

KUVEYT TÜRK KATILIM BANKASI A.Ş.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Financial Statements

1) Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its 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 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 Financial Statements* section of our report. We are independent of the Bank 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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>Adoption of TFRS 9 Financial Instruments Standard for the first time and significant explanations on the recognition of the impairment of financial assets</p> <p>As of 1 January 2018, the Bank 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;</p> <p>Phase 2 – Expected credit losses</p> <p>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 Bank 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 Bank has developed new and complex models that require data from more than one system to calculate the 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 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 Bank are presented in the Section 3 Note 1.2 in the accompanying unconsolidated financial statements.</p> <p>The Bank 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 Bank's TFRS 9 policy of the classification of financial assets and financial liabilities has been read and compared with the TFRS 9.</p> <p>We have examined the Bank'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 checked the compliance to the Bank'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 Bank'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 Bank'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 financial statements of the Bank with respect to loan and receivables and related impairment provision.</p>

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

4) Auditor's Responsibilities for the Audit of the Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Yaman Polat
Partner

İstanbul, 26 February 2019

Index

Section One General information

I.	History of the 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 supervisions of the bank and the disclosures on any related changes in the current year, 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 Their Shareholdings in the Bank	2
IV.	Information on qualified shareholders	3
V.	Explanations of the 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

The unconsolidated financial statements

I.	Balance sheet (Statement of financial position)	4
II.	Statement of off-balance sheet contingencies and commitments	8
III.	Statement of income statement (Statement of Income/ Loss)	10
IV.	Statement of profit and loss accounted for under equity (statement of other comprehensive income and loss)	12
V.	Statement of changes in shareholders' equity	14
VI.	Statement of cash flows	16
VII.	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.	Explanations on investments in associates and subsidiaries	26
IV.	Explanations on forward transactions and option contracts and derivative instruments	26
V.	Explanations on profit share income and expense	27
VI.	Explanations on fees and commission income and expenses	27
VII.	Explanations on financial assets	27
VIII.	Explanations on impairment of financial assets	29
IX.	Explanations on offsetting of financial assets and liabilities	29
X.	Explanations on sale and repurchase agreements and lending of securities	29
XI.	Explanations on assets held for sale and discontinued operations and related liabilities	30
XII.	Explanations on goodwill and other intangible assets	30
XIII.	Explanations on tangible assets	30
XIV.	Explanations on leasing transactions	31
XV.	Explanations on provisions and contingent liabilities	31
XVI.	Explanations on liabilities relating to employee benefits	31
XVII.	Explanations on taxation	32
XVIII.	Explanations on additional disclosures on borrowings	33
XIX.	Explanations on share certificates issued	33
XX.	Explanations on acceptances and availed drafts	33
XXI.	Explanations on government grants	33
XXII.	Explanations on segment reporting	33
XXIII.	Explanations on prior period accounting policies which are not applicable in the current period	33
XXIV.	Explanations on other matters	35

Section Four

Information on financial position and risk management of the Bank

I.	Explanations on shareholders' equity	36
II.	Explanations on credit risk	43
III.	Explanations on currency risk	57
IV.	Explanations on position risk of equity securities in banking book	59
V.	Explanations on liquidity risk	60
VI.	Explanations on leverage ratio	68
VII.	Explanations on 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 risk management	70
X.	Explanations on business segments	87

Section Five

Explanations and notes on the unconsolidated financial statements

I.	Explanations and notes related to assets	89
II.	Explanations and notes related to liabilities	109
III.	Explanations and notes related to off-balance sheet contingencies and commitments	118
IV.	Explanations and notes related to the statement of income	122
V.	Statement of changes in shareholders' equity	128
VI.	Explanations and notes related to cash flow statement	128
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	132
IX.	Significant events and matters arising subsequent to balance sheet date	132

Section Six

Other Explanations and Disclosures

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	133
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Section Seven

Independent Auditor's Report

I.	Explanations on the auditors' report	133
II.	Notes and disclosures prepared by independent auditors	133



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THE UNCONSOLIDATED 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 Esentepe / İSTANBUL

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The unconsolidated 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

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



Adnan ERTEM
Deputy Chairman of the BOD and Head of
the Audit Committee


Ahmad S A A AL KHARJI
Member of the Audit Committee


Mohamad AL-MIDANI
Member of the Audit
Committee


Ufuk UYAN
Chief Executive
Officer


Ahmet KARACA
Chief Financial Officer


İsmail Hakkı YEŞİLYURT
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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

3. Explanations 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 Shares in the Bank

Name	Title	Date of the assignment	Date of Audit Committee assignment	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KHE AL SALEH	Member of BOD	20/10/2006		Bachelor	0.0105%
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad AL-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmed S. AL KHARJI	Member of BOD and Audit Committee	26/03/2014	24/09/2014	Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	0.0567%
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	0.0161%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005		Doctorate	0.0091%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010		Bachelor	0.0007%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012		Bachelor	0.0047%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012		Bachelor	0.0029%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015		Bachelor	0.0028%

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

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

4. Information on qualified shareholders

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

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

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

The Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 December 2018, the Bank is operating through 414 branches (31 December 2017 – 399) with 5,871 employees (31 December 2017 – 5,749). Summary of some of the Bank's operations described in the Articles of Association are as follows:

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

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

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

None.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER
2018

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

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

				Audited Current Period 31.12.2018
	Note	TL	FC	Total
I. FINANCIAL ASSETS (Net)		3,639,236	19,911,720	23,550,956
1.1 Cash and Cash Equivalents		1,197,845	15,657,891	16,855,736
1.1.1 Cash and Balances with Central Bank	(5.1.1.)	1,183,109	9,252,979	10,436,088
1.1.2 Banks	(5.1.3.)	14,736	6,404,912	6,419,648
1.1.3 Money Markets		-	-	-
1.2 Financial Assets at Fair Value Through Profit or Loss		292,978	96,168	389,146
1.2.1 Government Debt Securities		18,327	11,770	30,097
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		274,651	84,398	359,049
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	2,164,849	4,231,216	6,396,065
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		88,926	409,651	498,577
1.4 Financial Assets Measured at Amortised Cost	(5.1.6.)	-	-	-
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(5.1.2.)	29,483	12,528	42,011
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		-	-	-
1.6 Non-Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		45,919	86,083	132,002
II. LOANS (Net)	(5.1.5.)	31,038,014	14,827,277	45,865,291
2.1 Loans		30,078,505	14,090,063	44,168,568
2.1.1 Loans Measured at Amortised Cost		30,077,773	14,049,966	44,127,739
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		-	-	-
2.2 Lease Receivables	(5.1.10.)	1,439,955	1,010,744	2,450,699
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
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortised Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		1,159,974	19,793	1,179,767
2.5 Expected Credit Losses (-)		1,640,420	293,323	1,933,743
2.5.1 12-Month Expected Credit Losses (Stage I)		297,335	139,863	437,198
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	2,547	841,056
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.1.16.)	270,382	-	270,382
3.1 Held For Sale		270,382	-	270,382
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		547,950	-	547,950
4.1 Investments in Associates (Net)	(5.1.7.)	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Subsidiaries (Net)	(5.1.8.)	522,950	-	522,950
4.2.1 Unconsolidated Financial Subsidiaries		499,270	-	499,270
4.2.2 Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680
4.3 Joint Ventures (Net)	(5.1.9.)	25,000	-	25,000
4.3.1 Joint Ventures Valued Based on Equity Method		25,000	-	25,000
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. TANGIBLE ASSETS (Net)	(5.1.12.)	688,685	203	688,888
VI. INTANGIBLE ASSETS (Net)	(5.1.13.)	136,931	48	136,979
6.1 Goodwill		-	-	-
6.2 Other		136,931	48	136,979
VII. INVESTMENT PROPERTIES (Net)	(5.1.14.)	25,305	-	25,305
VIII. CURRENT TAX ASSETS		-	-	-
IX. DEFERRED TAX ASSETS	(5.1.15.)	346,640	-	346,640
X. OTHER ASSETS	(5.1.17.)	817,583	1,982,351	2,799,934
TOTAL ASSETS		37,510,726	36,721,599	74,232,325

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The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER
2018

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

				Audited Prior Period 31.12.2017
	Note	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(5.1.1.)	625,022	8,307,834	8,932,856
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
2.1 Held for trading financial assets		176,941	66,466	243,407
2.1.1 Public sector debt securities		7,600	28,719	36,319
2.1.2 Equity securities		-	-	-
2.1.3 Derivative financial assets held for trading		14,168	12,531	26,699
2.1.4 Other marketable securities		155,173	25,216	180,389
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Equity securities		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
III. BANKS	(5.1.3.)	7,404	3,568,616	3,576,020
IV. RECEIVABLES FROM MONEY MARKET				
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5.1.4.)	2,088,123	2,339,942	4,428,065
5.1 Equity securities		10,325	38,172	48,497
5.2 Public sector debt securities		2,048,171	2,055,277	4,103,448
5.3 Other marketable securities		29,627	246,493	276,120
VI. LOANS AND RECEIVABLES	(5.1.5.)	29,860,983	6,180,316	36,041,299
6.1 Loans and receivables		29,813,800	6,180,316	35,994,116
6.1.1 Loans to risk group of the bank		84,022	67,951	151,973
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		29,729,778	6,112,365	35,842,143
6.2 Non-performing loans		714,130	-	714,130
6.3 Specific provisions (-)		666,947	-	666,947
VII. HELD TO MATURITY INVESTMENTS (Net)	(5.1.6.)	-	-	-
VIII. INVESTMENTS IN ASSOCIATES (Net)	(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		-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8.)	377,647	-	377,647
9.1 Unconsolidated financial subsidiaries		353,967	-	353,967
9.2 Unconsolidated non-financial subsidiaries		23,680	-	23,680
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.1.9.)	20,000	-	20,000
10.1 Accounted for under equity method		20,000	-	20,000
10.2 Unconsolidated		-	-	-
10.2.1 Financial subsidiaries		-	-	-
10.2.2 Non-financial subsidiaries		-	-	-
XI. FINANCE LEASE RECEIVABLES (NET)	(5.1.10.)	1,285,866	643,376	1,929,242
11.1 Finance lease receivables		1,473,207	771,045	2,244,252
11.2 Operating lease receivables		-	-	-
11.3 Other		-	-	-
11.4 Unearned income (-)		187,341	127,669	315,010
XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(5.1.11.)	-	-	-
12.1 Fair value hedge		-	-	-
12.2 Cash flow hedge		-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-
XIII. TANGIBLE ASSETS (Net)	(5.1.12.)	409,559	184	409,743
XIV. INTANGIBLE ASSETS (Net)	(5.1.13.)	118,959	53	119,012
14.1 Goodwill		-	-	-
14.2 Other		118,959	53	119,012
XV. INVESTMENT PROPERTIES (Net)	(5.1.14.)	25,419	-	25,419
XVI. TAX ASSET	(5.1.15.)	138,710	-	138,710
16.1 Current tax asset		-	-	-
16.2 Deferred tax asset		138,710	-	138,710
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.1.16.)	117,006	-	117,006
17.1 Held for sale		117,006	-	117,006
17.2 Discontinued operations		-	-	-
XVIII. OTHER ASSETS	(5.1.17.)	183,231	581,438	764,669
TOTAL ASSETS		35,434,870	21,688,225	57,123,095

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER
2018

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

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

				Audited Current Period 31.12.2018
	Note	TL	FC	Total
I. FUNDS COLLECTED	(5.2.1.)	22,520,320	31,465,958	53,986,278
II. FUNDS BORROWED	(5.2.3.)	2,038,900	8,103,989	10,142,889
III. MONEY MARKETS		188,003	-	188,003
IV. SECURITIES ISSUED (Net)		-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(5.2.2.)	21,045	148,288	169,333
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		21,045	148,288	169,333
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VII. LEASE PAYABLES	(5.2.5.)	-	-	-
7.1 Finance Lease Payables		-	-	-
7.2 Operating Lease Payables		-	-	-
7.3 Other		-	-	-
7.4 Deferred Financial Lease Expenses (-)		-	-	-
VIII. PROVISIONS	(5.2.7.)	615,510	180,385	795,895
8.1 Restructuring Provision		-	-	-
8.2 Reserves For Employee Benefits		228,323	318	228,641
8.3 Insurance For Technical Provision (Net)		-	-	-
8.4 Other Provisions		387,187	180,067	567,254
IX. CURRENT TAX LIABILITIES	(5.2.8.)	175,685	-	175,685
X. DEFERRED TAX LIABILITIES		-	-	-
XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.9.)	-	-	-
11.1 Held For Sale		-	-	-
11.2 Related to Discontinued Operations		-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(5.2.10.)	-	1,901,210	1,901,210
12.1 Loans		-	-	-
12.2 Other Debt Instruments		-	1,901,210	1,901,210
XIII. OTHER LIABILITIES	(5.2.4.)	1,282,540	151,939	1,434,479
XIV. SHAREHOLDERS' EQUITY	(5.2.11.)	5,489,985	(51,432)	5,438,553
14.1 Paid-in Capital		3,497,322	-	3,497,322
14.2 Capital Reserves		22,933	-	22,933
14.2.1 Share Premiums		22,933	-	22,933
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Other Capital Reserves		-	-	-
14.3 Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(13,296)	-	(13,296)
14.4 Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		(29,522)	(51,432)	(80,954)
14.5 Profit Reserves		1,107,196	-	1,107,196
14.5.1 Legal Reserves		184,578	-	184,578
14.5.2 Statutory Reserves		-	-	-
14.5.3 Extraordinary Reserves		923,536	-	923,536
14.5.4 Other Profit Reserves		(918)	-	(918)
14.6 Profits or Losses		905,352	-	905,352
14.6.1 Prior Years' Profits or Losses		35,540	-	35,540
14.6.2 Current Period Net Profit or Loss		869,812	-	869,812
TOTAL LIABILITIES AND EQUITY		32,331,988	41,900,337	74,232,325

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER
2018

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

				Audited Prior Period 31.12.2017
	Note	TL	FC	Total
I. FUNDS COLLECTED	(5.2.1)	19,955,412	19,901,988	39,857,400
I.1 Funds from risk group of the bank		393,595	118,292	511,887
I.2 Other		19,561,817	19,783,696	39,345,513
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)	21,446	59,251	80,697
III. FUNDS BORROWED	(5.2.3)	1,258,301	7,773,208	9,031,509
IV. MONEY MARKET BALANCES		750,524	-	750,524
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-
VI. SUNDRY CREDITORS	(5.2.4)	171,509	26,610	198,119
VII. OTHER LIABILITIES	(5.2.4)	318,674	16,177	334,851
VIII. FINANCE LEASE PAYABLES (Net)	(5.2.5)	-	-	-
8.1 Finance lease payables		-	-	-
8.2 Operating lease payables		-	-	-
8.3 Other		-	-	-
8.4 Deferred finance lease expenses (-)		-	-	-
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(5.2.6)	-	70,795	70,795
9.1 Fair value hedge		-	-	-
9.2 Cash flow hedge		-	70,795	70,795
9.3 Hedge of net investment in foreign operations		-	-	-
X. PROVISIONS	(5.2.7)	642,554	148,886	791,440
10.1 General loan loss provisions		312,384	93,084	405,468
10.2 Restructuring provisions		-	-	-
10.3 Reserve for employee benefits		184,864	185	185,049
10.4 Insurance technical reserves (net)		-	-	-
10.5 Other provisions		145,306	55,617	200,923
XI. TAX LIABILITY	(5.2.8)	56,271	-	56,271
11.1 Current tax liability		56,271	-	56,271
11.2 Deferred tax liability		-	-	-
XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.2.9)	-	-	-
12.1 Held for sale		-	-	-
12.2 Discontinued operations		-	-	-
XIII. SUBORDINATED LOANS	(5.2.10)	-	1,360,338	1,360,338
XIV. SHAREHOLDERS' EQUITY	(5.2.11)	4,578,542	12,609	4,591,151
14.1 Paid-in capital		3,097,322	-	3,097,322
14.2 Capital reserves		(31,788)	12,609	(19,179)
14.2.1 Share premiums		22,933	-	22,933
14.2.2 Share cancellation profits		-	-	-
14.2.3 Marketable securities revaluation reserve		(23,192)	12,609	(10,583)
14.2.4 Tangible assets revaluation reserve		-	-	-
14.2.5 Intangible assets revaluation reserve		-	-	-
14.2.6 Investment property revaluation reserve		-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-
14.2.8 Hedging funds (effective portion)		(4,582)	-	(4,582)
14.2.9 Value increase on assets held for resale		-	-	-
14.2.10 Other capital reserves		(26,947)	-	(26,947)
14.3 Profit reserves		839,017	-	839,017
14.3.1 Legal reserves		150,389	-	150,389
14.3.2 Status reserves		-	-	-
14.3.3 Extraordinary reserves		688,628	-	688,628
14.3.4 Other profit reserves		-	-	-
14.4 Profit or Loss		673,991	-	673,991
14.4.1 Prior years income/losses		-	-	-
14.4.2 Current period net income/losses		673,991	-	673,991
14.5 Minority shares	(5.2.12)	-	-	-
TOTAL LIABILITIES AND EQUITY		27,753,233	29,369,862	57,123,095

