KUVEYTTÜRK
SAĞLAM BANKACILIK

30 YIL

GROWING THROUGH VALUES THAT BIND US TOGETHER FOR THE PAST 30 YEARS

ANNUAL REPORT 2019

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Since 1989, we have been growing through values that bind us together and taking on a pioneering role in participation banking, while boasting exemplary achievements.

With the funds raised and extended throughout 30 years, we rank the first in asset size among participation banks. We add value to conventional banking with technology and serve as a guiding light for innovation in participation banking. We serve as a guiding light for the innovations in participation banking and we contribute to the development of the sector with the products and services we produce by taking people into focus.

GROWING SUPPORT FOR TURKEY'S MEGA PROJECTS

At Kuveyt Türk, we have consistently increased our support for projects contributing to Turkey's development. We have funded EUR 200 million for the 1915 Çanakkale Bridge Project and EUR 100 million for the Niğde-Ankara Motorway Project while increasing our total funding for renewable energy to USD 625 million.

TOTAL FUNDS EXTENDED TO PROJECTS

TL 5.7 Billion

RISING PERFORMANCE THROUGH R&D CENTERS

We are the only bank boasting two R&D centers in Turkey. Our R&D centers developed exclusive products including XTM Branch, which combines video chat and self-service transactions; BOA Banking Platform, which revolutionized banking processes; and Senin Bankan, the first interest-free digital banking platform in Turkey.

TECHNOLOGY INVESTMENTS

TL 125 Million

HACKATHON
KUVEYTTÜRK
Tio
Birincilik Ödülü
40.000 ₺
lonca

ONGOING SUPPORT FOR YOUNG ENTREPRENEURS

Launched in 2017 in collaboration with Workinton to support young entrepreneurs to bring their ideas and projects to life, Kuveyt Türk's Lonca Entrepreneurship Center is working at full speed. Applications are submitted at www.loncagirisim.com under two categories: "general" and "FinTech."

