b>539,144</b>
<b>Income</b>	<b>36,464,911</b>
Gain On Capital Market Transactions	21,919
Gain On Derivative Financial Instruments	1,902,772
Foreign Exchange Profit	34,540,220
<b>Losses (-)</b>	<b>(35,925,767)</b>
Losses On Capital Market Transactions	(11,678)
Losses On Derivative Financial Instruments	(1,765,998)
Foreign Exchange Losses	(34,148,091)
	<b>Prior period</b>
<b>Trading Income/Loss (Net)</b>	<b>288,332</b>
<b>Income</b>	<b>26,000,855</b>
Gain On Capital Market Transactions	9,812
Gain On Derivative Financial Instruments	1,789,088
Foreign Exchange Profit	24,201,955
<b>Losses (-)</b>	<b>(25,712,523)</b>
Losses On Capital Market Transactions	(2,852)
Losses On Derivative Financial Instruments	(2,187,322)
Foreign Exchange Losses	(23,522,349)

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**4.5. Information on other operating income:**

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

	<b>Current period</b>
Reversal Of Prior Period Provisions	494,061
Income From Sale Of Assets (*)	38,166
Income From the Real Estate Sales' Gains by Rent Certificates	-
Rent Income	2,587
Other Income	6,120
<b>Total</b>	<b>540,934</b>
	<b>Prior period</b>
Reversal Of Prior Period Provisions	95,525
Income From Sale Of Assets (**)	65,903
Income From the Real Estate Sales' Gains by Rent Certificates	-
Rent Income	2,564
Other Income	22,497
<b>Total</b>	<b>186,489</b>

(\*) Income from the sale of 50% shares of KT Portföy A.Ş.

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

**4.6. Impairment provisions for the loans and other receivables:**

	<b>Current period</b>
Expected Credit Loss	1,949,975
12 Month Expected Credit Loss (Stage 1)	591,962
Significant Increase In Credit Risk (Stage 2)	699,199
Non-Performing Loans (Stage 3)	658,814
Marketable Securities Impairment Expense	1,042
Financial Assets At Fair Value Through Profit Or Loss	979
Financial Assets At Fair Value Through Other Comprehensive Income	63
Impairment Losses From Associates, Subsidiaries And Jointly Controlled Entities	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other (*)	28,547
<b>Total</b>	<b>1,979,564</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	<b>Prior Period</b>
Specific Provisions For Loans And Other Receivables	632,352
III. Group Loans And Receivables	153,498
IV. Group Loans And Receivables	132,447
V. Group Loans And Receivables	346,407
Doubtful Commissions, Fees And Other Receivables	1,828
General Provision Expenses	101,046
Provision Expenses From Possible Losses	-
Impairment Provision Of Marketable Securities	385
Financial Assets At Fair Value Through Profit And Loss	385
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	50,566
<b>Total</b>	<b>786,177</b>

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

	<b>Current period</b>
Personnel Expenses	825,999
Provision For Retirement Pay Liability	16,183
Depreciation Expenses Of Fixed Assets	63,560
Impairment Expenses Of Tangible Assets	-
Depreciation Expenses Of Intangible Assets	63,588
Depreciation Expenses Of Assets Held For Sale	-
Other operating expenses	385,837
Rent Expenses	140,164
Maintenance Expenses	42,987
Advertisement Expenses	35,069
Communication Expenses	41,129
Heating, Electricity And Water Expenses	18,751
Cleaning Expenses	6,407
Vehicle Expenses	8,362
Stationery Expenses	9,037
Other Expenses	83,931
Losses On Sales Of Assets	3,829
Deposit Insurance Fund Expenses	102,283
Other	147,144
<b>Total</b>	<b>1,608,423</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	Prior period
Personnel Expenses	697,256
Provision For Retirement Pay Liability	12,328
Depreciation Expenses Of Tangible Assets	54,145
Impairment Expenses Of Tangible Assets	30,757
Depreciation Expenses Of Intangible Assets	-
Depreciation Expenses Of Assets Held For Sale	307,869
Other operating expenses	115,263
Rent Expenses	37,989
Maintenance Expenses	28,657
Advertisement Expenses	35,971
Communication Expenses	13,937
Heating, Electricity And Water Expenses	4,894
Cleaning Expenses	6,176
Vehicle Expenses	5,754
Stationery Expenses	59,228
Other Expenses	109
Losses On Sales Of Assets	82,592
Deposit Insurance Fund Expenses	95,857
<b>Total</b>	<b>1,280,913</b>

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

The Group's profit before tax increased by 29.7% compared to the previous year and amounted to TL 1,054,406 (1 January-31 December 2017 TL 812,958). TL 3,185,456 of the income before tax (1 January-31 December 2017 - TL 2,150,338) consists of net profit share income. TL 367,871 (1 January-31 December 2017 - TL 250,785) consists of net fees and commission income. Total other operating expenses amount to 766,241 (1 January-31 December 2017 - TL 1,280,913).

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

As of 31 December 2018, deferred tax expense of the Group is TL 46,249 and current tax provision expense is TL 454,233 (1 January-31 December 2017 –TL 197,654 expense).