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS FOR THE YEAR
ENDED 31 DECEMBER 2018

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Audited Current Period 31.12.2018		
	Note	TL	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		57,546,517	29,226,698	86,773,215
I. GUARANTEES AND WARRANTIES	(5.3.1.)	6,416,633	5,451,457	11,868,090
I.1 Letters of Guarantee		6,206,886	4,182,512	10,389,398
I.1.1 Guarantees Subject to State Tender Law		217,252	174,971	392,223
I.1.2 Guarantees Given For Foreign Trade Operations		371,535	167,020	538,555
I.1.3 Other Letters of Guarantee		5,618,099	3,840,521	9,458,620
I.2 Bank Loans		17,516	56,582	74,098
I.2.1 Import Letter of Acceptances		17,516	56,582	74,098
I.2.2 Other Bank Acceptances		-	-	-
I.3 Letters of Credit		11,512	1,068,364	1,079,876
I.3.1 Documentary Letters of Credit		367	215,062	215,429
I.3.2 Other Letters of Credit		11,145	853,302	864,447
I.4 Guaranteed Refinancing		-	-	-
I.5 Endorsements		-	-	-
I.5.1 Endorsements to the Central Bank of Turkey		-	-	-
I.5.2 Other Endorsements		-	-	-
I.6 Other Guarantees		180,719	143,999	324,718
I.7 Other Warranties		-	-	-
II. COMMITMENTS	(5.3.1.)	50,194,084	1,327,223	51,521,307
2.1 Irrevocable Commitments		3,572,418	1,327,223	4,899,641
2.1.1 Forward Asset Purchase and Sales Commitments		345,756	1,327,223	1,672,979
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 Commitments For Reserve Deposits Requirements		-	-	-
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	-	17,757
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		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2.)	935,800	22,448,018	23,383,818
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 Investment 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. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		316,497,679	142,487,425	458,985,104
IV. ITEMS HELD IN CUSTODY		10,816,866	5,644,771	16,461,637
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
V. PLEDGED ITEMS		305,669,174	136,780,695	442,449,869
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		-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		11,639	61,959	73,598
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		374,044,196	171,714,123	545,758,319

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS FOR THE YEAR
ENDED 31 DECEMBER 2018

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

	Note	TL	FC	Audited Prior period 31.12.2017 Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		54,025,598	19,041,939	73,067,537
I. GUARANTEES (5.3.1.)		6,501,080	4,567,075	11,068,155
1.1 Letters of guarantees		6,342,565	3,223,573	9,566,138
1.1.1 Guarantees subject to state tender law		214,018	-	214,018
1.1.2 Guarantees given for foreign trade operations		424,035	186,480	610,515
1.1.3 Other letters of guarantee		5,704,512	3,037,093	8,741,605
1.2 Bank loans		2,549	53,409	55,958
1.2.1 Import letter of acceptances		2,549	53,409	55,958
1.2.2 Other bank acceptances		-	-	-
1.3 Letter of credits		1,143	930,957	932,100
1.3.1 Documentary letter of credits		78	358,591	358,669
1.3.2 Other letter of credits		1,065	572,366	573,431
1.4 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	331,217	486,040
1.7 Other collaterals		-	-	-
II. COMMITMENTS (5.3.1.)		45,832,293	948,078	46,780,371
2.1 Irrevocable commitments		3,306,919	948,078	4,254,997
2.1.1 Forward asset purchase commitments		217,951	948,078	1,166,029
2.1.2 Share capital commitment to associates and subsidiaries		-	-	-
2.1.3 Loan granting commitments		368,519	-	368,519
2.1.4 Securities underwriting commitments		-	-	-
2.1.5 Commitments for reserve 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		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS (5.3.2.)		1,692,225	13,526,786	15,219,011
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	11,961,283	13,653,508
3.2.1 Forward foreign currency buy/sell transactions		737,140	1,699,381	2,436,521
3.2.1.1 Forward foreign currency transactions-buy		388,590	831,098	1,219,688
3.2.1.2 Forward foreign currency transactions-sell		348,550	868,283	1,216,833
3.2.2 Other forward buy/sell transactions		955,085	10,261,902	11,216,987
3.3 Other		-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		264,937,891	106,948,648	371,886,539
IV. ITEMS HELD IN CUSTODY		9,232,412	3,224,354	12,456,766
4.1 Assets under management		-	-	-
4.2 Investment securities held in custody		965,091	73,865	1,038,956
4.3 Checks received for collection		6,397,936	624,523	7,022,459
4.4 Commercial notes received for collection		1,869,385	190,069	2,059,454
4.5 Other assets received for collection		-	-	-
4.6 Assets received for public offering		-	-	-
4.7 Other items under custody		-	-	-
4.8 Custodians		-	2,335,897	2,335,897
V. PLEDGED ITEMS		255,693,840	103,679,813	359,373,653
5.1 Marketable securities		195,245	73,046	268,291
5.2 Guarantee notes		101,701	1,527,824	1,629,525
5.3 Commodity		5,045,489	470,272	5,515,761
5.4 Warranty		-	-	-
5.5 Properties		101,298,823	1,970,258	103,269,081
5.6 Other pledged items		149,052,582	99,638,413	248,690,995
5.7 Pledged items-depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,639	44,481	56,120
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		318,963,489	125,990,587	444,954,076

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER
2018

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

3. INCOME STATEMENT

		Audited Current Period 01.01.2018 - 31.12.2018	
		Note	
I.	PROFIT SHARE INCOME	(5.4.1.)	5,997,843
1.1	Profit Share on Loans		5,053,908
1.2	Profit Share on Reserve Deposits		92,411
1.3	Profit Share on Banks		169,072
1.4	Profit Share on Money Market Placements		-
1.5	Profit Share on Marketable Securities Portfolio		416,738
1.5.1	Fair Value Through Profit or Loss		27,920
1.5.2	Fair Value Through Other Comprehensive Income		388,818
1.5.3	Measured at Amortised Cost		-
1.6	Finance Lease Income		229,320
1.7	Other Profit Share Income	(5.4.13.)	36,394
II.	PROFIT SHARE EXPENSE (-)	(5.4.2.)	2,850,053
2.1	Expense on Profit Sharing Accounts	(5.4.4.)	1,995,548
2.2	Profit Share Expense on Funds Borrowed		818,702
2.3	Profit Share Expense on Money Market Borrowings		35,789
2.4	Expense on Securities Issued		-
2.5	Other Profit Share Expense	(5.4.13.)	14
III.	NET PROFIT SHARE INCOME (I - II)		3,147,790
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		349,546
4.1	Fees And Commissions Received		549,490
4.1.1	Non-Cash Loans		123,459
4.1.2	Other		426,031
4.2	Fees And Commissions Paid (-)		199,944
4.2.1	Non-Cash Loans		27
4.2.2	Other	(5.4.13.)	199,917
V.	PERSONNEL EXPENSES (-)		803,290
VI.	DIVIDEND INCOME	(5.4.3.)	1,273
VII.	NET TRADING INCOME / LOSS (Net)	(5.4.5.)	453,415
7.1	Capital Market Transaction Gains/Losses		10,241
7.2	Gains/Losses From Derivative Financial Instruments		138,101
7.3	Foreign Exchange Gains/Losses		305,073
VIII.	OTHER OPERATING INCOME	(5.4.6.)	656,516
IX.	NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		3,805,250
X.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	1,977,360
XI.	OTHER OPERATING EXPENSES (-)	(5.4.8.)	701,833
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		1,126,057
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIV.	INCOME / LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON		-
XV.	EQUITY METHOD		-
XVI.	INCOME / LOSS ON NET MONETARY POSITION		-
XVII.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(5.4.9.)	1,126,057
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10.)	(256,245)
17.1	Current Tax Provision		(454,141)
17.2	Deferred Tax Income Effect (+)		26,837
17.3	Deferred Tax Expense Effect (-)		224,733
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)	(5.4.11.)	869,812
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income on Non-Current Assets Held For Sale		-
19.2	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-
19.3	Income on Other Discontinued Operations	(5.4.13.)	-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1	Expenses From Non-Current Assets Held For Sale		-
20.2	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-
20.3	Expenses From Other Discontinued Operations	(5.4.13.)	-
XXI.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1	Current Tax Provision		-
22.2	Deferred Tax Expense Effect (+)		-
22.3	Deferred Tax Income Effect (-)		-
XXIII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	(5.4.12.)	869,812
24.1	Group's Income/Loss		869,812
24.2	Minority Interest Income/Loss (-)		-
	Earnings Per Share Income/Loss		-

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER
2018

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

		Audited Prior Period 01.01.2017 - 31.12.2017
Note		
I.	PROFIT SHARE INCOME (5.4.1.)	3,850,986
1.1	Profit Share on Loans	3,328,659
1.2	Profit Share on Reserve Deposits	50,595
1.3	Profit Share on Banks	30,204
1.4	Profit Share on Money Market Placements	-
1.5	Profit Share on Marketable Securities Portfolio	280,500
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	271,729
1.5.4	Investments Held-to-Maturity	-
1.6	Finance Lease Income	140,419
1.7	Other Profit Share Income	20,609
II.	PROFIT SHARE EXPENSE (5.4.2.)	1,716,773
2.1	Expense on Profit Sharing Accounts (5.4.4.)	1,170,984
2.2	Profit Share Expense on Funds Borrowed	516,479
2.3	Profit Share Expense on Money Market Borrowings	29,270
2.4	Expense on Securities Issued	-
2.5	Other Profit Share Expense	40
III.	NET PROFIT SHARE INCOME (I - II)	2,134,213
IV.	NET FEES AND COMMISSIONS INCOME	241,002
4.1	Fees And Commissions Received	394,918
4.1.1	Non-Cash Loans	106,498
4.1.2	Other	288,420
4.2	Fees And Commissions Paid	153,916
4.2.1	Non-Cash Loans	17
4.2.2	Other	153,899
V.	DIVIDEND INCOME (5.4.3.)	-
VI.	NET TRADING INCOME / EXPENSE (Loss) (5.4.5.)	246,884
6.1	Capital Market Transaction Gain/Losses	6,960
6.2	Gain/Losses From Derivative Financial Instruments	(398,234)
6.3	Foreign Exchange Gain/Losses	638,158
VII.	OTHER OPERATING INCOME (5.4.6.)	230,217
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)	2,852,316
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-) (5.4.7.)	783,703
X.	OTHER OPERATING EXPENSES (-) (5.4.8.)	1,219,680
XI.	NET OPERATING INCOME/LOSS (VIII-IX-X)	848,933
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER	-
XIII.	GAIN / LOSS ON EQUITY METHOD	-
XIV.	GAIN / LOSS ON NET MONETARY POSITION	-
XV.	PROFIT/LOSS FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV) (5.4.9.)	848,933
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±) (5.4.10.)	(174,942)
16.1	Current Income Tax Charge	(197,638)
16.2	Deferred Tax Charge / Benefit	22,696
XVII.	NET PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI) (5.4.11.)	673,991
XVIII.	INCOME ON DISCONTINUED OPERATIONS	-
18.1	Income on Assets Held For Sale	-
18.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)	-
18.3	Income on Other Discontinued Operations	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-
19.1	Loss From Assets Held For Sale	-
19.2	Loss on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-
19.3	Loss From Other Discontinued Operations	-
XX.	PROFIT / LOSS ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	-
21.1	Current Income Tax Charge	-
21.2	Deferred Tax Charge / Benefit	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	-
XXIII.	NET PROFIT/LOSS (XVII+XXII) (5.4.12.)	673,991
23.1	Group's Income/Loss	673,991
23.2	Minority Interest Income/Loss (-)	-
	Earnings Per Share Income/Loss (Full TL)	-

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Audited Current Period 01.01.2018-31.12.2018
I. CURRENT PROFIT / LOSS	869,812
II. OTHER COMPREHENSIVE INCOME	(52,138)
2.1 Other Comprehensive Income Not Reclassified Through Profit Or Loss	13,651
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)
2.2 Other Comprehensive Income Reclassified Through Profit Or Loss	(65,789)
2.2.1 Foreign Currency Translation Difference	-
Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other	
2.2.2 Comprehensive Income	(139,196)
2.2.3 Cash Flow Hedge Income/Loss	50,973
2.2.4 Foreign Net Investment Hedge Income/Loss	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6 Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss	22,434
III. TOTAL COMPREHENSIVE INCOME (I+II)	817,674

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY 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
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	24,684
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective Portion of Fair Value Differences)	3,294
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion of Fair Value Differences)	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	(16,493)
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(2,098)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	9,387
XI. PROFIT/LOSS	673,991
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	675,509
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	683,378

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

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

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

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN THE EQUITY ITEMS	Note	Paid-Up Capital	Share Premium	Share Contribution	Share Profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
Current Period (01.01.2018-31.12.2018)																			
I. Prior Period Ending Balance		3,897,322	22,933	-	-	-	-	-	(26,947)	-	-	(10,383)	(4,582)	839,817	673,991	-	4,591,151	-	4,591,151
II. Corrections and Accounting Policy Changes Made According to TAS 9		-	-	-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (+/-)		3,897,322	22,933	-	-	-	-	-	(26,947)	-	-	(10,383)	(4,582)	839,817	709,531	-	4,626,691	-	4,626,691
IV. Total Comprehensive Income		-	-	-	-	-	-	-	13,651	-	-	(106,567)	40,778	-	-	869,812	817,674	-	817,674
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Reserves Paid in Capital Inflation Adjustment		400,000	-	-	-	-	-	-	-	-	-	-	-	(400,000)	-	-	-	-	-
VII. Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	(918)	-	-	(918)	-	(918)
XI. Profit Distribution (*)		-	-	-	-	-	-	-	-	-	-	-	-	669,097	(673,991)	-	(4,894)	-	(4,894)
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	669,097	(669,097)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of the Period (01.01.2019-31.12.2019)		3,897,322	22,933	-	-	-	-	-	(13,296)	-	-	(117,150)	36,196	1,887,196	35,540	869,812	5,438,553	-	5,438,553

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

(*) 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.

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

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

Accounted	Note	Paid-in capital	Effect of inclusion accounting on paid-in capital and other reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserve	Reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities / (loss)	Tangible and intangible assets revaluation	Share from investments	Holding reserves	Asset held for sale and disc-up valuation	Total excluding minority interest	Minority interest	Total equity
I.		2,797,322	-	22,933	-	122,861	-	351,549	-	541,566	(38,529)	-	-	(7,217)	-	3,912,664	-	3,912,664
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		310,000	-	-	-	-	-	-	-	(258,333)	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		310,000	-	-	-	-	-	-	-	(238,333)	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of the period		3,097,322	-	22,933	-	122,861	-	351,549	-	541,566	(38,529)	-	-	(7,217)	-	3,912,664	-	3,912,664
(G)DP-...XYT-XVYD	(2-11)	3,097,322	-	22,933	-	122,861	-	351,549	-	541,566	(38,529)	-	-	(7,217)	-	3,912,664	-	3,912,664

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

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

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The accompanying notes are an integral part of these financial statements

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

6. STATEMENT OF CASH FLOWS

	Note	Audited Current Period 01.01.2018-31.12.2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Assets And Liabilities From Banking Operations		2,570,212
1.1.1 Profit Share Income Received		5,660,024
1.1.2 Profit Share Expense Paid		(2,615,318)
1.1.3 Dividends Received		1,096
1.1.4 Fees And Commissions Received		553,884
1.1.5 Other Income		1,054,536
1.1.6 Collections From Previously Written Off Loans		106,667
1.1.7 Payments to Personnel And Service Suppliers		(747,241)
1.1.8 Taxes Paid		(403,118)
1.1.9 Others		(1,040,318)
1.2 Changes in Assets And Liabilities From Banking Operations		1,932,566
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(4,710)
1.2.2 Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(1,744,784)
1.2.3 Net (Increase) Decrease in Loans		(9,392,623)
1.2.4 Net (Increase) Decrease in Other Assets		(2,882,112)
1.2.5 Net Increase (Decrease) in Bank Deposits		(57,331)
1.2.6 Net Increase (Decrease) in Other Deposits		14,012,363
1.2.7 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		-
1.2.8 Net Increase (Decrease) in Funds Borrowed		1,095,017
1.2.9 Net Increase (Decrease) in Due Payables		-
1.2.10 Net Increase (Decrease) in Other Liabilities		906,746
I. Net Cash Provided From Banking Operations		4,502,778
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided From Investing Activities		(1,829,187)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		(152,061)
2.2 Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		16,901
2.3 Fixed Assets Purchases		(62,514)
2.4 Fixed Assets Sales		236,500
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(4,203,508)
2.6 Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income		2,409,765
2.7 Cash Paid For Purchase of Financial Assets at Amortized Cost		-
2.8 Cash Obtained From Sale of Financial Assets at Amortized Cost		-
2.9 Other		(74,270)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided From Financing Activities		(4,894)
3.1 Cash Obtained From Funds Borrowed And Securities Issued		-
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		-
3.3 Capital Increase		-
3.4 Dividends Paid		(4,894)
3.5 Payments For Finance Leases		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents		(66,621)
V. Net Increase in Cash And Cash Equivalents		2,602,076
VI. Cash And Cash Equivalents at The Beginning of The Period		4,078,048
VII. Cash And Cash Equivalents at The End of The Period		6,680,124