NUMBER OF ENTREPRENEURS SUPPORTED EVERY YEAR

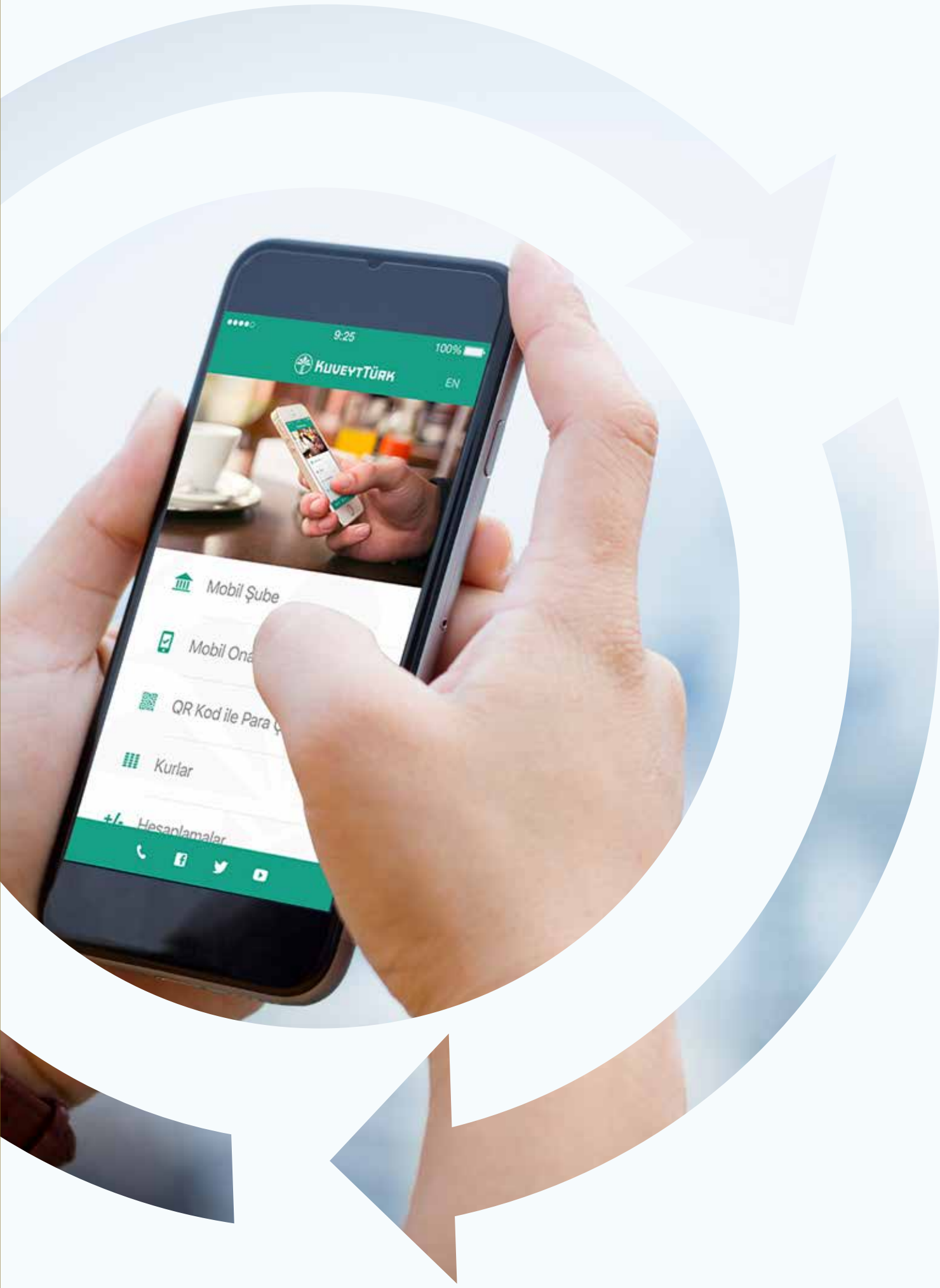
30

HUMAN-CENTERED DIGITAL TRANSFORMATION

Acting with the motto "digital is our path, human is our focus," we place our customers and their expectations at the heart of digital transformation to make their lives easier. Customers today are able to perform approximately 90% of their banking transactions on digital channels.

DIGITAL BANKING CUSTOMERS

1.4 Million


9:25
100%
KUVEYTTÜRK
EN
Mobil Şube
Mobil Ona
QR Kod ile Para
Kurlar
Hesaplamalar

IS NEAR AT HAND
KUVEYTTÜRK
İşlematik

TRUST SPANNING THE COUNTRY

Kuveyt Türk pioneers the development of participation banking instruments and offers numerous innovations for customers. We are Turkey's most-trusted participation bank with the broadest product range in gold banking.

GOLD INTRODUCED TO THE TURKISH ECONOMY

20 Tons

2019
IN NUMBERS

RETAIL CUSTOMERS
4.5
MILLION

TOTAL ASSETS
104.44
(TL BILLION)

SHAREHOLDERS' EQUITY
6.82
(TL BILLION)

PROFIT SHARING INCOME
7.47
(TL BILLION)

CREDIT CARDS
725
THOUSAND

FEE AND COMMISSION INCOME
468.91
(TL MILLION)

SME CUSTOMERS
350
THOUSAND

OTHER REVENUES
2.06
(TL BILLION)

TOTAL FUND VOLUME
85.49
(TL BILLION)

DEVELOPMENTS IN 2019

Kuveyt Türk became the first Turkish institution listed on the Shanghai Gold Exchange.

Renewing its mobile branch, Kuveyt Türk increased users' sign-in security through Face ID and Touch ID features.

With its new mobile app TradePlus, the Bank started to offer 24/5 transaction capability for investment instruments such as investment funds, equities, FX, gold and silver.

Launched to train middle school students (explorers) on coding and robotics, the 1010 Explorer Project expanded its outreach.

Trailing yet another blaze in Turkey, Kuveyt Türk utilized artificial intelligence to categorize complaints and standardize complaint handling flows as part of Complaint Handling Management.

Kuveyt Türk was selected as the "Best Employer of Turkey" by Great Place to Work Institute for the second time in a row.

SUMMARY OF FINANCIAL INDICATORS

Maintaining its successful performance in 2019, Kuveyt Türk reached TL 468.91 million in net fee and commission income, equaling a 34.15% YoY increase.

Kuveyt Türk's profit-sharing expense rose to TL 3.97 billion, while net fee and commission income reached TL 468.9 million.