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

There is no profit / loss resulting from the discontinued operations in the operating profit / loss after tax.

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

4.11.1. The nature and amount of the income and expense items arising from ordinary banking transactions are disclosed if the disclosure of the quality, size and recurrence rate is necessary for an understanding of the Group's performance during the period:

For the year ended 31 December 2018, the net profit share income is TL 3,185,456 (1 January-31 December 2017 - TL 2,150,338). Net fee and commission income is TL 367,871 (1 January-31 December 2017 - TL 250,785).

4.11.2. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January – 31 December 2017 – None).

4.11.3. Profit / loss attributable to minority shares:

	Current period	Prior period
Profit(loss) attributable to minority shares:	1,164	852

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

As of 31 December 2018, other fees and commissions received is TL 426,031 (31 December 2017 – TL 288,707), TL 123,244 of this amount is related with credit card fees and commissions (31 December 2017 – TL 69,834) and TL 91,787 of this amount is related with POS clearing commissions (31 December 2017– TL 56,034).

As of 31 December 2018, other fees and commissions given is TL 203,798 (31 December 2017 – TL 155,253), TL 107,446 (31 December 2017 – TL 65,391) of this amount is related with POS clearing commissions and installation expenses, TL 18,792 (31 December 2017 – TL 11,805) of this amount is related with fees and commissions paid for credit cards.

**5. Explanations and notes related to the consolidated statement of changes in equity**

- 5.1. There is no amount of dividends declared after the balance sheet date but before the announcement of the financial statements. The dividend distribution will be decided at the General Assembly meeting and the General Assembly has not been held as of the date of the attached financial statements.
- 5.2. In the current year, the Parent Bank made dividend payments amounting to TL 4,894 to members of Board of Directors. In the General Assembly meeting held in 29 March 2018 it has been decided that TL 34,189 would be transferred to legal reserves, TL 234,908 would be transferred to extraordinary reserve, TL 12,258 would be transferred to other reserves and TL 400,000 would be transferred to paid up capital.

**6. Explanations and notes related to the consolidated cash flow statement**

**6.1. Information on cash and cash equivalents:**

**6.1.1. Factors constituting cash and cash equivalents and accounting policy used in determining these elements:**

Cash, effective repository, receivables and bank checks purchased and demand deposits in banks including the Central Bank are considered as “cash”, interbank money market placements with original maturities of less than three months and investments in securities with banks and time deposits are defined as “cash equivalents”.

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

	<b>Current period</b>
<b>Cash</b>	<b>3,472,726</b>
Cash, Effective repository and other	698,688
Demand deposits in banks	2,774,038
Cash equivalent assets	-
Interbank money market	-
Term storage in banks	-
Securities	-
<b>Total cash and cash equivalents</b>	<b>3,472,726</b>
	<b>Prior period</b>
<b>Cash</b>	<b>4,898,436</b>
Effective repository and other	763,391
Demand deposits in banks	4,135,045
Cash equivalent assets	-
Interbank money market	-
Term storage in banks	-
Securities	-
<b>Total cash and cash equivalents</b>	<b>4,898,436</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

	<b>Current period</b>
<b>Cash</b>	<b>6,710,455</b>
Effective repository and other	1,058,399
Demand deposit in banks (up to 3 months)	5,652,056
<b>Cash equivalent assets</b>	-
Interbank money market	-
Term storage in banks	-
Securities	-
<b>Total cash and cash equivalents</b>	<b>6,710,455</b>
	<b>Prior period</b>
<b>Cash</b>	<b>3,472,726</b>
Effective repository and other	698,688
Demand deposit in banks (up to 3 months)	2,774,038
<b>Cash equivalent assets</b>	-
Interbank money market	-
Term storage in banks	-
Securities	-
<b>Total cash and cash equivalents</b>	<b>3,472,726</b>

6.2. Information on the cash and cash equivalents available to the Group, which are not in the Group's free use, for legal limitations or other reasons:

None (31 December 2017 – None).

6.3. Explanations on other items in the statement of cash flows:

“Other” item with the amount of TL (1,083,433) (1 January-31 December 2017 – TL (891,315)) which is under “Operating profit before the change in assets and liabilities”, consists of other operating expenses, other than fees and commissions, non-performing loans and other operating income.

“Net increase / decrease in other assets” item with the amount of TL (2,846,285) (1 January -31 December 2017 – TL (279,341)) which is under “Change in assets and liabilities in banking activities” mainly consists of changes in tax assets and other assets.

“Net increase / decrease in other liabilities” item with the amount of TL 901,761 (1 January-31 December 2017 – TL (386,286)) which is under “Change in assets and liabilities in banking activities” consists of changes in miscellaneous payables, other foreign sources and taxes, duties, fees and premiums to be paid.

6.4. Effect of change in foreign exchange rate on cash and cash equivalents:

The effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately TL (66,621) as of 31 December 2018 (31 December 2017 - (16,107) TL). The effect of the exchange rate on cash and cash equivalents is calculated by multiplying the foreign exchange difference between the date of entry of the cash and the balance sheet date by the related cash amount.