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

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

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

		Audited Prior Period
	Notes	01.01.2017-31.12.2017
A.	Cash flows from banking operations	
I.1	Operating profit before changes in operating assets and liabilities	1,458,718
1.1.1	Profit share income received	3,816,222
1.1.2	Profit share expense paid	(1,663,981)
1.1.3	Dividend received	-
1.1.4	Fees and commissions received	396,315
1.1.5	Other income	379,884
1.1.6	Collections from previously written off loans	62,306
1.1.7	Payments to personnel and service suppliers	(947,562)
1.1.8	Taxes paid	(222,002)
1.1.9	Others	(362,464)
I.2	Changes in operating assets and liabilities	(2,094,816)
1.2.1	Net (increase) decrease held for trading financial assets	(160,784)
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	(1,025,350)
1.2.4	Net (increase) decrease in loans	(8,557,986)
1.2.5	Net (increase) decrease in other assets	(199,960)
1.2.6	Net increase (decrease) in bank deposits	(301,866)
1.2.7	Net increase (decrease) in other deposits	8,204,587
1.2.8	Net increase (decrease) in funds borrowed	994,812
1.2.9	Net increase (decrease) in due payables	-
1.2.10	Net increase (decrease) in other liabilities	(1,048,269)
I.	Net cash provided from banking operations	(636,098)
B.	Cash flows from investing activities	
II.	Net cash provided from investing activities	(861,961)
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	1.12 (123,536)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	202,431
2.3	Fixed assets purchases	(65,333)
2.4	Fixed assets sales	1,998
2.5	Cash paid for purchase of financial assets available for sale	(2,279,516)
2.6	Cash obtained from sale of financial assets available for sale	1,450,956
2.7	Cash paid for purchase of investment securities	-
2.8	Cash obtained from sale of investment securities	-
2.9	Other	1.13.1 (48,961)
C.	Cash flows from financing activities	
III.	Net cash provided from financing activities	(4,331)
3.1	Cash obtained from funds borrowed and securities issued	-
3.2	Cash used for repayment of funds borrowed and securities issued	-
3.3	Capital increase	-
3.4	Dividends paid	(4,291)
3.5	Payments for finance leases	(40)
3.6	Other	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(V-d) (15,217)
V.	Net increase (decrease) in cash and cash equivalents (i + ii + iii + iv)	(1,517,607)
VI.	Cash and cash equivalents at the beginning of the period	(V-a) 5,595,655
VII.	Cash and cash equivalents at the end of the period	(V-a) 4,078,048

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

The accompanying notes are an integral part of these financial statement

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

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

7. STATEMENT OF PROFIT DISTRIBUTION

	Current Period 01.01.2018- 31.12.2018 (*)
I. Distribution of current year profit	
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	-
	(197,896)
A. Net profit for the period (1.1-1.2) (Not V-I-17-c)	869,812
1.3. Accumulated losses (-)	-
1.4. First legal reserves (-)	-
1.5. Other statutory reserves (-)	-
B. Net profit available for distribution [(A-(1.3+1.4+1.5))] (***)	869,812
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	-
II. Distribution of reserves	-
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 (-)	-
III. Earnings per share	
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 (%)	-
IV. Hisse başına temettül	
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 (%)	-

(*) The profit distribution of the Bank is decided at the General Assembly meeting which is not yet held as of the date of the preparation of these financial statements.

(**) Deferred tax benefit is presented under other tax and legal liabilities. Deferred tax benefit can not be included in the distributable profit, 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.

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

	Prior Period 01.01.2017- 31.12.2017 (*)
I. Distribution of current year profit	
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)
A. Net profit for the period (1.1-1.2) (Not V-I-17-c)	673,991
1.3. Accumulated losses (-)	-
1.4. First legal reserves (-)	33,700
1.5. Other statutory reserves (-)	-
B. Net profit available for distribution [(A-(1.3+1.4+1.5)) (***)]	640,291
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	-
II. Distribution of reserves	-
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 (-)	-
III. Earnings per share	
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 (%)	-
IV. Dividend per share	
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 (%)	-

(*) The profit distribution of the Bank is decided at the General Assembly meeting which is not yet held as of the date of the preparation of these financial statements.

(**) Deferred tax benefit is presented under other tax and legal liabilities. Deferred tax benefit can not be included in the distributable profit, thus it is classified under extraordinary reserves.

(***) TL 387,142 from retained earnings and TL 12,858 from other reserves are transferred to paid-in 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.

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

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

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

1.2 Classification:

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

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 addition with TFRS 9, as of 1 January 2018, prior period "General Provisions" item has been written off and the impact of "Expected Loss Provisions" is reflected through relevant lines. As per the scope of TFRS 9, expected credit losses for financial assets and loans are classified as "Expected Loss Provisions" under Assets, credit losses for non-cash loans are classified as "Other Provisions" under in Liabilities.

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

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

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

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

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

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

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

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

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

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

1.5 Disclosures Regarding TFRS 9 Financial Instruments:

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

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

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

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

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

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

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

Classification and measurement of financial instruments:

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

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

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

Impairment:

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

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

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

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

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

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

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

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

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

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

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

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 Bank.

1.7 Explanations on TFRS 16 Leases Standard

TFRS 16 Leases 8 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. The Bank has started its operations to comply with TFRS 16 Leases standard as of 1 January 2019, and the related work is continuing as of 31 December 2018. As of 1 January 2019, no significant impact on the Bank's financial statements is

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

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

expected during the transition to TFRS 16. The Bank will apply this standard from 1 January 2019, the mandatory application date. The Bank 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 Bank follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Bank's exposure to liquidity risk, currency risk and credit risk while increasing profitability and strengthening the Bank's equity. The assets-liabilities committee (ALCO) manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee.

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

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

3. Investments in associates and subsidiaries

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

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

The Bank enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Bank classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Derivative Financial Instruments Held for Trading" in accordance with TFRS 9. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as "held for trading" within the framework of TFRS 9, and are reflected in the "Derivative Financial Assets/Liabilities Held for Trading" account in the balance sheet. The Bank has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

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

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

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

While choosing the accounting policy under TFRS 9, the Bank has the option to defer the adoption of hedge accounting policy and to continue apply the accounting terms of TAS 39. Within this scope, the Bank shall continue applying the terms of hedge accounting policy specified under TAS 39. In addition to this, the Bank enters into profit share rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under hedging reserves in shareholders' equity, and the ineffective portion is recognised in income statement. The changes recognised in shareholders' equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

The Bank performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is

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

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

applied as long as the test results are between the range of 80%-125% of effectiveness. The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

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

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 1/1/2018, which is the transition date of TFRS 9, accruals and discounts are not cancelled and calculations are continues under TFRS 9.

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

6. Explanations on fees and commission income and expenses

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

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

7. Explanations on financial assets

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

7.1 Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss are financial assets that are managed within a business model other than the business model whose objective is achieved by holding contractual cashflows for collection and the business model whose objective is achieved by collecting and selling contractual cash flows. Also, in case that the contractual terms of financial assets do not give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount, such assets are those that are, obtained with the

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

aim of providing profit from the short-term price or other factor fluctuations in the market or are part of a portfolio aiming to obtain short-term profit, regardless of the reason of acquisition.

7.2 Financial Assets at Fair Value Through Other Comprehensive Income:

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

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

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

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

7.3 Financial Assets Measured at Amortized Cost:

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

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

7.4 Derivative Financial Assets:

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

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

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

7.5 Loans:

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

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

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

As the Banks's loans and gold-indexed loans indexed amounting to 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 credit losses

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

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

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

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

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

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

9. Explanations on offsetting of financial assets and liabilities

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

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 Group has no discontinued operations.

12. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

13. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

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

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

14. Explanations on Leasing Transactions

Bank as a Lessee

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

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

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

Bank as a Lessor

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

15. Explanations on provisions and contingent liabilities

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

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

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

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

16. Explanations on liabilities relating to employee benefits

16.1 Defined benefit plans:

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

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

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

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

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

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

16.2 Defined contribution plans:

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

16.3 Short term benefits to employees:

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

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

17. Explanations on taxation

Current Tax

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

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

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

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

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

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

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

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

question by the asset leasing company, in case of selling a third person or institutions, these immovable's with the carrying value before its transfer to resource institution or asset leasing in lesser or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

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

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

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

Deferred Tax

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

18. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

19. Explanations on share certificates issued

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

20. Explanations on acceptances and availed drafts

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

21. Explanations on government grants

There are no government grants received by the Bank.

22. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note 10.

23. Explanations on prior period accounting policies which are not applicable in the current period

"TFRS 9 Financial Instruments" standard was introduced instead of the "TAS 39 Financial Instruments: Recognition and Measurement" standard starting from January 1, 2018. The following are the accounting policies which are no longer valid for the TFRS 9 transition. In the prior periods, the Bank classified its financial

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

assets as “Financial assets at fair value through profit or loss”, “Available-for-sale financial assets”, “Loans and receivables” or “Held-to-maturity financial assets”.

23.1 Financial assets at fair value through profit or loss:

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

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

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

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

23.2 Financial assets available for sale:

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

Financial assets available-for-sale gains and losses are valued using internal rate of return and recorded in the income statement as profit share income. Financial assets available-for-sale profit share discounts recognized in the profit/share account, current value differences recognized in the “securities value increase fund” under the shareholders’ equity. When these securities are disposed of, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

23.3 Loans and receivables:

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

23.4 Held to maturity financial assets:

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

23.5 Explanations on impairment of financial assets

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

Loans and receivables:

If there is objective evidence that the loans might not be collected, the Bank reclassifies such loans to Group III., IV. and V. provide impairment reserve in accordance with the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on 1 November 2006 in the Official Gazette No: 26333. For the loans with poor financial position

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

and/or payment capability, the Bank can provide a specific impairment reserve in excess of the amounts calculated using the minimum required rates for the related group.

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

Financial assets held to maturity:

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

Financial assets available for sale:

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

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

24. Explanations on other matters

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

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

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

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

1. Explanations on 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 Bank is TL 7,463,883 (31 December 2017: TL 5,853,623) and the capital adequacy standard ratio is 17.68% (31 December 2017: 17.66%).

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

1.1 Components of shareholders' equity:

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	3,500,000	
Share Premium	22,933	
Reserves	1,107,196	
Other Comprehensive Income according to TAS	-	
Profit	905,352	
Current Period Profit	869,812	
Prior Period Profit	35,540	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	5,535,481	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	88,537	
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	129,685	-
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 (-)	-	
Total Deductions from Common Equity Tier I Capital	295,789	
Total Common Equity Tier I Capital	5,239,692	

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

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

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
Items to be Deducted from Tier I Capital during the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy 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 (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	5,239,692
TIER II CAPITAL	
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)	460,610
Total Deductions from Tier II Capital	2,308,337
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	2,308,337
Total Equity (Total Tier I and Tier II Capital)	7,548,029

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

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

Total Tier I Capital and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	84,146
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	7,463,883
Total Risk Weighted Assets	42,206,862
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	12.41
Tier I Capital Ratio (%)	12.41
Capital Adequacy Ratio (%)	17.68
BUFFERS	
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	6.41
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	460,610
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	460,610
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

ADDITIONAL TIER I CAPITAL		
Preferred Stock Not Included In Common Equity Tier I Capital And The Related Share Premiums	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Additional Tier I Capital Before Deductions	-	
Deductions From Additional Tier I Capital		
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	
Other Items To Be Defined By The BRSA (-)	-	
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	23,804	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	
Total Deductions From Additional Tier I Capital	23,804	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	4,424,619	
TIER II CAPITAL		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	1,322,272	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	277,848	
Total Deductions From Tier II Capital	1,600,120	
Deductions From Tier II Capital		
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital	-	
Other Items To Be Defined By The BRSA (-)	-	
Total Deductions From Tier II Capital	-	
Total Tier II Capital	1,600,120	
Total Equity (Total Tier I And Tier II Capital)	6,024,739	

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

Total Tier I Capital and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	171,117
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	5,853,622
Total Risk Weighted Assets	33,138,332
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	13.42
Tier I Capital Ratio (%)	13.35
Capital Adequacy Ratio (%)	17.66
BUFFERS	
Bank-specific total CET1 Capital Ratio	1.25
Capital Conservation Buffer Ratio (%)	1.25
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	7.35
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	277,848
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	277,848
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	-
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

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

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

2. Explanations on 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 Bank.

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 Bank 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 Bank 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 Bank 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 Bank 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.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits are redefined and additional guarantees are taken and this way the prevention of the bank's loss is aimed. The account statement documents for the loan generations are taken as defined in the legislation. The guarantees are taken within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the allocation decision taken by the credit committee.

Futures and option contracts and other similar contract positions are not held.

The indemnified non-cash loans are subject to the same risk weight as the unpaid credits, in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Credits and Other Receivables in Banks and the Provisions to be Forged". Renewed and restructured loans are monitored in accordance with the methods set out in the relevant legislation.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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.

Exposure Categories (Current Period)	Risk Amount at the End of the Period (*)	Average Risk Amount (**)
Conditional and unconditional exposures to central governments or central banks	14,335,998	10,991,863
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	11,557,943	8,793,292
Conditional and unconditional exposures to corporates	12,719,675	12,583,436
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	119,227
Items in regulatory high-risk categories	137,339	58,704
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	139,501
Equity share investments	-	-
Other items	7,079,316	4,797,221
Total	69,704,324	61,659,517

(*) 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.

Exposure Categories (Prior Period)	Risk Amount at the End of the Period	Average Risk Amount (**)
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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	(*)	
Conditional and unconditional exposures to central governments or central authorities	11,723,152	10,297,058
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	6,144,711	6,311,543
Conditional and unconditional exposures to corporates	10,176,818	9,738,936
Conditional and unconditional retail exposures	7,876,889	6,909,911
Conditional and unconditional exposures secured by real estate property	14,381,976	13,373,927
Past due items	18,211	64,317
Items in regulatory high-risk categories	7,299	21,853
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	157,276	104,576
Stock Investments	-	-
Other items	3,862,084	3,612,594
Total	54,348,416	50,434,715

(*) 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 Banks.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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	14,330,764	7,143,346	12,625,854	8,528,354	14,900,002	148,049	137,339	81,584	-	57,895,292
European Union (EU) Countries	-	619,986	1,733	7,514	28,575	-	-	-	-	657,808
OECD Countries(**)	-	1,454,388	1,067	183	6,246	-	-	-	-	1,461,884
Off-Shore Banking Regions	-	63,002	25,733	4,044	75,875	-	-	-	-	168,654
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(***)	-	-	-	-	-	-	-	-	6,556,366	6,556,366
Total	14,335,998	11,557,943	12,719,675	8,545,598	15,069,170	148,718	137,339	110,567	7,079,316	69,704,324

(*) 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 can not 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	Exposures in the form of collective investment undertakings	Other	Total
Domestic	11,723,152	3,803,495	10,123,609	7,848,907	14,287,876	18,208	7,299	138,925	-	47,951,471
European Union (EU) Countries	-	614,032	2,954	2,420	12,431	-	-	-	-	631,837
OECD Countries(**)	-	673,241	840	344	976	-	-	-	-	675,401
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(***)	-	-	-	-	-	-	-	-	3,484,437	3,484,437
Total	11,723,152	6,144,711	10,176,818	7,876,889	14,381,976	18,211	7,299	157,276	3,862,084	54,348,416

(*) 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 UNCONSOLIDATED 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 governments or local administrative units and non-commercial enterprises	Conditional and unconditional receivables from banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail receivables secured by mortgages	Past due receivables by category	Receivables defined in high risk category by BRSA	Securities collateralized by BRSA mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total(*)
Agriculture	-	-	-	-	-	162,292	127,432	170,992	887	165	-	-	-	369,171	92,597	461,768
Farming and Stockbreeding	-	-	-	-	-	141,219	89,493	119,124	514	165	-	-	-	271,617	78,898	350,515
Forestry	-	-	-	-	-	21,057	37,653	51,481	373	-	-	-	-	96,874	13,690	110,564
Fishery	-	-	-	-	-	-	286	387	-	-	-	-	-	680	9	689
Manufacturing	-	-	-	-	-	5,571,102	2,360,429	2,934,869	27,184	6,139	-	-	-	4,680,606	6,219,117	10,899,723
Mining and Quarrying	-	-	-	-	-	656,519	442,318	466,638	4,991	1,496	-	-	-	934,316	637,646	1,571,962
Production	-	-	-	-	-	2,419,377	1,807,383	2,212,894	21,775	3,778	-	-	-	3,481,545	2,983,662	6,465,207
Electricity, Gas and Water	-	-	-	-	-	2,495,206	110,728	255,337	418	865	-	-	-	264,745	2,597,809	2,862,554
Construction Services	-	-	-	-	-	2,619,201	1,308,575	3,178,670	33,537	13,240	-	-	-	4,661,653	2,491,670	7,153,323
Wholesale and Retail Trade	-	-	-	-	-	11,557,943	3,070,787	3,940,959	64,328	36,570	-	-	-	10,469,392	26,060,558	36,519,750
Accommodation and Dining	-	-	-	-	-	1,741,363	2,052,541	2,609,256	43,163	33,816	-	-	-	4,520,753	1,959,386	6,480,139
Transportation and Telecom	-	-	-	-	-	102,139	84,121	240,799	5,366	1,168	-	-	-	209,585	224,008	433,593
Financial Institutions	-	-	-	-	-	871,931	457,554	331,670	10,364	343	-	-	-	730,921	940,941	1,671,862
Real Estate and Rental Services	-	-	-	-	-	11,557,943	709	3,474	1	-	-	-	-	3,716,381	22,295,563	26,011,944
Professional Services	-	-	-	-	-	329,350	101,156	269,928	1,111	302	-	-	-	381,393	320,654	702,047
Educational Services	-	-	-	-	-	37	357	217	-	-	-	-	-	611	0	611
Health and Social Services	-	-	-	-	-	81,693	55,495	158,899	42	-	-	-	-	193,728	102,401	296,129
Others	-	-	-	-	-	272,633	318,854	326,716	4,281	941	-	-	-	706,020	217,405	923,425
Total	-	-	-	-	-	964,382	1,678,375	4,943,680	22,782	81,225	-	-	-	7,079,316	9,444,110	5,225,650
	-	-	-	-	-	15,069,170	148,718	137,339	-	-	-	-	-	110,567	7,079,316	29,614,932
	-	-	-	-	-	40,089,392	69,704,324	-	-	-	-	-	-	-	-	-