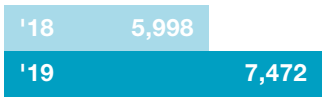
In 2019, Kuveyt Türk increased its capital adequacy ratio to 19.32%.

Summary of Financial Indicators (TL thousand)*	2018	2019
Profit Sharing Income	5,997,843	7,471,511
Profit Sharing Expense	2,850,053	3,975,600
Net Fee and Commission Income	349,546	468,907
Other Revenues	1,111,204	2,060,416
Other Expenses	3,482,483	4,609,967
Tax Provision	(256,245)	(305,429)
Net Profit for the Period	869,812	1,109,838
Total Assets	74,232,325	104,439,345
Total Shareholders' Equity	5,438,553	6,821,290
Capital Adequacy Ratio (%)	17.68	19.32

*BRSA unconsolidated figures

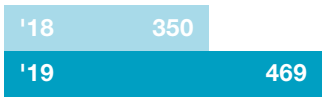
PROFIT SHARING INCOME (TL MILLION)

24.57% INCREASE



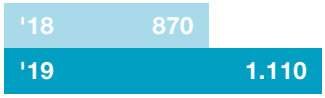
NET FEE AND COMMISSION INCOME (TL MILLION)

34.15% INCREASE



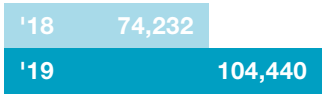
NET PROFIT FOR THE PERIOD (TL MILLION)

27.6% INCREASE



TOTAL ASSETS (TL MILLION)

40.69% INCREASE



SHAREHOLDING AND CAPITAL STRUCTURE

KUWAIT FINANCE HOUSE

62.24%

GENERAL DIRECTORATE OF FOUNDATIONS OF TURKEY

18.72%

KUWAIT PUBLIC INSTITUTION FOR SOCIAL SECURITY

9.00%

ISLAMIC DEVELOPMENT BANK

9.00%

OTHER REAL AND LEGAL SHAREHOLDERS*

1.04%

* The Chairman and the Members of the Board of Directors, Audit Committee Members, Chief Executive Officer and the Vice Presidents have a 0.12% share in the Bank's capital.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY

On the meeting dated January 27, 2020, the Board of Directors has unanimously resolved to hold the Annual Ordinary General Assembly for the fiscal year 2019 at Company headquarters (Büyükdere Cad. No: 129/1) on March 26, 2020, at 15:00 to discuss the following agenda.

AGENDA OF THE ANNUAL ORDINARY GENERAL ASSEMBLY

1. Opening and constitution of the Presidential Board
2. To grant authority to the Presidency to sign the minutes of the General Assembly and the list of participants
3. Discussion and approval of the Annual Report for the fiscal year 2019
4. Discussion and approval of Financial Statements for the fiscal year 2019
5. Decision on the Board of Directors offers about the profit distribution of the fiscal year 2019
6. Discussion of independent audit report written by an independent auditor for the fiscal year 2019
7. Discussion and approval of the amendments of the Articles of Association related to Article 7 and Article 43 as attached
8. Discussion and resolution of the appointment of the members of the Advisory Committee appointed by the resolution of the Board of Directors dated 27/01/2020
9. Approval nomination of a member of the Board of Directors appointed to replace the remaining period due to resignation in the year
10. Acquitting of the Board of Directors related to their efforts in 2019
11. Discussion and approval of paying salary, attendance fee, bonus, and dividend to the Chairman and other Board Members for their Board Membership and/or other committee memberships
12. Appointment of the Independent Auditors and determination of the contract period
13. Providing information by the Board of Directors on an external audit in accordance with Banking Law no: 5411 and the related regulations
14. Discussion and approving of reflecting participation accounts' portion of provision expenses, which set aside according to 19/2 article of Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans of BRSA, to expense accounts. Turkish Commercial Code's related provisions reserved
15. Authorization of the Board of Directors to compensate the loss if necessary in accordance with the Article 6, paragraph 10 of the Regulation on Procedures and Principles Regarding Deposits, Participation Funds, Escrow and Receivables of Deposits and Participation Funds issued by the BRSA
16. To grant authority to the Board Members to execute the deals written in the Turkish Commercial Code 395 and 396 Articles
17. Wishes and proposals

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article 7 of the Articles of Association on capital was amended in 2019. The former and new versions of the aforementioned article are provided below.