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Current period:

Risk Group Of The Parent Bank (*)	Investment In Associates, Subsidiaries And Joint Ventures (Business Partnerships)		Direct And Indirect Shareholders Of The Parent 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	447	1,030	786	150,924	917
Balance At End Of Period	35	13,666	1,034	398	204,988	520
Profit Share Received And Commission Income	-	116	73	11	18,440	4

Prior period:

Risk Group Of The Parent Bank (*)	Investment In Associates, Subsidiaries And Joint Ventures (Business Partnerships)		Direct And Indirect Shareholders Of The Parent Bank		Other Real Or Legal Persons Included In The Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans And Other Receivables						
Balance At Beginning Of Period	14	132	998	16,818	135,364	20,290
Balance At End Of Period	19	447	1,030	786	150,924	917
Profit Share Received And Commission Income	-	5	83	1	9,719	1

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

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

Risk Group Of The Parent 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		30,010		60,187		417,813
Balance At End Of Period		34,808		35,032		255,239
Profit Share Expense		1,353		3,682		30,709

Risk Group Of The Parent 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		18,799		58,441		113,915
Balance At End Of Period		30,010		60,187		417,813
Profit Share Expense		1,738		4,317		13,068

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

7.1.3. Information on forward transactions, option contracts and other similar agreements with the Bank's risk group:

Risk Group Of The Bank (*)	Investment In Associates, Subsidiaries And Joint Ventures (Business Partnerships)		Direct And Indirect Shareholders Of The Bank		Other Real Or Legal Persons Included In The Risk Group	
	Current period	Prior period	Current period	Prior period	Current period	Prior Period
	Transactions at Fair Value through Profit or Loss	-	-	-	-	-
Balance at the beginning of the period	-	-	574,666	-	-	-
Balance at the end of the period	-	-	116	-	-	-
Total Profit / Loss	-	-	-	-	-	-
<b>Hedging Transactions</b>	-	-	-	-	-	-
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-

7.1.4. Information on loans associated with the risk group of the Bank:

Risk Group Of The Parent 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	-	-	2,175,759	-	-	-
Balance At End Of Period	-	-	802,108	-	-	-
Profit Share Expense Paid	-	-	84,426	-	-	-

Risk Group Of The Parent 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	-	-	2,954,769	-	-	-
Balance At End Of Period	-	-	2,175,759	-	-	-
Profit Share Expense	-	-	48,678	-	-	-

7.2. Information on remunerations provided to top management:

As of 1 January – 31 December 2018, the Parent Bank has paid TL 31,813 to top management (1 January – 31 December 2017- TL 29,814).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**8. Information on domestic, foreign, off-shore branches and foreign representative offices of the Group**

**8.1. Information on the Parent Bank's domestic and foreign branches and representative offices:**

	Number	Number of employees			
Domestic branch (*)	414	5,868			
			<b>Country</b>		
Overseas representations				<b>Total Assets ( in thousand TL)</b>	<b>Legal Capital ( in USD)</b>
Overseas bank	4	87	Germany	2,246,657	96,266,115
Off-shore branches	1	3	Bahrain (**)	4,231,098	-
Overseas branch					

(\*) The number of personnel working in the Head Office, Operations Center and Regional Directorates is not included in the number of employees in the Domestic Branch.

(\*\*) The Bahrain Branch is controlled by the Central Bank of Bahrain and its total assets as of 31.12.2018 is TL 4,231,098.

**8.2. Information on opening or closing branches or representative offices in Turkey and abroad by the Group**

In 2018, the Group opened 17 domestic (2017 - 14) branches. In 2018, the Group closed 1 (2017 - 1) branch in Turkey.

**9. Disclosures about the matters after the balance sheet**

The Board of Directors of the Parent Bank decided to submit the proposal for the use of TL 500,000 from the profit of 2018 in the capital increase to be made from internal sources at the meeting dated 29 January 2019 to the approval of the ordinary general assembly.

In January 2019, The Parent Bank has exported three different sukuks via its subsidiary KT Kira Sertifikaları Varlık Kiralama A.Ş.. With 105 days maturity, TL 470,000 Nominal, 21.50% borrowing rate in 15 January 2019, with 130 days maturity, TL 65,000 nominal, 21.70% borrowing rate in 25 January 2019, with 101 days maturity, TL 300,000 nominal, 21.00% borrowing rate, in 29 January 2019.

As a result of the decision to acquire the Kuwait Finance House (KFH), which is a shareholder of the Parent Bank, by acquiring the AUB B.S.C Bank in Bahrain, the Bank has started to perform financial due diligence assessments on the Bank. These assessments are continuing as of the reporting date.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**SECTION SIX**

**OTHER EXPLANATIONS AND DISCLOSURES**

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

None.

**SECTION SEVEN**

**INDEPENDENT AUDITORS' REPORT**

- 1. Explanations on the audit 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' report dated 7 March 2019 has been presented preceding the consolidated financial statements.

- 2. Notes and disclosures prepared by the independent auditor**

None.