(*) 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 UNCONSOLIDATED 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 banks	Conditional and unconditional receivables from regional governments or local enterprises	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from bank development	Conditional and unconditional receivables from multilateral development bank	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in category by high risk collateralized by BRSA mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total (*)
Agriculture	-	-	-	-	-	-	-	26,832	67,001	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	1,256,538	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	-	-	-	-	-	-	-	752,979	682,853	1,036,530	3,444	3,807	-	-	-	-	1,404,541	1,075,072	2,479,613
Electrony, Gas and Water	-	-	-	-	-	-	-	354,018	65,887	53,158	1	-	-	-	-	-	282,186	190,878	473,064
Construction	-	-	-	-	-	-	-	1,369,793	893,329	879,668	5,128	556	-	-	-	-	2,375,625	772,849	3,148,474
Services	-	-	-	-	-	-	-	2,202,692	1,406,385	1,910,385	5,387	1,716	-	-	-	-	7,441,366	16,110,338	23,551,704
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 Telecom.	-	-	-	-	-	-	-	687,406	214,529	182,450	626	89	-	-	-	-	612,783	472,317	1,085,100
Financial	-	-	-	-	-	-	-	6,144,711	1,032	1,283	-	-	-	-	-	-	3,440,497	14,588,288	18,028,785
Institutions	11,723,152	-	-	-	-	-	-	95,046	32,815	62,258	1	79	-	-	-	-	121,798	68,401	190,199
Real Estate and Rental Services	-	-	-	-	-	-	-	311	150	624	-	-	-	-	-	-	1,072	13	1,085
Professional Services	-	-	-	-	-	-	-	20,784	22,293	30,285	16	52	-	-	-	-	69,654	3,776	73,430
Educational Services	-	-	-	-	-	-	-	196,350	216,892	221,971	302	28	-	-	-	-	518,490	117,053	635,543
Health and Social Services	-	-	-	-	-	-	-	5,215,961	4,592,137	10,242,402	3,433	966	-	-	-	-	3,862,084	21,036,060	28,898,923
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	635,543
Total	11,723,152	-	-	-	-	-	-	6,144,711	10,176,818	14,381,976	18,311	7,299	-	-	-	-	157,276	3,862,084	23,916,983
																			54,348,416

(*) 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 UNCONSOLIDATED 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	Time 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	2,114,939	1,561,667	923,323	303,169	235,198
Conditional and unconditional exposures to corporates	2,779,392	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	95,104	1,498	1,635	2,745	36,357
Items in regulatory high-risk categories	-	-	-	-	-
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	-	-	-	-	-
Total	7,391,387	3,739,058	4,807,405	5,678,514	26,004,094

(*) 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 UNCONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2018

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

Exposure categories (*) – Prior Period	Time 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 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	278,390	468,873	472,012	154,059	1,195,356
Conditional and unconditional exposures to corporates	2,715,591	207,537	365,881	910,098	5,945,187
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 items	-	-	-	-	-
Items in regulatory high-risk categories	125	2,418	40	460	4,256
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	157,276	-	-	-	-
Stock Investments	-	-	-	-	-
Other items	-	-	-	-	-
Total	7,769,055	1,022,699	1,661,698	2,712,383	26,500,344

(*) 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 UNCONSOLIDATED 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 in calculation of the risk weighted sums 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 given in the following table.

Exposure Categories					
Credit Quality Grade	Fitch Rating Risk	Exposures to Central Governments or Central Banks	Exposures from Banks and Brokerage Houses		Exposures to Corporates
			Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months	
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 UNCONSOLIDATED 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	14,141,997	-	16,844,828	-	2,742,414	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	11,126,609	1,139,377	11,126,609	263,330	5,661,052	50
7	Receivables from corporate	9,554,084	6,517,105	8,546,257	3,150,548	11,500,712	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	137,339	-	102,850	-	154,145	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	-	59,344	54
16	Other receivables	7,079,316	-	7,079,316	-	3,748,296	53
17	Equity share investments	-	-	-	-	-	-
18	Total	63,051,097	15,670,616	63,051,097	6,262,609	36,757,530	659

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

2.5.2. Exposures by asset classes and risk weights:

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	11,365,235	-	-	5,474,359	-	5,234	-	-	-	16,844,828
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	206,346	-	2,793,927	6,574,800	-	1,814,866	-	-	-	11,389,939
7 Receivables from corporate	111,021	-	106,340	-	-	11,479,444	-	-	-	11,696,805
8 Retail receivables	105,341	-	78,423	-	7,457,743	-	-	-	-	7,641,507
9 Receivables secured by residential property	30,971	-	25,423	-	-	-	-	-	6,488,528	6,544,922
10 Receivables secured by commercial property	45,925	-	69,480	5,504,115	-	2,154,057	-	-	-	7,773,577
11 Non-performing receivables	65	-	109	85,495	-	43,726	-	-	-	129,395
12 Receivables in high-risk categories	85	-	2	-	-	-	102,763	-	-	102,850
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	2,769,353	-	702,084	-	-	3,607,879	-	-	-	7,079,316
18 Total	14,658,087	-	3,778,995	17,688,593	7,457,743	19,138,997	102,763	-	6,488,528	69,313,706

(*) %35 of the risk weight is classified under Others.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Exposures before Credit Risk										
Mitigation	12,873,387	-	3,499,218	6,701,775	16,991,820	8,536,013	20,574,154	137,339	-	84,146
Exposures after Credit Risk										
Mitigation	14,658,087	-	3,778,995	6,488,528	17,688,593	7,457,743	19,138,997	102,763	-	84,146
Prior Period Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Exposures before Credit Risk										
Mitigation	10,997,007	-	1,584,550	6,435,736	11,655,173	7,870,642	14,932,438	7,299	-	171,117
Exposures after Credit Risk										
Mitigation	11,298,836	-	1,863,377	6,339,522	11,570,790	7,702,750	14,700,271	7,299	-	171,117

2.7. Information by major sectors and type of counterparties

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

Past Due Loans; are the credits that overdue up to 90 days but not impaired. For such credits, "general provisions" are allocated within the scope of TFRS 9.

Loans			Provisions
Impaired Loans			
Current Period	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	Expected Credit Loss Provisions (*)
Agriculture	63,086	9,746	13,846
Farming and Stockbreeding	31,154	2,938	2,987
Forestry	31,293	1,804	5,850
Fishery	639	5,004	5,009
Manufacturing	1,115,007	262,681	378,696
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
Construction	1,510,587	325,507	491,122
Services	1,451,460	482,450	473,147
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
Others	425,368	99,383	139,734
Total	4,565,508	1,179,767	1,496,545

(*) Provisions for expected credit loss include Stage II and Stage III provisions.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 (*)	Provisions
Agriculture	11,913	8,155	48	11,293
Farming and Stockbreeding	2,121	861	21	1,997
Forestry	4,889	7,293	27	4,393
Fishery	4,903	1	-	4,903
Manufacturing	117,724	371,499	5,795	102,452
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
Construction	200,518	232,952	5,518	189,524
Services	341,976	309,913	6,795	329,029
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
Others	41,999	237,930	4,162	34,649
Total	714,130	1,160,449	22,318	666,947

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

2.8. Movements in value adjustments and provisions

Current Period(****)	Opening Balance (After TFRS 9)	Provisions for Period	Provision Reversals(***)	Other Adjustments(****)	Closing Balance
Stage 3 Provisions (*)	489,571	658,814	(204,187)	(103,142)	841,056
Stage 1&2 Provisions (**)	330,083	1,291,161	(528,557)	-	1,092,687

(*) Represents Stage III expected loss provision.

(**) Represents Stage I and Stage II expected loss provision.

(***) Includes provision reversals and exchange rate 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	585,723	629,878	(87,301)	(461,353)	666,947
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 UNCONSOLIDATED 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
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
Germany	8,208	-	8,208
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

The Bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings are shown the table below as of 31 December 2018.

	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 UNCONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2018

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

3. Explanations on currency risk:

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

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

As of 31 December 2018, the Bank carries a net foreign currency short position of TL 37,804 (31 December 2017 – TL 140,408 long position) comprising of TL 655,043 balance sheet long position (31 December 2017 - TL 25,686 long position) and TL 692,847 off balance sheet short position (31 December 2017 – TL 114,722 long position).

The announced current foreign exchange buying rates of the Bank as of the date of the financial statement and for the five working days that are backed from that date 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
EURO	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
EURO	6.0369
GBP	6.7234
CHF	5.3462
JPY	0.0473

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

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

Currency risk of the Bank:

	EURO	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	2,724,448	3,790,062	2,738,469	9,252,979
Banks	3,785,502	339,180	2,216,580	6,341,262
Financial assets at fair value through profit and loss	-	96,168	-	96,168
Money market placements	-	-	-	-
Financial assets at FVTOCI	1,804,547	2,404,236	-	4,208,783
Loans and finance lease receivables (*)	5,830,767	14,371,868	50,451	20,253,086
Subsidiaries, associates and joint ventures (**)	445,754	-	-	445,754
Financial assets at amortised cost	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	203	-	203
Intangible assets	-	48	-	48
Other assets	1,942,799	27,625	11,221	1,981,645
Total assets	16,533,817	21,029,390	5,016,721	42,579,928
Liabilities				
Current account and funds collected from Banks via participation accounts	32,822	69,569	142,643	245,034
Current and profit sharing accounts FC (****)	7,072,609	18,900,253	5,248,062	31,220,924
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	244,316	8,722,209	1,038,674	10,005,199
Marketable securities issued	-	-	-	-
Miscellaneous payables	21,480	13,707	582	35,769
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	97,354	234,565	86,040	417,959
Total liabilities	7,468,581	27,940,303	6,516,001	41,924,885
Net balance sheet position	9,065,236	(6,910,913)	(1,499,280)	655,043
Net off-balance sheet position	(9,093,399)	6,923,802	1,476,750	(692,847)
Financial derivative assets	418,581	9,417,560	1,705,056	11,541,197
Financial derivative liabilities	9,511,980	2,493,758	228,306	12,234,044
Non-cash loans (***)	1,720,497	3,064,977	665,983	5,451,457
Prior period				
Total assets	8,482,415	17,640,023	3,087,584	29,210,022
Total liabilities	4,436,278	20,780,237	3,967,821	29,184,336
Net balance sheet position	4,046,137	(3,140,214)	(880,237)	25,686
Net off-balance sheet position	(3,986,204)	3,230,809	870,117	114,722
Financial derivative assets	519,504	5,406,552	1,368,737	7,294,793
Financial derivative liabilities	4,505,708	2,175,743	498,620	7,180,071
Non-cash loans (***)	1,546,017	2,616,933	404,125	4,567,075

(*) Includes foreign currency indexed loans amounting to TL 5,425,809 (31 December 2017 – TL 7,240,328) followed as TL on the balance sheet and expected credit loss amounting to TL 293,990.

(**) TL 445,754 (31 December 2017 – TL 293,646) of investment in associates amounting to TL 547,950 includes foreign currency denominated foreign associates and subsidiaries.

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

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

(***** General provision for FC indexed loans amount of TL 121,772 included in other liabilities. General loan provisions for the Bank's share and provisions for financial assets at fair value through profit and loss amount of TL 368 is not included in currency risk of the Bank.

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below:

- Derivative financial assets held for trading TL 12,528 (31 December 2017 – TL 12,531)
- Prepaid expenses : TL 706 (31 December 2017 – TL 408)
- Derivative financial liabilities held for trading : TL 41,936 (31 December 2017 – TL 59,251)
- Marketable securities of FC revaluation reverse: TL (51,432) (31 December 2017 – TL 12,609)
- Derivative financial liabilities for hedging purposes: TL 106,352 (31 December 2017- TL 70,795)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 538,844 (31 December 2017 - TL 492,048)
- Forward foreign currency sale transactions: TL 788,379 (31 December 2017 - TL 456,030)

Currency risk sensitivity:

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

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

	% changes on foreign currency	Effects on profit/loss	Effects on equity
		Current Period	Current Period
USD	10%	1,289	(3,854)
EURO	10%	(2,816)	(2,816)
GOLD	10%	(62,195)	(62,195)

	% changes on foreign currency	Effects on profit/loss	Effects on equity
		Prior Period	Prior Period
USD	10%	9,060	10,320
EURO	10%	5,993	5,993
GOLD	10%	(11,072)	(11,072)

4. Explanations on position risk of equity securities in banking book:

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

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

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

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		Comparison	
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1 Financial Assets at Fair Value			
Through Other Comprehensive			
Income	27,548	-	-
Quoted Securities	-	-	-
2 Investment in Subsidiaries	-	-	-
Quoted Securities	-	-	-
3 Investments in Associates	522,950	-	-
Quoted Securities	53,416	-	-
4 Other	25,000	-	-
Quoted Securities	-	-	-
Prior Period		Comparison	
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1 Securities Available-for-Sale	48,497	-	-
Quoted Securities	-	-	-
2 Investment in Subsidiaries	-	-	-
Quoted Securities	-	-	-
3 Investments in Associates	377,647	-	-
Quoted Securities	50,173	-	-
4 Other	20,000	-	-
Quoted Securities	-	-	-

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

None.

5. Explanations on liquidity risk management and liquidity coverage ratio:

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

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

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

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

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

The Bank, with its strong capital structure and its main shareholder is Kuwait Finance House's support, spread the

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

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

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 Bank 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 Bank in case of urgent situations and generate action plans based on these estimates. Risk Management Department follows the limits on liquidity risk determined by the Board of Directors. Risk Management Department, in addition to these, implements monthly liquidity stress tests to measure the effects of negative scenarios on liquidity position of the Bank. The Treasury Group Management manages the liquidity risk and funding risk in order to prevent insufficiencies of funding relating to any time or any source and makes reports related with the liquidity position to Asset and Liability Committee regularly. External Reporting Directorate tracks the liquidity coverage ratio and the results are reported to the BRSA.

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

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

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

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

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

5.5. Information on liquidity risk mitigation techniques:

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

5.6. Information on the use of stress tests:

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

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

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

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 Committee is responsible from the determination of actions to be taken.

Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Bank'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 are mentioned are included the maturity analysis however they are not included in 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
31 December 2018								
Funds Collected	48,526,696	4,167,482	1,257,497	34,603	-	53,986,278	-	53,986,278
Other Fundings	916,955	997,058	4,889,306	4,720,325	2,212,653	13,736,297	(1,692,198)	12,044,099
Funds provided under repurchase agreements	188,990	-	-	-	-	188,990	(987)	188,003
Total	49,632,641	5,164,540	6,146,803	4,754,928	2,212,653	67,911,565	(1,693,185)	66,218,380
31 December 2017								
Funds Collected	35,186,932	3,460,101	1,193,540	16,827	-	39,857,400	-	39,857,400
Other Fundings	710,591	840,930	3,121,387	5,522,439	1,687,880	11,883,227	(1,491,380)	10,391,847
Funds provided under repurchase agreements	751,048	-	-	-	-	751,048	(524)	750,524
Total	36,648,571	4,301,031	4,314,927	5,539,266	1,687,880	52,491,675	(1,491,904)	50,999,771

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

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

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
31 December 2018								
Letters of Guarantee	5,686,196	81,800	441,412	2,453,996	1,605,546	120,448	-	10,389,398
Bills of Exchange and Bank Acceptances	360	19,120	27,698	26,920	-	-	-	74,098
Letters of Credit	429,522	139,102	212,454	241,055	57,665	78	-	1,079,876
Other guarantees	198,735	-	1,630	109,403	11,773	3,177	-	324,718
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
Total	6,314,813	240,022	683,194	2,831,374	1,674,984	123,703	-	11,868,090
31 December 2017								
Letters of Guarantee	4,906,261	208,190	537,290	2,103,104	1,748,757	62,536	-	9,566,138
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	305,907	593	2,971	162,176	14,393	-	-	486,040
Pre-financings given as guarantee	27,919	-	-	-	-	-	-	27,919
Total	5,519,822	335,044	822,369	2,551,236	1,777,148	62,536	-	11,068,155

Contractual maturity analysis of derivative instruments:

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

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

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

31 December 2017						
	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	4,828,993	1,140,288	815,983	-	-	6,785,264
Exit	4,859,152	1,142,688	866,404	-	-	6,868,244
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	746,440	-	746,440
Exit	-	-	-	819,063	-	819,063
Total Cash Inflow	4,828,993	1,140,288	815,983	746,440	-	7,531,704
Total Cash Outflow	4,859,152	1,142,688	866,404	819,063	-	7,687,307

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

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

Liquidity Coverage Ratio

<i>Current Period</i>		Total Unweighted Value (*)		Total Weighted Value (*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets					
1	Total high-quality liquid assets (HQLA)	10,508,441	8,795,462	10,488,821	8,775,842
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	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 instruments	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	Total Cash Outflows			18,084,643	13,069,996
Cash Inflows					
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	Total Cash Inflows	23,195,171	19,215,376	21,111,050	18,689,280
				Total Adjusted Value	
21	Total HQLA			10,488,821	8,775,842
22	Total Net Cash Outflows			4,521,161	3,267,499
23	Liquidity Coverage Ratio (%)			231.99	268.58

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

The table below presents highest, lowest and average liquidity coverage ratios within 2018:

	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 bank has to the net cash outflows in the one month maturity window. Important balance sheet items that determine the rate; 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 UNCONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2018

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

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

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

The table below presents highest, lowest and average liquidity coverage ratios as of within 2017:

	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 UNCONSOLIDATED 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
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	3,963,062	6,473,026	-	-	-	-	-	10,436,088
Banks	6,419,648	-	-	-	-	-	-	6,419,648
Financial assets at fair value through profit and loss	-	29,890	21,278	241,145	86,394	10,439	-	389,146
Money market placements	-	-	-	-	-	-	-	-
Financial assets at FVTOCI	-	194,356	365,308	468,928	4,813,983	415,375	138,115	6,396,065
Loans (*)	-	11,326,732	5,625,141	14,135,506	13,268,455	2,263,433	(753,976)	45,865,291
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	35,695	2,737,567	295,581	-	346,640	-	1,310,604	4,726,087
Total assets	10,418,405	20,761,571	6,307,308	14,845,579	18,515,472	2,689,247	694,743	74,232,325
Liabilities								
Current account and funds collected from banks via participation accounts	225,025	27,867	-	-	-	-	-	252,892
Current and profit sharing accounts	21,883,508	26,390,296	4,167,482	1,257,497	34,603	-	-	53,733,386
Funds provided from other financial institutions	-	891,184	884,765	4,517,814	3,849,126	1,901,210	-	12,044,099
Money market borrowings	-	188,003	-	-	-	-	-	188,003
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	180,832	81,062	-	-	-	-	-	261,894
Other liabilities (**)	-	1,214,284	191,616	5,351	106,352	-	6,234,448	7,752,051
Total liabilities	22,289,365	28,792,696	5,243,863	5,780,662	3,990,081	1,901,210	6,234,448	74,232,325
Net liquidity gap	(11,870,960)	(8,031,125)	1,063,445	9,064,917	14,525,391	788,037	(5,539,705)	-
Prior period								
Total assets	6,083,968	14,167,478	5,733,922	12,746,884	14,411,257	2,818,069	1,161,517	57,123,095
Total liabilities	16,179,975	21,035,351	4,303,119	4,020,397	4,841,324	1,360,338	5,382,591	57,123,095
Net liquidity gap	(10,096,007)	(6,867,873)	1,430,803	8,726,487	9,569,933	1,457,731	(4,221,074)	-

(*) 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 UNCONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2018

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

6. Explanations on leverage ratio:

Leverage ratio table:

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

On-balance sheet assets		Current Period (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	73,486,996
2	(Assets deducted in determining Tier I capital)	(250,604)
3	Total on-balance sheet risks (sum of lines 1 and 2)	73,236,392
Derivative financial instruments and credit derivatives		
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 derivatives	134,811
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	260,779
Securities or commodity financing transactions (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	863,204
8	Risks from brokerage activities related exposures	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	863,204
Other off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	61,704,440
11	(Adjustments for conversion to credit equivalent amounts)	(40,649,139)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	21,055,301
Capital and total risks		
13	Tier I capital	5,313,980
14	Total risks (sum of lines 3, 6, 9 and 12)	95,415,676
Leverage ratio		
15	Leverage ratio	5.57

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

In standalone, the Bank's balance sheet date in the last days of the past three months, calculated on the basis of the arithmetic average of the nominal value in the leverage ratio was 5.57% (31 December 2017 – 5.60%) were realized. The main reason for the changes compared to the previous period compared to other off-balance sheet items is higher than the increase in risk item. According to this, the core capital was increased by 20% due to increase in net profit, balance sheet items showed a 28% increase. Accordingly, the leverage ratio of the current period compared to the previous year shows an decrease of 3 basis points.

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

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

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

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

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

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

7. Explanations on 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 Bank'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
Financial Assets		
Banks	6,419,648	6,419,648
Financial assets at FVTOCI	6,396,065	6,396,065
Loans and lease receivables	46,619,267	45,213,605
Financial Liabilities		
Current account and funds collected from banks via participation accounts.	252,892	252,892
Other current and profit sharing accounts	53,733,386	53,733,386
Money market borrowings	188,003	188,003
Funds provided from other financial institutions	12,044,099	12,118,809
Miscellaneous payables	1,434,479	1,434,479

	Book Value	Fair Value
	Prior Period	Prior Period
Financial Assets		
Banks	3,576,020	3,576,020
Financial assets available for sale	4,428,065	4,428,065
Loans and lease receivables	37,923,358	35,369,270
Financial Liabilities		
Current account and funds collected from banks via participation accounts.	310,223	310,223
Other current and profit sharing accounts	39,547,177	39,547,177
Money market borrowings	750,524	750,524
Funds provided from other financial institutions	10,391,847	11,994,898
Miscellaneous payables	198,119	198,119

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

9. Explanations on risk management

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

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

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

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)	36,698,184	28,810,536	2,935,855
2	Of which standardised approach (SA)	36,757,533	28,865,184	2,940,602
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	91,242	80,518	7,299
5	Of which standardised approach for counterparty credit risk (SA-CCR)	91,242	80,518	7,299
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	54,654	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	1,070,340	669,886	85,627
17	Of which standardised approach (SA)	1,070,340	669,886	85,627
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	4,287,751	3,522,738	343,020
20	Of which basic indicator approach	4,287,751	3,522,738	343,020
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	42,206,862	33,138,332	3,376,549

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 in capital adequacy calculation:

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securitization Positions	Market Risk
Assets						
Cash and Balances with Central Bank of Turkey	10,436,088	10,436,088	10,436,088	-	-	-
Banks	6,419,648	6,419,648	6,419,648	-	-	-
Receivables From Money Markets	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	389,146	389,146	-	-	-	389,146
Financial Assets at Fair Value Through OCI	6,396,065	6,396,065	6,396,065	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-
Derivative Financial Assets	42,011	42,011	-	42,011	-	-
Expected Loss Provisions (-)	132,002	132,002	-	-	-	132,002
Loans	43,414,592	43,414,592	44,507,279	-	-	1,092,687
Lease Receivables	2,450,699	2,450,699	2,450,699	-	-	-
Factoring Receivables	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	270,382	270,382	270,382	-	-	-
Subsidiaries	522,950	522,950	522,950	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	25,000	25,000	25,000	-	-	-
Tangible Assets (Net)	688,888	688,888	688,888	-	-	-
Intangible Assets (Net)	136,979	136,979	136,979	-	-	-
Investment Properties (Net)	25,305	25,305	25,305	-	-	-
Current Tax Asset	-	-	-	-	-	-
Deferred Tax Asset	346,640	346,640	346,640	-	-	-
Other Assets	2,799,934	2,799,934	2,799,934	-	-	-
Total Assets	74,332,325	74,332,325	75,025,857	42,011	-	389,146
Liabilities						
Funds Collected	53,986,278	53,986,278	-	-	-	53,986,278
Borrowings	10,142,889	10,142,889	-	-	-	10,142,889
Debt to money markets	188,003	188,003	-	188,003	-	-
Securities Issued (Net)	-	-	-	-	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-
Lease Payables	169,333	169,333	-	-	-	169,333
Provisions	795,895	795,895	-	-	-	795,895
Current Tax Liabilities	175,685	175,685	-	-	-	175,685
Deferred Tax Liabilities	-	-	-	-	-	-
Subordinated Debt Instruments	1,901,210	1,901,210	-	-	-	1,901,210
Other Liabilities	1,434,479	1,434,479	-	-	-	1,434,479
Equity	5,438,553	5,438,553	-	-	-	5,438,553
Total Liabilities	74,332,325	74,332,325	-	188,003	-	74,044,322

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

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

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 in template 1B)	74,232,325	75,025,857	-	42,011	389,146
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	188,003	-
3- Total net amount	74,232,325	75,025,857	-	230,014	389,146
4- Off-balance sheet amounts	86,773,215	6,262,609	-	199,263	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	-	-	-	-	-
9-Risk Amounts	161,005,540	81,288,466	-	429,277	23,772,964

9.2. General qualitative information on credit risk:

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

The business model of the Bank 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 bank's assets have a credit-weighted structure. Reflecting this business model, its total assets are cash credit-weighted and financial leasing receivable-weighted. The bank 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 Bank 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 bank 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 both on-balance sheet and off-balance sheet transactions.

Risk limits are set by openly relating it with the 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.

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

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

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 bank. 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 Bank 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 Bank in accordance with the Bank'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 Bank. The internal control system and internal control activities of the Bank are designed by the Internal Control Department in cooperation with the relevant management executives and are performed at a sufficient and efficient extent.

Compliance Department is in charge of managing the bank's compliance risk and taking it under control in an efficient way, forecasting and preventing the risk in question, and ensuring the bank'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 bank. 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 Bank'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 bank, 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 Bank'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

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

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

their sectors and their state are described. The trend of restructured credits is monitored. Also, loans to risk group of the Bank are reported.

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

The 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.

Credit quality of assets:

		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	1,179,767	46,619,267	841,056	46,957,978
2	Debt securities	-	6,560,506	164,441	6,396,065
3	Off-balance sheet exposures(*)	-	14,249,831	239,316	14,010,515
4	Total	1,179,767	67,429,605	1,244,813	67,364,559

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

Changes in stock of defaulted loans and debt securities:

	Cari Dönem
1 Defaulted loans and debt securities at end of the previous reporting period	714,130
2 Loans and debt securities that have been defaulted since the last reporting period	879,420
3 Receivables back to non-defaulted status	-
4 Amounts written off	(103,142)
5 Other changes	(310,641)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1,179,767

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: 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 for receivables: All financial instruments other than those covered by TFRS 9 and whose fair value is reflected in the 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 Bank's past collection experience regarding the unsecured credit risk amount.

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

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

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 represents the portion of the expected credit loss from probable default events within 12 months after 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-maturity financial instruments, the bank calculates the behavioral maturity and uses this to calculate the expected loan loss. The ECLs are calculated at each instrument level by taking into account the projected cash flows, the PoP (Probability of Probation), the DoL (Default on Loss), the CCR (Credit Conversion Rate) and the discount rate. In small, very unimportant and unrated portfolios, the ECL can be estimated on a collective basis.

9.6.4. Definition 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 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 areas, industry and ageing:

Distribution of cash receivables by sectors is as follows:

Sector	Cash Loan Amount
Individual	7,503,339
Other Services	2,956,888
Education	349,526
Real Estate and Brokerage	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 (Electricity, Water & Gas)	3,674,016
Mining & Chemistry	2,318,818
Machinery Equipment	354,933
Automotive	1,540,260
Oil, Gas and Oil Products	133,942
Health	509,078
Agriculture	152,941
Textile	3,107,012
Wholesale & Retail	8,126,200
Tourism	347,300
Transportation & Warehouse	1,062,774
Total	47,799,034

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

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

The distribution of cash receivables by geographical regions is as follows

Region	Cash Loan Amount
Akdeniz Region	3,425,548
Dogu Anadolu Region	914,832
Ege Region	2,996,116
Güneydogu Anadolu Region	2,492,121
Iç Anadolu Region	7,737,345
Karadeniz Region	1,415,864
Marmara Region	26,109,922
Foreign	2,707,286
Total	47,799,034

The maturity distribution of cash receivables is as follows:

Maturity Distribution	Cash Loan Amount
1-3 years	13,538,987
3-5 years	5,810,681
5 years and more	7,130,585
Up to 1 year	20,738,166
Defaulted	580,615
Toplam	47,799,034

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

Sector	Loans Under Follow-Up	Specific Provisions	Write-Offs
Agriculture	9,746	8,390	409
Farming and Stockbreeding	2,938	2,035	15
Forestry	1,804	1,350	394
Fishery	5,004	5,005	0
Manufacturing	262,681	217,367	29,796
Mining and Quarrying	54,398	44,639	2,112
Production	193,924	159,070	12,199
Electricity, Gas and Water	14,359	13,658	15485
Construction	325,507	237,015	9,106
Services	482,450	319,976	51,643
Wholesale and Retail Trade	301,443	178,302	37,841
Accommodation and Dining	23,628	11,543	5098
Transportation and Telecommunication	49,934	34,419	5,520
Financial Institutions	13584	13582	0
Real Estate and Rental Services	64,699	62,512	67
Professional Services	2	1	0
Educational Services	109	99	515
Health and Social Services	29,051	19,518	2,602
Other	99,383	58,308	12,188
TOTAL	1,179,767	841,056	103,142

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

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

Geographic Region	Non performing Loans	Provisions	Write-Offs
Marmara Region	666,034	476,553	67,110
Güneydogu Anadolu Region	153,563	116,028	8,109
Iç Anadolu Region	160,541	116,592	14,728
Akdeniz Region	110,693	66,340	5,438
Ege Region	54,219	39,686	2,714
Dogu Anadolu Region	22,434	13,574	3,650
Karadeniz Region	12,283	12,283	1,393
Total	1,179,767	841,056	103,142

9.6.7. Aging analysis for non-performing loans:

Current period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	279,638	345,121	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	-	-	-	-	-
Total	293,121	382,279	385,700	101,282	17,385

9.6.8. Breakdown of Restructured receivables according to their provisions:

Restruction Status	Risk
Performing	732,523
Non-Performing	58,870
Total	791,393

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	33,438,600	13,519,379	3,276,016	-	-	-	1
2 Debt securities	6,396,065	-	-	-	-	-	2
3 Total	39,834,665	13,519,379	3,276,016	-	-	-	3
4 Overdue	203,023	135,688	72,099	-	-	-	4

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 Bank in accordance with the regulations published by BRSA and the international practices in order to limit the exposure to be suffered by the Bank 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.

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

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

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

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

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)	41,998	157,265		1.4	199,263	77,327
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	Total						77,327

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	199,263	13,915
4	Total subject to the CVA capital obligation	199,263	13,915

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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	-	-	108,530	58,446	-	1,028	-	-	-	51,957
7	Receivables from corporate	-	-	-	-	-	15,043	-	-	-	15,043
8	Retail receivables	-	-	-	-	9,585	-	-	-	-	7,189
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	935	334
10	Receivables secured by commercial property	-	-	-	452	-	2,578	-	-	-	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**	-	-	-	-	-	-	-	-	-	-
18	Total	194,001	-	108,530	58,898	9,585	18,649	-	-	935	77,327

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

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

*** 35% Risk Weight is classified in Others.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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. Bank's processes and strategies:

Procedures for the identification, measurement, monitoring and control of the market risk of the bank, 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 bank'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 Bank is involved in. These activities are carried out by the Bank'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 bank's risk exposure to be within the limits specified by the legislation and to be in accordance with the Bank'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 Bank'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 Bank.

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

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

- Ensure that the 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 UNCONSOLIDATED 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 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 Bank.

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

Within the scope of risk management system, the Bank 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 being audited regularly.