OLD TEXT

CAPITAL

ARTICLE 7 – The capital of the Bank is TL 3,500,000,000 (Three billion and five hundred million Turkish Lira) which is divided into 3,500,000,000 (Three billion and five hundred million) shares each with a nominal value of TL 1. The shares are registered shares.

Out of TL 3,500,000,000 (Three billion and five hundred million Turkish Lira) capital;

a) TL 3,100,000,000 (Three billion and one hundred million Turkish Lira) was paid in full.

b) TL 387,142,446 (three hundred eighty-seven million one hundred forty-two thousand four hundred forty-six Turkish lira) of the increased amount of TL 400,000,000 (Four Hundred Million Turkish Lira) is provided in full from the profit of the Bank in 2017 (fully from internal resources). Shareholders will be given bonus shares in proportion to their shares against this capital increase.

The added capital of TL 439,121 (four hundred thirty-nine thousand one hundred twenty-one Turkish lira) is provided from the profit of Bank earned within the scope of the Law no. 5746 and transferred to the other reserves (fully from internal resources) in 2017. Shareholders will be given bonus shares in proportion to their shares against this capital increase.

The added capital of TL 12,418,433 (twelve million four hundred eighteen thousand four hundred thirty-three Turkish lira) is provided from the sum kept in the other reserves (special funds) as stipulated by the Corporate Tax Law No. 5520 Article 5/1-f. Shareholders will be given bonus shares in proportion to their shares against this capital increase.

NEW TEXT

CAPITAL

ARTICLE 7 - The capital of the Bank is TL 4,000,000,000 (four billion Turkish Lira) which is divided into 4,000,000,000 (four billion) shares each with a nominal value of TL 1. The shares are registered shares.

Of the TL 4,000,000,000 (four billion Turkish Lira) capital;

a) TL 3,500,000,000 (three billion and five hundred million Turkish Lira) was paid in full.

b) TL 499,681,075 (four hundred ninety-nine million six hundred eighty-one thousand seventy-five Turkish Lira) of the increased amount of TL 500,000,000 (five hundred million Turkish Lira) is provided in full from the retained earnings of 2018 (fully from internal resources). Shareholders will be given bonus shares in proportion to their shares against this capital increase.

The added capital of TL 318,925 (three hundred eighteen thousand nine hundred and twenty-five Turkish Lira) is provided from the profit the Bank earned within the scope of the Law no. 5746 and transferred to the other reserves (fully from internal resources) in 2018. Shareholders will be given bonus shares in proportion to their shares against this capital increase.

KUVEYT TÜRK IN BRIEF

Having celebrated its 30th anniversary in 2019, Kuveyt Türk continues financial technology and digital transformation investments at full speed.

The Bank remains the pioneer of participation banking in Turkey, with its dynamic corporate governance approach, innovative products and involvement in international markets.

Pursuant to the authorization of the Central Bank of Turkey dated February 28, 1989, the Bank started operations as a Private Finance House on March 31, 1989, under the trade name Kuveyt Türk Finance Institution of Foundations Joint Stock Company. 1999 saw its business operations come under the scope of Banking Law No. 4389 along with other private financial institutions. In 2006, the Bank assumed its current name: Kuveyt Türk Katılım Bankası A.Ş. (Kuveyt Türk).

Having celebrated its 30th anniversary in 2019, Kuveyt Türk continues financial technology and digital transformation investments at full speed and remains the pioneer of participation banking in Turkey, with its dynamic corporate governance approach, innovative products and involvement in international markets.

In Turkey and around the world, by means of its own branch network and correspondent banks, Kuveyt Türk delivers fast, top-quality services to savers and investors, by employing a wide range of state-of-the-art technologies.

Since its establishment, Kuveyt Türk has been committed to meticulous interest-free banking services, extensive research in investment areas, delivery of cutting-edge, consistent, top-quality and swift services to savers and businessmen, and continuous employee training to achieve higher productivity.

Outstanding product and service composition of Kuveyt Türk brings together a large number of financial products and services with its customers, contributes to the economy and maintains its leading position in its sector.

Kuveyt Türk, which was listed on the Istanbul Gold Exchange in 2007 and was admitted to the London Bullion Market Association in 2011, has achieved significant success as of January 2019 as the first institution to be admitted to the Shanghai Gold Exchange from Turkey. Kuveyt Türk, which offers its customers gram gold account service and gram gold withdrawal service from ATMs, has brought more than 20 tons of gold to the country's economy so far.

Launched in 2017 in collaboration with Workinton to support young entrepreneurs to bring their ideas and projects to life, Kuveyt Türk's Lonca Entrepreneurship Center is working at full speed.

Kuveyt Türk carries out many restoration projects in line with the strategy of ”growing through values," and supports to Turkish-Islamic Arts, and delivers works such as books and documentaries to future generations.

KUVEYTTÜRK
KUVEYTTÜRK
MERKEZ ŞUBE

KUVEYT TÜRK IN BRIEF

Offering continuous improvement opportunities for its human resources, Kuveyt Türk provides an exceptional customer experience to customers with 5,955 staff at 431 branch locations as of year-end 2019.

Robust Shareholding Structure

Some 62.24% of the Bank's shares are owned by Kuwait Finance House, 18.72% by the Turkish General Directorate of Foundations, 9% by the Kuwait Public Institution for Social Security, 9% by Islamic Development Bank, and the remaining 1.04% by other real and legal entities.

With a strong capital structure and an efficient international service network, Kuwait Finance House (KFH) is Kuveyt Türk's largest shareholder and the pillar supporting the Bank's consistent growth performance.

Human Resources' Readiness for Digital Transformation

Offering continuous improvement opportunities for its human resources, Kuveyt Türk provides an exceptional customer experience to customers with 5,955 staff at 431 branch locations as of year-end 2019. Investing intensively in its staff, almost all of whom are university graduates, Kuveyt Türk outshines the competition with its well qualified and experienced human capital.

Financial Roots Driving Investments

Kuveyt Türk stands out with its strong financial roots coupled with a robust shareholding structure. As of the end of 2019, the Bank holds TL 4 billion paid-in capital. Kuveyt Türk's total unconsolidated assets reached TL 104.44 billion, while total shareholders' equity equaled TL 6.82 billion in 2019.

Pioneer in Gold Banking

Kuveyt Türk commenced gold banking services in 2007 and started organizing Gold Days in 2011. As of the end of 2019, Kuveyt Türk has delivered 17.7 tons of customer gold kept "under the mattress" to the Turkish economy. In addition to holding 13% of all precious metal accounts sector-wide and 54% of such accounts among participation banks, Kuveyt Türk has maintained its lead in this field in 2019. Kuveyt Türk has maintained its lead among banking institutions in Borsa Istanbul (BIST) Precious Metals and Stones Market with its high gold trading volume since 2011. Kuveyt Türk is also the first and only Turkish bank to join the London Bullion Market Association (LBMA) as an associate and the SGEI (Shanghai Gold Exchange International) as a member in 2019.

The Bank that Introduced Sukuk to Turkish Capital Markets

In 2010, Kuveyt Türk became the first bank in Turkey to enter into sukuk (lease certificate) markets. Since then, the Bank is holding a leadership position in the deepening and development of the sukuk market. Kuveyt Türk issued 30 sukuks in 2019, in the amount of TL 5.9 billion.

Until now, Kuveyt Türk has issued sukuks denominated in various currencies, such as Turkish Lira, US Dollar and Malaysian Ringgit (MYR), both in Turkey and overseas. These issues have been TL 17 billion, USD 2 billion, and MYR 800 million, respectively. Out of these issues, amounts currently circulating in various markets are TL 750 million, USD 1,050 billion and MYR 800 million, respectively.

During the accounting period of 2019, Kuveyt Türk issued sukuks in the amount of TL 5.891 billion, delivering a YoY 15% increase. The Bank successfully finalized the issue of a lease certificate (Tier 1 sukuk) in the amount of USD 200 million that could be included in the additional principal capital. This has been the Bank's first Tier 1 sukuk issue. Ranking among the financial institutions that issue borrowing instruments accepted as additional principal capital, the Bank has strengthened its reputation in international and domestic markets.

XTM Sign Language Project for the Hearing Impaired

Sign Language is the communication tool for around 3 million people in Turkey, enabling hearing-impaired individuals to communicate with one another. In the accounting period of 2019, Kuveyt Türk completed the XTM Sign Language Project and rolled it out for all customers. The project was deemed worthy of awards by International Data Corporation (IDC) and Payment Systems Magazine (PSM).