The details of the market risk calculated as of 31 December 2017 and 31 December 2018 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
	Outright products	1,070,340
1	Profit share risk (general and specific)	403,150
2	Equity risk (general and specific)	-
3	Foreign exchange risk	665,878
4	Commodity risk	1,312
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	1,070,340

		Risk Weighted Amounts
		Prior Period
	Outright products	669,886
1	Profit share risk (general and specific)	370,446
2	Equity risk (general and specific)	-
3	Foreign exchange risk	298,613
4	Commodity risk	827
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	669,886

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 Bank. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Bank for the last 3 years, 2016, 2015 and 2014 in compliance with "Third Section "Calculation of the Operational Risk" 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 343,020 corresponding to the 8% of TL 4,287,751 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 343,020 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

	31/12/2015 Amount	31/12/2016 Amount	31/12/2017 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Current Period						
Gross Income	1,916,011	2,205,206	2,739,187	2,286,801	15	343,020
Value at Operational Risk (Total*12.5)						4,287,751

	31/12/2014 Amount	31/12/2015 Amount	31/12/2016 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Prior Period						
Gross Income	1,515,171	1,916,011	2,205,206	1,878,796	15	281,819
Value at Operational Risk (Total*12.5)						3,522,738

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 book:

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

Current Period:

	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's equity- Losses/shareholder's equity
1	TL	(+) 500bp	(371,506)	(4.99)%
2	TL	(-) 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%
	Total (For Negative Shocks)		35,344	0.47%
	Total (For Positive Shocks)		(92,870)	(1.25)%

Prior Period:

	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's equity- Losses/shareholder's equity
1	TL	(+) 500bp	(531,871)	(9.09) %
2	TL	(-) 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%
	Total (For Negative Shocks)		221,741	3.79%
	Total (For Positive Shocks)		(283,389)	(4.84)%

9.13. Risk management objectives and policies:

In accordance with Bank'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 with 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 is presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analysis contribute to Bank Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 has 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 has significant effect on the fair value reflected in the inputs.

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	389,146	42,011	-	431,157
Forward transactions	-	30,919	-	30,919
Swap transactions	-	11,092	-	11,092
Government debt securities	30,097	-	-	30,097
Other marketable securities	359,049	-	-	359,049
Financial assets at FVOCI	6,396,065	-	-	6,396,065
Equity securities	27,548	-	-	27,548
Government debt securities	5,869,940	-	-	5,869,940
Other marketable securities	498,577	-	-	498,577
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	169,333	-	169,333
Forward transactions	-	22,126	-	22,126
Swap transactions	-	147,207	-	147,207
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	216,708	26,699	-	243,407
Forward transactions	-	16,467	-	16,467
Swap transactions	-	10,232	-	10,232
Government debt securities	36,319	-	-	36,319
Other marketable securities	180,389	-	-	180,389
Available-for-sale financial assets	4,428,065	-	-	4,428,065
Equity securities	48,497	-	-	48,497
Government debt securities	4,103,448	-	-	4,103,448
Other marketable securities	276,120	-	-	276,120
Financial liabilities				
Financial liabilities held for trading	-	80,697	-	80,697
Forward transactions	-	14,948	-	14,948
Swap transactions	-	65,749	-	65,749

No transfers have taken place between Level 1 and Level 2 in the current year.

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

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

10. Explanations on business segments:

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

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

Retail and Enterprise Banking; there are main activities: 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, 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 are the same with 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 share certificates in BIST and international markets and conducts Murabaha and gold trade transactions with foreign banks.

Specific balance sheet and income statement items according to segments:

Current Period 1 January – 31 December 2018	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	4,686,040	2,522,316	450,181	-	7,658,537
Operating expenses	3,285,436	1,354,031	490,173	1,402,840	6,532,480
Transfers between segments	2,305,206	(305,654)	(1,999,552)	-	-
Net operating income(loss)	3,705,810	862,631	(2,039,544)	(1,402,840)	1,126,057
Income from associates	-	-	-	-	-
Income (loss) before tax	3,705,810	862,631	(2,039,544)	(1,402,840)	1,126,057
Provision for taxation	-	-	-	256,245	256,245
Net income for the period	3,705,810	862,631	(2,039,544)	(1,659,085)	869,812
Current Period 31 December 2018					
Segment assets	18,471,406	27,461,414	23,753,809	-	69,686,629
Associates, subsidiaries and joint Ventures	-	-	-	547,950	547,950
Undistributed assets	-	-	-	3,997,746	3,997,746
Total assets	18,471,406	27,461,414	23,753,809	4,545,696	74,232,325
Segment liabilities	42,407,218	11,578,738	12,401,757	-	66,387,713
Undistributed liabilities	-	-	-	2,406,059	2,406,059
Shareholders' equity	-	-	-	5,438,553	5,438,553
Total liabilities	42,407,218	11,578,738	12,401,757	7,844,612	74,232,325

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

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

Prior Period 1 January 2017 - 31 December 2017	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total Operation
Operating income	3,276,503	1,209,587	223,978	-	4,710,068
Operating expenses	1,643,791	518,512	561,744	1,137,088	3,861,135
Transfers between segments	1,207,795	(271,476)	(936,319)	-	-
Net operating income(loss)	2,840,507	419,599	(1,274,085)	(1,137,088)	848,933
Income from associates	-	-	-	-	-
Income (loss) before tax	2,840,507	419,599	(1,274,085)	(1,137,088)	848,933
Provision for taxation	-	-	-	174,942	174,942
Net income for the period	2,840,507	419,599	(1,274,085)	(1,312,030)	673,991
Prior Period 31 December 2017					
Segment assets	17,955,408	19,944,035	17,251,446	-	55,150,889
Associates, subsidiaries and joint Ventures	-	-	-	397,647	397,647
Undistributed assets	-	-	-	1,574,559	1,574,559
Total assets	17,955,408	19,944,035	17,251,446	1,972,206	57,123,095
Segment liabilities	30,626,355	9,229,646	11,295,262	-	51,151,263
Undistributed liabilities	-	-	-	1,380,681	1,380,681
Shareholders' equity	-	-	-	4,591,151	4,591,151
Total liabilities	30,626,355	9,229,646	11,295,262	5,971,832	57,123,095

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 ON THE UNCONSOLIDATED 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	1,348,617
The Central Bank of Republic of Turkey	692,050	6,947,252
Other (*)	-	957,110
Total	1,183,109	9,252,979

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

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

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
Total	692,050	6,947,252

	Prior Period	
	TP	YP
Unrestricted demand deposit	254,185	38
Unrestricted time deposit	-	-
Restricted time deposit	1,553	6,468,071
Total	255,738	6,468,109

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 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 UNCONSOLIDATED 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	-	-
Total	29,483	12,528

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	-	-
Total	14,168	12,531

1.3. Information on Banks:

1.3.1. Information on banks account:

	Current Period	
	TL	FC
Banks	14,736	6,404,912
Domestic	14,631	3,608,271
Foreign	105	2,796,641
Branches and Head Office Abroad	-	-
Total	14,736	6,404,912

	Prior Period	
	TL	FC
Banks	7,404	3,568,616
Domestic	7,245	2,413,931
Foreign	159	1,154,685
Branches and Head Office Abroad	-	-
Total	7,404	3,568,616

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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:

	Current Period	
	Unrestricted Amount	Restricted Amount
EU Countries	1,160,613	-
USA and Canada	1,344,351	-
OECD Countries (*)	13,458	-
Off-shore Banking Regions	567	-
Other	277,757	-
Total	2,796,746	-

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

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

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

Current Period	
Debt Securities	6,432,017
Quoted on stock exchange	6,432,017
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)
Total	6,396,065

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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
Total	222,333	924

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

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

Current Period	Performing Loans	Loans Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured	
Cash Loans			Loans and Receivables with Revised Contract Terms	Refinancing
Loans	42,048,327	3,722,571	731,716	-
Export Loans	26,872	506	2	-
Import Loans	1,867,353	81,466	-	-
Enterprise Loans	21,773,227	3,034,533	710,335	-
Consumer Loans	6,483,386	225,107	3,883	-
Credit Cards	746,572	46,666	16,975	-
Loans Given to Financial Sector	5,435,072	-	-	-
Other	5,715,845	334,293	521	-
Other Receivables	5,432	110,414	807	-
Total	42,053,759	3,832,985	732,523	-

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

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

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

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

Current Period	Performing Loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	437,198	-
Significant Increase in Credit Risk	-	655,489

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

		Loans under close monitoring	
	Standard Loans	Loans and Receivables Not Subject to Restructuring	Restructured
Cash Loans			
Short term loans	13,058,899	795,138	56,300
Medium and long term loans	28,994,860	3,037,847	676,223
Total	42,053,759	3,832,985	732,523

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS 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, retail credit cards, loans given to personnel and personnel credit cards:

Current Period	Short-term	Medium&Long-term	Total
Consumer Loans-TL	73,283	6,511,422	6,584,705
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
Consumer Loans-FC Indexed	-	38	38
Housing Loans	-	38	38
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	116,935	116,935
Housing Loans	-	49,281	49,281
Vehicle Loans	-	20	20
Consumer Loans	-	57,746	57,746
Other	-	9,888	9,888
Retail Credit Cards-TL	345,849	75	345,924
With Installment	66,190	75	66,265
Without Installment	279,659	-	279,659
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,133	9,565	10,698
Housing Loans	-	1,096	1,096
Vehicle Loans	340	4,712	5,052
Consumer Loans	791	3,757	4,548
Other	2	-	2
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	8,779	70	8,849
With Installment	3,306	70	3,376
Without Installment	5,473	-	5,473
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	429,044	6,638,105	7,067,149

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	255,142	4,395,428	4,650,570
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
Commercial Installment Loans-FC Indexed	14,884	1,559,774	1,574,658
Business Loans	11,441	372,631	384,072
Vehicle Loans	3,112	245,751	248,863
Consumer Loans	331	941,392	941,723
Other	-	-	-
Commercial Installment Loans-FC	3,827	149,701	153,528
Business Loans	-	110,540	110,540
Vehicle Loans	3,827	39,161	42,988
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	455,440	-	455,440
With Installment	160,745	-	160,745
Without Installment	294,695	-	294,695
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	729,293	6,104,903	6,834,196
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	203,320	4,618,220	4,821,540
Business Loans	7,379	1,237,846	1,245,225
Vehicle Loans	134,318	1,517,461	1,651,779
Consumer Loans	61,623	1,862,838	1,924,461
Other	-	75	75
Commercial Installment Loans-FC Indexed	27,462	1,644,797	1,672,259
Business Loans	14,998	339,825	354,823
Vehicle Loans	9,581	374,138	383,719
Consumer Loans	2,883	923,133	926,016
Other	-	7,701	7,701
Commercial Installment Loans-FC	-	158,204	158,204
Business Loans	-	149,908	149,908
Vehicle Loans	-	8,296	8,296
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	292,685	-	292,685
With Installment	106,201	-	106,201
Without Installment	186,484	-	186,484
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	523,467	6,421,221	6,944,688

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

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

1.5.6. Allocation of loans by customers:

	Current Period
Public	75,479
Private	44,093,089
Total	44,168,568
	Prior Period
Public	17,136
Private	35,976,980
Total	35,994,116

1.5.7. Breakdown of domestic and foreign loans:

	Current Period
Domestic loans	43,830,656
Foreign loans	337,912
Total	44,168,568
	Prior Period
Domestic loans	35,729,192
Foreign loans	264,924
Total	35,994,116

1.5.8. Loans granted to subsidiaries and associates:

	Current Period
Loans granted directly to subsidiaries and associates (*)	121,040
Loans granted indirectly to subsidiaries and associates	-
Total	121,040
	Prior Period
Loans granted directly to subsidiaries and associates (*)	19
Loans granted indirectly to subsidiaries and associates	-
Total	19

(*) 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 UNCONSOLIDATED 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:

	Current Period
Specific provisions	
Loans and receivables with limited collectability	89,643
Loans and receivables with doubtful collectability	243,531
Uncollectible loans and receivables	507,882
Total	841,056
	Prior Period
Specific provisions	
Loans and receivables with limited collectability	145,827
Loans and receivables with doubtful collectability	97,155
Uncollectible loans and receivables	423,965
Total	666,947

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
(Gross amounts before specific provision)			
Restructured loans and other receivables	-	58,870	-
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before specific provision)			
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Ending balance of prior period 31.12.2017	158,589	117,234	438,307
Additions in the current period (+)	322,009	271,152	286,259
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	192,814
Write offs (-)	-	-	103,142
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	142,629	310,520	726,618
Specific provisions (-)	89,643	243,531	507,882
Net balance at the balance sheet	52,986	66,989	218,736

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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:

None (31 December 2017 – None).

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
Current period (Net)	52,986	66,989	218,736
Loans granted to real persons and legal entities (Gross)	142,629	310,520	726,618
Specific provision (-)	89,643	243,531	507,882
Loans to real persons and legal entities (Net)	52,986	66,989	218,736
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (Net)	12,762	20,079	14,342
Loans to real persons and legal entities (Gross)	158,589	117,234	438,307
Specific provision (-)	145,827	97,155	423,965
Loans to real persons and legal entities (Net)	12,762	20,079	14,342
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

1.5.10.5. Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:

	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Current period					
Loans and receivables					
Corporate loans	2,835,639	639,881	608,330	-	4,083,850
Retail loans	16,015	129,499	83,460	-	228,974
Credit cards	40,369	14,395	8,877	-	63,641
Total	2,892,023	783,775	700,667	-	4,376,465
Prior Period					
Loans and receivables					
Corporate loans	683,541	137,828	119,108	-	940,477
Retail loans	38,107	132,728	41,889	-	212,748
Credit cards	4,764	1,736	749	-	7,250
Total	726,412	272,292	161,746	-	1,160,449

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

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

1.5.10.6. Dividens accruals, rediscounts and valuation differences calculated for non-performing loans and related information about their provions:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	6,119	5,287	5,133
Valuation differences of profir share accruals and rediscounts	10,207	10,092	15,643
Provision Amount (-)	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 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 the write-off policy:

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

1.6. **Financial assets at amortised cost (Net):**

None (31 December 2017 - None).

1.7. **Information on associates (Net):**

1.7.1 The 1.54% ownership of Kredi Garanti Fonu A.Ş. of TL 4,897 (31 December 2017 – TL 4,719), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2017 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 5,201 (31 December 2017 – TL 5,201), TL 390 amount of swift shares (31 December 2017 – TL 390) and 0.0035% ownership of share of TL 15 (31 December 2017 – TL 15) that is traded in Borsa İstanbul A.Ş. and VISA Inc. share of TL 7,055 (31 December 2017 – TL 7,149) are classified as financial assets available for sale since the Bank's ownership in these institutions is less than 10% and the Parent Bank does not have a significant influence on these institutions.

1.7.2. Information about investments in unconsolidated associates:

None (31 December 2017 - None).

1.7.3. Information related to consolidated associates:

None (31 December 2017 - None).

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

1.8.1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, these subsidiaries do not match 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 these subsidiaries which are "Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. ve Tic. A.Ş. have not been consolidated. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until 31 December 2004.

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

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

1.8.2. Information on subsidiaries:

Title	Address (City/Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
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 Bilişim Sistemleri ve Pazarlama Tic A.Ş. (**)	Istanbul/Turkey	100%	100%
KT Sukuk Company Limited (***)	George Town/Cayman Island	100%	100%

Information on subsidiaries in the order presented in the below 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 of 31 December 2018, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These figures are shown per Turkish Trade Law financial statements as at 31 December 2018.

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

Movement for subsidiaries

	Current period 31.12.2018
Balance at the beginning of the year	377,647
Movements during the year	
Purchases	152,061
Transfers from subsidiaries (net)	(5,000)
Bonus shares	-
Dividends from current year income	-
Sales (*)	(5,000)
Revaluation increase (**)	3,242
Provisions for impairment	-
Capital commitment payments	-
Balance at the end of the year	522,950
Capital commitments	-
Share percentage at the end of the year (%)	-

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

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

	Prior period 31.12.2017
Balance at the beginning of the year	349,513
Movements during the year	-
Purchases	123,536
Transfers from subsidiaries (net)	-
Bonus shares	-
Dividends from current year income	-
Sales	(95,402)
Revaluation increase	-
Provisions for impairment	-
Capital commitment payments	-
Balance at the end of the year	377,647
Capital commitments	-
Share percentage at the end of the year (%)	-

(*) The Bank has signed a contract with KFH Capital Investment Company on 5 October 2017 to transfer 50% of the shares of KT Portföy Yönetimi AŞ (Subsidiary). On 20 July 2018, KFH Capital Investment Company has transferred 50% stake in its subsidiary, which has a capital of TL 10.000, to TL 16.901. The Bank follows its subsidiary in a jointly controlled business status.

(**) Indicates and impairment loss.

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

Subsidiaries that are quoted on the stock exchange

	Current Period
Quoted on Domestic Stock Exchanges	53,415
Quoted on International Stock Exchanges	-
Total	53,415
	Prior Period
Quoted on Domestic Stock Exchanges	50,173
Quoted on International Stock Exchanges	-
Total	50,173

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the subsidiary of the Bank in Germany, calculated at 31 December 2018 is EUR 84,042,977 and the capital adequacy ratio is 32.46%.

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

	Bank's share percentage	Total Assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit/loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	1,672,519	40,000	7,633	14,497	7,883
KT Portföy Yönetimi A.Ş. (***)	50%	8,082	6,784	114	431	(1,221)

(*) Amounts are from financial statements as of 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 a Pension Company in line with main shares. Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş. and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", with registry number 895027 and dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

(***) The Bank has signed a contract with KFH Capital Investment Company on 5 October 2017 to transfer 50% of the shares of KT Asset Management (Subsidiary). On 20 July 2018, KFH Capital Investment Company has transferred a 50% stake in its subsidiary, which has a capital of TL. 10,000. to TL. 16,901. The Bank follows its subsidiary in a jointly controlled business status.

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
Total	2,881,892	2,450,699
	Prior Period	
	Gross	Net
Less than 1 year	1,499,971	1,223,929
1 to 4 years	565,336	532,824
More than 4 years	178,945	172,489
Total	2,244,252	1,929,242

1.10.2. Information on net investments in finance leases:

	Current Period	
	Gross	Net
Gross receivable from finance leases	2,881,892	
Unearned finance lease income (-)	(431,193)	
Cancelled amounts (-)	-	
Net receivable from finance leases	2,450,699	
	Prior Period	
	Gross	Net
Gross receivable from finance leases	2,244,252	
Unearned finance lease income (-)	(315,010)	
Cancelled amounts (-)	-	
Net receivable from finance leases	1,929,242	

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 Bank determines the installments of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be modified with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations in 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 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).

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

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

1.12. Explanations on Tangible Assets (Net)

	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
At End of Prior Period: 31 December 2017					
Cost	234,653	7,957	1,819	383,949	628,378
Accumulated Depreciation (-)	32,575	2,812	788	182,460	218,635
Net Book Value	202,078	5,145	1,031	201,489	409,743
At End of Current Period: 31 December 2018					
Net book value at beginning of period	202,078	5,145	1,031	201,489	409,743
Additions	529	239,170	45,410	16,531	301,640
Disposals (-)	151,589	-	-	-	151,589
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	70,718	61,603
Reversal of Impairment Losses	151,735	-	-	-	151,735
Cost at the end of period	235,328	247,127	47,229	439,442	969,126
Accumulated depreciation at the end of period (-)	22,323	3,616	1,121	253,178	280,238
Closing net book value	213,005	243,511	46,108	186,264	688,888

At End of Prior Period: 31 December 2016					
Cost	259,427	7,694	795	306,378	574,294
Accumulated Depreciation (-)	26,936	2,042	680	134,605	164,263
Net Book Value	232,491	5,652	115	171,773	410,031
At End of Current Period: 31 December 2017					
Net book value at beginning of period	232,491	5,652	115	171,773	410,031
Additions	1,684	263	1,024	77,571	80,542
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	47,855	54,372
Reversal of Impairment Losses	234,653	7,957	1,819	383,949	628,378
Cost at the end of period	32,575	2,812	788	182,460	218,635
Closing net book value	202,078	5,145	1,031	201,489	409,743

In 2018, the Bank sold a real estate to KT Kira Sertifikaları Varlık Kiralama A.Ş. which is a subsidiary of the bank, amounting to TL 236,500 thousand in terms of sale and lease back. As a result of this transaction, Bank has recorded TL 135,900 thousand income and TL 87,696 thousand unearned income. Subsequently, the Bank leased the same property back by financial leasing.

1.13. Explanations on Intangible Assets:

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

	Current Period
Cost	278,635
Accumulated Amortization	(141,656)
Total (net)	136,979
	Prior Period
Cost	230,968
Accumulated Amortization	(111,956)
Total (net)	119,012

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

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

1.13.2. Movements of intangible assets between the beginning and the end of the period:

	Current Period
Opening balance	119,012
Additions	96,918
Disposals (-), net	22,648
Depreciation amount (-)	56,303
Closing net book value	136,979
	Prior Period
Opening balance	95,108
Additions	50,889
Disposals (-), net	1,928
Depreciation amount (-)	25,057
Closing net book value	119,012

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

1.14. Explanations on investment property:

	Current Period
Opening balance	25,419
Additions	44
Disposals (-), net	-
Depreciation amount (-)	158
Closing net book value	25,305
	Prior Period
Opening balance	-
Additions	25,577
Disposals (-), net	-
Depreciation amount (-)	158
Closing net book value	25,419

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 362,096 (31 December 2017 – TL 157,245) and deferred tax liability is TL 15,456 (31 December 2017 – TL 18,535).

	Current Period
Reserve for employee benefits	31,297
Retirement pay liability	17,412
Deferred income	55,507
Rediscounts for derivative financial instruments for hedging purposes	30,080
TFRS 9 Provisions	192,935
Precious metals valuation difference	2,031
Other	32,834
Deferred tax asset	362,096
Difference between carrying value and tax base of tangible assets	(7,293)
Valuation Difference on financial assets at fair value through other comprehensive income	(3,691)
Other	(4,472)
Deferred tax liability	(15,456)
Deferred tax asset, (net)	346,640

	Prior Period
Reserve for employee benefits	20,197
Retirement pay liability	16,788
Deferred income	46,597
Rediscounts for derivative financial instruments for hedging purposes	26,181
Impairment provision for subsidiaries, fixed assets and assets held for sale	36,436
Other	11,046
Deferred tax asset	157,245
Difference between carrying value and tax base of tangible assets	(10,044)
Valuation difference on available for sale financial asset	(3,556)
Valuation difference on precious metal	(652)
Other	(4,283)
Deferred tax liability	(18,535)
Deferred tax asset, (net)	138,710

Table for deferred tax asset movement:

	Current Period
As of 1 January	138,710
Deferred tax income	197,896
Deferred tax accounted under shareholders' equity	19,021
TFRS 9 Effect	(8,987)
Deferred tax asset	346,640
	Prior Period
As of January 1	118,112
Deferred tax income	22,696
Deferred tax accounted under shareholders' equity	(2,098)
Deferred tax asset	138,710

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

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

1.16. Assets held for sale and assets of discontinued operations:

The Bank has accounted for the fixed assets obtained from the receivables with the net book value and the lesser of its fair value.

	Current Period
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 (-)	-
Closing net book value	270,382
	Prior Period
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 (-)	-
Closing net book value	117,006

1.17. Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 2,799,934 (31 December 2017 – TL 764,669). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS 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:

<i>Current Period</i>	<i>Demand</i>	<i>Up to 1 Month</i>	<i>Up to 3 Months</i>	<i>Up to 6 months</i>	<i>Up to 9 months</i>	<i>Up to 1 year</i>	<i>1 year and over</i>	<i>Accumulated profit sharing accounts</i>	<i>Total</i>
I. Real persons current accounts-TL	4,753,832	-	-	-	-	-	-	-	4,753,832
II. Real persons profit sharing accounts TL	-	4,802,842	7,316,485	424,115	-	229,178	266,378	17,002	13,056,000
III. Other current accounts-TL	3,092,182	-	-	-	-	-	-	-	3,092,182
Public sector	186,809	-	-	-	-	-	-	-	186,809
Commercial sector	2,851,256	-	-	-	-	-	-	-	2,851,256
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	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	423,645	761,309	112,589	-	246,581	74,182	-	1,618,306
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
V. Real persons current accounts-FC	8,080,999	-	-	-	-	-	-	-	8,080,999
VI. Real persons profit sharing accounts-FC	-	3,923,178	6,085,488	961,802	-	537,731	339,707	993	11,848,899
VII. Other current accounts-FC	3,593,287	-	-	-	-	-	-	-	3,593,287
Commercial residents in Turkey	3,254,669	-	-	-	-	-	-	-	3,254,669
Commercial residents in Abroad	242,275	-	-	-	-	-	-	-	242,275
Banks and participation banks	96,343	-	-	-	-	-	-	-	96,343
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	96,238	-	-	-	-	-	-	-	96,238
Participation banks	105	-	-	-	-	-	-	-	105
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	443,390	2,174,742	208,184	-	16,061	9,678	363	2,852,418
Public sector	-	39	3	-	-	-	-	-	42
Commercial sector	-	409,203	2,007,121	203,238	-	15,935	9,592	363	2,645,452
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	27,776	-	-	-	86	-	27,869
IX. Precious metal funds	2,588,233	1,020,239	1,205,547	212,397	-	61,746	2,174	19	5,090,355
X. Profit sharing accounts special funds – TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds – FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	22,108,533	10,613,294	17,543,571	1,919,087	-	1,091,297	692,119	18,377	53,986,278

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

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

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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:

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit
	Current Period	Current Period
Real persons current and profit sharing accounts that are not subject to commercial activities		
TL accounts	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	-	-

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

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

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

The headquarters of the Bank is in Turkey.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 Bank has no current or profit sharing accounts which are not under the guarantee of the Saving Deposit Insurance Fund except for the current and profit sharing accounts of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first degree relatives.

	Current Period
Foreign branches' profit sharing accounts and other accounts	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	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	-
	Prior Period
Foreign branches' profit sharing accounts and other accounts	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	4,573
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities	-

2.2. Information on derivative financial liabilities:

Table of negative differences related to derivative financial liabilities at FVTPL:

	Current Period	
	TL	FC
Forward transactions	20,764	1,362
Swap transactions	281	40,574
Futures transactions	-	-
Options	-	-
Other	-	-
Total	21,045	41,936
	Prior Period	
	TL	FC
Forward transactions	10,269	4,679
Swap transactions	11,177	54,572
Futures transactions	-	-
Options	-	-
Other	-	-
Total	21,446	59,251

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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	2,038,900	6,657,758
From Foreign Banks, Institutions and Funds	-	1,446,231
Total	2,038,900	8,103,989
	Prior Period	
	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-
From Domestic Banks and Institutions	1,199,428	4,835,605
From Foreign Banks, Institutions and Funds	58,873	2,937,603
Total	1,258,301	7,773,208

2.3.2. Information on maturity struture of borrowings:

	Current Period	
	TP	YP
Short-term	2,038,900	4,254,863
Medium and Long-Term	-	3,849,126
Total	2,038,900	8,103,989
	Prior Period	
	TP	YP
Short-term	1,223,292	3,054,515
Medium and Long-Term	35,009	4,718,693
Total	1,258,301	7,773,208

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

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

2.4. Information on other liabilities and miscellaneous payables:

As of 31 December 2018, other liabilities amounting TL 1,172,585 (31 December 2017 – TL 334,851), sundry creditors amounting to TL 261,894 (31 December 2017 – TL 198,119), both of them do not exceed 10% of the balance sheet total.

2.5. Information on finance lease payables (net):

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

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

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

2.5.1. Information on the changes in agreements and new obligations originating from these changes:

None (31 December 2017 – None).

2.5.1.1. Information on Financial Lease Obligations

None (31 December 2017 – None).

2.5.1.2. 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. Information on hedging derivative financial liabilities:

	Current Period	
	TL	FC
Fair value hedge	-	-
Cash flow hedge	-	106,352
Hedge of net investment in foreign operations	-	-
Total	-	106,352
	Prior Period	
	TL	FC
Fair value hedge	-	-
Cash flow hedge	-	70,795
Hedge of net investment in foreign operations	-	-
Total	-	70,795

2.7. Information on provisions:

2.7.1. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 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 (31 December 2017 – TL 376) is offset against loans and receivables.

2.7.2. Information on other provisions:

	Current Period
Provisions for non- liquidated non cash loans	240,373
Provisions for cheque books	145,911
Provisions from equity/profit sharing accounts	129,152
Provisions for Promotion Activities for Credit Cards	1,778
Other (*)	50,040
Total	567,254
	Prior Period
Provisions for non- liquidated non cash loans	95,685
Provisions for cheque books	2,276
Provisions from equity/profit sharing accounts	30,422
Provisions for Promotion Activities for Credit Cards	1,242
Other (*)	71,298
Total	200,923

(*) Other item includes TL 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 43,433) other provisions and TL 0 (31 December 2017 – 14,450) for provision amount for projected repayment of delay penalties.

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

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

2.7.3. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to, TL 86,381 (31 December 2017 – TL 83,942), vacation pay liability amounting to TL 585 (31 December 2017 – TL 522), performance premium amounting TL 86,617 (31 December 2017 – TL 69,794), retirement bonuses on payment of TL 44,014 (31 December 2017 – TL 23,500), committee fee amounting to 10,869 TL (31 December 2017 – TL 7,291) and other provisions amounting to TL 175 (31 December 2017 – None).

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

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

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

	Current Period
Discount Rate (%)	16.30
Inflation rate (%)	12.00
Interest rate (%)	13.00

	Prior Period
Discount Rate (%)	11.60
Inflation rate (%)	8.90
Interest rate (%)	9.90

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

	Current Period
Balance at the beginning of the period	83,942
Provisions provided during the period	23,362
Paid during the period	(3,859)
Actuarial gain/loss	(17,064)
Balances at the end of the period	86,381

	Prior Period
Balance at the beginning of the period	55,291
Provisions provided during the period	17,395
Paid during the period	(5,237)
Actuarial gain/loss	16,493
Balances at the end of the period	83,942

2.8. Explanations on tax liability:

2.8.1. Explanations on current tax liability:

2.8.1.1. Information on tax provisions: As of 31 December 2018, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 175,685.

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

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

	Current Period
Provision for corporate income tax	454,141
Prepaid taxes	(278,456)
Total (*)	175,685
	Prior Period
Provision for corporate income tax	199,529
Prepaid taxes	(143,258)
Total (*)	56,271

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

2.8.1.2. Information on taxes 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	1,130
Total	67,991
	Prior Period
Taxation of marketable securities	19,651
Taxation of immovable property	1,185
Banking Insurance Transaction Tax (BITT)	18,431
Value Added Tax Payable	1,349
Income tax deducted from wages	8,192
Other	1,128
Total	49,936

2.8.1.3. 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
Total	13,071
	Prior Period
Social Security Premiums-Employee	4,862
Social Security Premiums-Employer	5,234
Unemployment insurance-Employee	348
Unemployment insurance-Employer	801
Total	11,245

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

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

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

2.8.1.4. Information on deferred tax liability:

None (31 December 2017 - None)

2.9. Information on liabilities of assets held for sale and discontinued operations:

None (31 December 2017 - None)

2.10. Information on subordinated loans:

	Current Period	
	TL	FC
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	1,901,210
From Other Foreign Institutions	-	-
Total	-	1,901,210
	Prior Period	
	TL	FC
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	1,360,338
From Other Foreign Institutions	-	-
Total	-	1,360,338

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.

2.11. Information on shareholders' equity :

2.11.1. Presentation of paid-in capital:

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

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

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

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

- 2.11.2. Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital:

Registered capital system is not applied in the bank.

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

Date for Increase	Increased Amount	Internal Sources	Retained Earnings for Increased
3 April 2018	400,000	400,000	-

- 2.11.4. Information on share capital increases from capital reserves during the current period:

None. (31 December 2017 – None)

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

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

- 2.11.6. Summary of privileges given to shares representing the capital:

None. (31 December 2017 – None)

- 2.11.7. Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference (*)	(29,522)	(51,432)
Foreign Exchange Difference	-	-
Total	(29,522)	(51,432)
	Prior Period	
	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference (*)	(23,192)	12,609
Foreign Exchange Difference	-	-
Total	(23,192)	12,609

(*) Valuation difference is calculated taking the tax effect of the rent certifications in account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under available for sale in the balance sheet.

- 2.12. Information on minority shares:

None (31 December 2017 – None)

3. Explanations and notes related to off-balance sheet 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 – TL 1,345,239).

- 3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items :

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

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

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 Bank has letter of guarantee amounting to TL 10,389,398 (31 December 2017 – TL 9,566,138); TL 74,098 (31 December 2017 - TL 55,958) acceptances and TL 1,079,876 (31 December 2017 – TL 932,100) letters of credit. In addition, the Bank has other guarantees and securities amounting to TL 324,718 (31 December 2017 – TL 513,959)

3.1.2.2. Revocable, irrevocable guarantees and other similar commitments and contingencies:

There are no other than those explained in 2.1.

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	11,868,090
Total	11,868,090
	Prior Period
Non-cash loans given against cash loans	-
With original maturity of 1 year or less	-
With original maturity of more than 1 year	-
Other non-cash loans	11,068,155
Total	11,068,155

3.1.4. Sectorial risk concentration of non-cash loans:

	Current Period			
	TL	(%)	FC	(%)
Agriculture	59,926	0.93	5,316	0.10
Farming and stockbreeding	33,396	0.52	2,812	0.05
Forestry	26,530	0.41	2,504	0.05
Fishery	-	-	-	-
Manufacturing	1,217,028	18.97	843,763	15.48
Mining and quarrying	259,085	4.04	258,253	4.74
Production	551,993	8.60	560,254	10.28
Electricity, Gas, Water	405,950	6.33	25,256	0.46
Construction	2,661,157	41.47	1,225,516	22.48
Services	1,798,834	28.03	2,241,769	41.12
Wholesale and Retail Trade	862,869	13.45	602,006	11.04
Hotel, Food and Beverage Services	96,061	1.50	80,239	1.47
Transportation and Telecom.	454,742	7.09	1,157,055	21.22
Financial Institutions	19,596	0.31	274,267	5.03
Real Estate and Renting Services	24,755	0.39	7,644	0.14
Self-Employment Type 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
Other	679,688	10.59	1,135,093	20.82
Total	6,416,633	100.00	5,451,457	100.00

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

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

	Prior Period			
	TL	(%)	FC	(%)
Agriculture	48,091	0.74	5,538	0.12
Farming and Stockbreeding	20,246	0.31	4,013	0.09
Forestry	27,808	0.43	1,525	0.03
Fishery	37	0.00	-	-
Manufacturing	1,121,211	17.24	799,207	17.49
Mining and quarrying	202,241	3.11	274,708	6.01
Production	463,059	7.12	496,475	10.87
Electricity, Gas, Water	455,911	7.01	28,024	0.61
Construction	2,550,357	39.23	1,146,399	25.10
Services	1,783,281	27.42	1,767,303	38.69
Wholesale and Retail Trade	745,878	11.47	546,190	11.96
Hotel, Food and Beverage Services	79,406	1.22	36,509	0.80
Transportation and Telecom.	470,117	7.23	774,580	16.96
Financial Institutions	6,074	0.09	297,965	6.52
Real Estate and Renting Services	81,800	1.26	3,419	0.07
Self-Employment Type 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
Other	998,140	15.35	848,628	18.58
Total	6,501,080	100.00	4,567,075	100.00

3.1.5. Non-cash loans classified under Group I and II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	6,184,965	5,407,447	231,668	44,010
Letters of Guarantee	5,976,533	4,162,862	230,353	19,650
Bills of Exchange and Bank Acceptances	17,516	56,582	-	-
Letters of Credit	10,720	1,044,004	792	24,360
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	180,196	143,999	523	-
Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	6,445,915	4,543,043	55,165	24,032
Letters of Guarantee	6,287,400	3,204,215	55,165	19,358
Bills of Exchange and Bank Acceptances	2,549	53,409	-	-
Letters of Credit	1,143	926,283	-	4,674
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	154,823	359,136	-	-

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

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

3.2. Financial derivative instruments:

	Trading Derivatives
	Current Period
Foreign Currency Related Derivative	
Foreign Currency Related Derivative	
Transactions (I):	21,215,164
Currency Forwards-Purchases, sales	2,408,123
Currency Swaps-Purchases, sales	18,807,041
Currency Futures	-
Currency Options-Purchases, sales	-
Interest Rate Related Derivative	
Transactions(II):	-
Interest rates forwards-Purchase, sales	-
Interest rates swaps-Purchases, sales	-
Interest rates options-Purchases, sales	-
Interest rates futures-Purchases, sales	-
Other Trading Derivatives (III)	3,121
A.Total Trading Derivatives (I+II+III)	21,218,285
Hedging Derivatives	
Fair value hedges	-
Cash flow hedges	2,165,533
Foreign currency investment hedges	-
B. Total Hedging Derivatives	2,165,533
Total Derivatives Transactions (A+B)	23,383,818
	Trading Derivatives
	Prior Period
Foreign Currency Related Derivative	
Foreign Currency Related Derivative	
Transactions (I):	13,645,542
Currency Forwards-Purchases, sales	2,436,521
Currency Swaps-Purchases, sales	11,209,021
Currency Futures	-
Currency Options-Purchases, sales	-
Interest Rate Related Derivative	
Transactions(II):	-
Interest rates forwards-Purchase, sales	-
Interest rates swaps-Purchases, sales	-
Interest rates options-Purchases, sales	-
Interest rates futures-Purchases, sales	-
Other Trading Derivatives (III)	7,966
A.Total Trading Derivatives (I+II+III)	13,653,508
Hedging Derivatives	
Fair value hedges	-
Cash flow hedges	1,565,503
Foreign currency investment hedges	-
B. Total Hedging Derivatives	1,565,503
Total Derivatives Transactions (A+B)	15,219,011

The Bank enters into short-term swap transactions based on its market expectations and cash flow. These transactions are generally short-term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2018, the Bank has commitments to buy TL 633,559, USD 1,709,657,000, EUR 57,831,000, GBP 10,039,000 and MYR 800,000,000 in return of selling commitments of TL 304,995, USD 399,261,000, EUR 1,545,406,000 and GBP 89,000 (As of 31 December 2017, the Bank has commitments to buy TL 728,960, USD 1,361,922,000, EUR 81,070,000, GBP 29,404,000 and 800,000,000 MYR in return of selling commitments of TL 963,256, USD 514,739,000, EUR 964,634,000 and GBP 19,364,000).

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

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

3.3. Credit derivatives and risk exposures on credit derivatives:

None.

3.4. Contingent liabilities and assets:

In accordance with 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. Explanations on custodian and intermediary services:

None.

3.6. Summary Information on the Bank's Rating by the International Rating Institutions

Fitch Rating's October 2018	Notes
Long-Term Issuer Default Rating	BB-
Short-Term Issuer Default Rating	B
Local Currency Long-Term Issuer Default Rating	BB
Local Currency Short-Term Issuer Default Rating	B
Support Rating	3

4. Explanations and disclosures related to the income statement

4.1. Information on profit share income:

4.1.1. Information on profit share received from loans:

	Current Period	
	TL	FC
Profit share on loans	4,637,242	416,666
Short term loans	1,405,131	63,591
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
Profit share on loans	3,117,811	210,848
Short term loans	806,921	18,862
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	
	FC	YP
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	21,392	146,934
Branches and head office abroad	-	746
Total	21,392	147,680

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

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

		Prior Period
	FC	YP
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	-	30,204
Branches and head office abroad	-	-
Total	-	30,204

4.1.3. Information on profit share income from securities portfolio:

The Bank received TL 388,818 of profit share income from rent certificates (sukuk) that are disclosed in detail in available for sale financial assets information (1 January-31 December 2017: TL 280,500).

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

	Current Period
Profit share income received from associates and subsidiaries	189
	Prior Period
Profit share income received from associates and subsidiaries	5

4.2. Information on profit share expenses:

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

	Current Period	
	TL	FC
Banks	9,620	33,946
The Central Bank of the Republic of Turkey	-	-
Domestic banks	5,128	10,449
Foreign banks	4,492	23,497
Branches and head office abroad	-	-
Other Institutions	249,419	525,717
Total	259,039	559,663
	Prior Period	
	FC	YP
Banks	95,058	421,421
The Central Bank of the Republic of Turkey	-	-
Domestic banks	2,127	8,896
Foreign banks	4,394	38,565
Branches and head office abroad	-	-
Other Institutions	88,537	373,960
Total	95,058	421,421

4.2.2. Profit share expense given to associates and subsidiaries:

	Current Period
Profit share expenses given to associates and subsidiaries	472,655
	Prior Period
Profit share expenses given to associates and subsidiaries	359,164

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

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

4.2.3. Profit share expense paid to securities issued:

None (1 January-31 December 2017: None)

4.3. Information on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	-
Other	1,273
Total	1,273
	Prior Period
Held for Trading Financial Assets	-
Fair Value Through Profit or Loss FV	-
Available for Sale Financial Assets	-
Other	-
Total	-

4.4. 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		
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Non-trading profit sharing Account of individuals	514,291	814,295	52,342	-	27,382	28,968	1,665	1,438,943
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
Total	569,645	935,288	70,656	-	29,567	30,473	1,669	1,637,298
FC								
Banks	58	1,361	-	-	-	-	-	1,419
Non-trading profit sharing account of individuals	77,496	138,578	26,884	-	13,454	8,576	23	265,011
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
Total	95,841	202,490	32,551	-	18,674	8,667	27	358,250
Grand Total	665,486	1,137,778	103,207	-	48,241	39,140	1,696	1,995,548

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

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

Account Name	Profit Sharing Accounts						Accumulated profit sharing accounts	Total
	Prior Period	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Non-trading profit sharing Account of individuals	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	73,372	11,770	-	1,133	871	-	116,390
Other institutions profit sharing account	2,094	5,976	778	-	249	121	-	9,218
Total	313,925	587,921	51,110	-	19,773	16,649	-	989,378
FC								
Banks	730	144	-	-	-	-	-	874
Non-trading profit sharing account of individuals	40,294	69,375	16,005	-	7,964	3,996	-	137,634
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	4,758	21,396	1,378	-	151	123	-	27,806
Other institutions profit sharing account	1,669	1,784	454	-	23	97	-	4,027
Precious metal accounts	660	9,450	749	-	406	-	-	11,265
Total	48,111	102,149	18,586	-	8,544	4,216	-	181,606
Grand Total	362,036	690,070	69,696	-	28,317	20,865	-	1,170,984

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

	Current Period
Trading income/loss (net)	453,415
Income	36,379,181
Gain on capital market transactions	21,918
Gain on derivative financial instruments	1,904,099
Foreign exchange gains	34,453,164
Losses (-)	(35,925,766)
Losses on capital market transactions	(11,677)
Losses on derivative financial instruments	(1,765,998)
Foreign exchange losses	(34,148,091)
	Prior Period
Trading income/loss (net)	246,884
Income	25,959,407
Gain on capital market transactions	9,812
Gain on derivative financial instruments	1,789,088
Foreign exchange gains	24,160,507
Losses (-)	(25,712,523)
Losses on capital market transactions	(2,852)
Losses on derivative financial instruments	(2,187,322)
Foreign exchange losses	(23,522,349)

4.6. Information on other operating income:

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

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

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

	Current Period
Reversal of prior period provisions	473,730
Income from sale of assets(*)	38,166
Income from the real estate sales' gains by rent certificates	135,913
Lease income	2,587
Other Income	6,120
Total	656,516
	Prior Period
Reversal of prior period provisions	95,525
Income from sale of assets(**)	126,955
Income from the real estate sales' gains by rent certificates	-
Lease income	2,564
Other Income	5,173
Total	230,217

(*) Income from the sale of shares of KT Portföy A.Ş.

(**) Includes income from the liquidation of subsidiary that is Kuwait Turkish Participation Bank Dubai Ltd. amounting to TL 107,029.

4.7. Impairment provisions for the loans and other receivables:

	Current Period
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	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other (*)	26,343
Total	1,977,360
	Prior Period
Specific provisions for loans and other receivables	629,878
Group III. loans and receivables	153,498
Group IV. loans and receivables	132,447
Group V. loans and receivables	343,933
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
Total	783,703

(*) According to the provision regulation, it consists of the provisions allocated from profit to be distributed to participation accounts.

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

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

4.8. Information on other operating expenses:

	Current Period
Personnel expenses	787,200
Provision for retirement pay liability	16,090
Depreciation expenses of tangible assets	61,603
Impairment expenses of tangible assets	-
Depreciation expenses of intangible assets	56,303
Depreciation expenses of assets held for sale	-
Other operating expenses	364,315
Rent expenses	133,416
Maintenance expenses	42,690
Advertisement expenses	31,863
Communication expenses	39,908
Heating, electricity and water expenses	18,354
Cleaning expenses	5,737
Vehicle expenses	8,184
Stationery expenses	8,810
Other expenses	75,353
Losses on sales of assets	3,829
Deposit insurance fund expenses	102,283
Other	113,500
Total	1,505,123
	Prior Period
Personnel expenses	662,783
Provision for retirement pay liability	12,158
Depreciation expenses of tangible assets	54,372
Impairment expenses of tangible assets	-
Depreciation expenses of intangible assets	25,057
Depreciation expenses of assets held for sale	-
Other operating expenses	295,222
Rent expenses	110,815
Maintenance expenses	33,072
Advertisement expenses	27,275
Communication expenses	35,008
Heating, electricity and water expenses	13,498
Cleaning expenses	4,894
Vehicle expenses	5,678
Stationery expenses	5,754
Other expenses	59,228
Losses on sales of assets	109
Deposit insurance fund expenses	82,592
Other	87,387
Total	1,219,680

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

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

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

Income before tax amounting to TL 1,126,057 increased by 32.64% as compared to the prior period (1 January - 31 December 2017 – TL 848,933). Income before tax includes TL 3,147,790 (1 January - 31 December 2017 – TL 2,314,213) net profit share income and TL 349,546 (1 January - 31 December 2017 – TL 241,002) net fees and commission income. Other operating expense amount is TL 701,833 (1 January - 31 December 2017 – TL 1,219,680).

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

At current period, deferred tax income of the Bank is TL 197,896 (31 December 2017 – TL 22,696 -income) deferred tax income) and current tax provision expense is TL 454,141 (31 December 2017 – TL 197,638).

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

There is no income or loss for discontinued operation in net operating income after tax.

4.12. Information on net income/loss:

4.12.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of 31 December 2018, net profit share income is TL 3,147,790 (1 January-31 December 2017 – TL 2,134,213), net fees and commission income is TL 349,546 (1 January-31 December 2017 – TL 241,002).

4.12.2. 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).

4.12.3. Profit/Loss attributable to minority interest:

None (1 January-31 December 2017– None).

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

As of 31 December 2018, other fees and commissions received is TL 426,031 (1 January-31 December 2017 – TL 288,420), TL 123,244 of this amount is related with credit card fees and commissions (1 January-31 December 2017 – TL 69,834) and TL 91,787 of this amount is related with POS machine commissions (1 January-31 December 2017 – TL 56,034).

As of 31 December 2018, other fees and commissions given is TL 199,917 (1 January-31 December 2017 – TL 153,899), TL 107,446 (1 January-31 December 2017 – TL 65,391) of this amount is related with POS clearing commissions and installation expenses, TL 18,792 (1 January-31 December 2017 – TL 11,805) of this amount is related with fees and commissions paid for credit cards.

5. Statement of Changes in Shareholders' Equity

5.1. There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements. Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

5.2. In the current year, the 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.

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

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

6. Explanations and notes related to cash flow statement

6.1. Information on cash and cash equivalents:

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

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

6.1.1.1 Cash and cash equivalents at the beginning of the period:

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

6.1.1.2. Cash and cash equivalents at the end of the period:

	Current Period
Cash	6,680,124
Cash in TL/foreign currency, others	882,566
Demand deposits at banks (up to 3 months)	5,797,558
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalents	6,680,124
	Prior Period
Cash	4,078,048
Cash in TL/foreign currency, others	606,825
Demand deposits at banks (up to 3 months)	3,471,223
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalents	4,078,048

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

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

6.2. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:

None (31 December 2017 – None).

6.3. Explanations on other items in the cash flow statement:

“Other items” amounting to TL (1,040,318) (1 January-31 December 2017: TL ((362,464)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 906,746 (1 January-31 December 2017: TL 1,048,269) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL (2,882,112) (1 January-31 December 2017: TL (199,960)) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

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

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL (66,621) as of 31 December 2018 (31 December 2017 – TL (15,217)). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

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

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

Current Period:

Risk Group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of period	19	1,253	1,030	786	150,924	917
Balance at the end of period	121,040	19,092	1,034	398	204,988	520
Profit share received and commission income	71	118	73	11	18,440	4

Prior Period:

Risk Group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	14	883	998	16,818	135,364	20,290
Balance at end of period	19	1,253	1,030	786	150,924	917
Profit share received and commission income	-	5	83	1	9,719	1

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

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

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)	Direct and indirect shareholders of the bank	Other real or legal persons included in the risk group
	Current Period	Current Period	Current Period
Current and profit sharing accounts			
Balance at the beginning of period	33,887	60,187	417,813
Balance at the end of period	62,800	35,032	255,239
Profit share expense	2,087	3,682	30,709

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)	Direct and indirect shareholders of the bank	Other real or legal persons included in the risk group
	Prior Period	Prior Period	Prior Period
Current and profit sharing accounts			
Balance at the beginning of period	113,140	58,441	113,915
Balance at the end of period	33,887	60,187	417,813
Profit share expense	2,541	4,317	13,068

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

7.1.3. Forward and option agreements and other similar agreements with the risk group of the Bank:

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/Loss						
Balance at the beginning of period	81,031	-	-	-	-	-
Balance at the end of period	517,747	81,031	574,666	-	-	-
Total Profit/Loss	(1,362)	1,784	116	-	-	-
Hedging Transactions						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)	Direct and indirect shareholders of the Bank	Other real or legal persons included in the risk group
	Current Period	Current Period	Current Period
Borrowings			
Balance at the beginning of period	7,063,526	2,175,759	-
Balance at the end of period	5,646,443	802,108	-
Profit share expense	470,568	84,426	-

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

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)	Direct and indirect shareholders of the Bank	Other real or legal persons included in the risk group
	Current Period	Current Period	Current Period
Borrowings			
Balance at the beginning of period	6,031,523	2,954,769	-
Balance at the end of period	7,063,526	2,175,759	-
Profit share expense	356,623	48,678	-

7.2. Information on remunerations provided to top management:

As of 1 January - 31 December 2018, the Bank has paid TL 29,823 to top management (1 January - 31 December 2017- TL 25,916).

8. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices

8.1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	414	5,868			
			Country	Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign representative offices					
Foreign bank	4	87	Almanya	2,246,657	96,266,115
Off-shore branches	1	3	Bahreyn (**)	4,231,098	-
Foreign branches					

(*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number.

(**) Bahrain Branch is controlled by the Central Bank of Bahrain and the total of Assets is 4,231,098 Turkish lira as of 31 December 2018.

8.2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

In 2018, 17 new domestic branches (2017-14 branches) were opened and 1 domestic branch was closed (2017-1 branch).

9. Significant Events and Matters Arising Subsequent to Balance Sheet Date

The Board of Directors of the Bank has decided to propose a capital increase from the internal sources amounting to TL 500,000 for the the approval of the ordinary general assembly on the meeting dated 29 January 2019.

In January 2019, The 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED 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 auditors' 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 26 February 2018 is presented before the financial statements.

2. **Notes and disclosures prepared by independent auditors:**

None.