Introducing yet another novelty, Kuveyt Türk launched the Champions' League project for the Retail Branches with an XTM device. The Bank's first gamification project "Champions' League" allowed Kuveyt Türk employees to easily monitor the progress through a mobile app exclusively designed for their use. The project significantly contributed to the key performance indicators of Kuveyt Türk branches: fund collection, fund extension, credit cards, active customers and digital customer performance. This innovative project was presented to students and participants in Turkey's first gamification hackathon and gamification meetup organized at Bahçeşehir University.

Innovation Driven Business Processes

Monitoring developments in financial technologies (fin-tech), Kuveyt Türk cements its innovative edge consistently. Working to ensure that the full range of physical branch services are also available in an end-to-end digital environment, Kuveyt Türk aims to offer its customers the widest possible array of banking transactions on mobile platforms, enabling them to swiftly conduct a range of transactions, from transferring funds to paying bills or from precious metal and foreign exchange transactions to stock trading, wherever they are, without having to pay any fees.

In the 2019 accounting period, Kuveyt Türk continued investing in Senin Bankan, an interest-free digital banking platform introduced as a first in the sector. The Bank also rolled out a number of innovative applications such as QR Payments, Swift Transfers from the Mobile Branch, and Tradeplus.

Thanks to this innovative approach in alternative distribution channels, the total number of digital customers including those on Senin Bankan reached 1.5 million. As of the year-end 2019, Kuveyt Türk customers performed almost 90% of their banking transactions on alternative distribution channels.

The Innovative Bank of a Producing Turkey

Ranking among the strongest players in the Turkish banking sector and boasting a robust capital structure, Kuveyt Türk's top priority is to stand by enterprises producing for Turkey with products and services aligned with the principles of interest-free banking. Thanks to the long-term and innovative products and services for the players in the real economy, the Bank has been deemed worthy of numerous awards by public institutions and professional organizations up to date, including the Undersecretariat of Treasury and Foreign Trade, Istanbul Chamber of Commerce, and Istanbul Apparel Exporters' Association.

The Bank Serving as a Bridge Between Turkey and Global Financial Markets

Driven by the power of its principal shareholder, Kuwait Finance House's wide network of correspondent banks, Kuveyt Türk serves as a bridge for Turkish investors who desire to access global markets, the Gulf Region in particular.

Operating since 2002, the Bank's Bahrain Branch contributes to Kuveyt Türk's liquidity management effectively through a strong capacity for access to compelling Gulf funds. The Bank's presence in the region allows Kuveyt Türk to manage existing correspondent relations and build relations with new correspondent banks for treasury and foreign trade transactions.

KT Bank AG, which commenced operations in 2015 as a fully-owned Kuveyt Türk subsidiary, contributes to the Turkish economy through providing correspondent services in foreign trade activities in Europe - Germany, in particular - and opening accounts for the purposes of Euro transfers.

The first participation bank in Germany, KT Bank AG will continue its activities with five branches, including the Munich branch opened in February 2020.

While celebrating its 30th anniversary, Kuveyt Türk continued taking steps to carry its corporate growth to the future in the 2019 accounting period.

THE STORY OF 30 SUCCESSFUL YEARS

Kuveyt Türk was established with the title, Kuveyt Türk Evkaf Finans Kurumu A.Ş. on March 31, 1989, under the authorization, dated February 28, 1989, of the Central Bank of the Republic of Turkey.

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1989

1990

Kuveyt Türk was deemed worthy of the Gold Medallion for its contributions to the ready-to-wear industry.

Kuveyt Türk's founding capital doubled.

As a result of international banking services provided during the year, the Bank ensured a foreign currency inflow of USD 39 million from exports and other items.

1991

1992

State Economic Enterprises were granted their first loan from the Gulf Region thanks to Kuveyt Türk. Total funding extended by Gulf nations amounted to USD 50 million.

Kuveyt Türk's Head Office and branches became linked online to each other.

1993

1994

The Head Office moved to its new building.

The first public housing development project - Huzur - was completed, with the residential units delivered to their owners.

In recognition of its support to exports, the Bank garnered the Gold Prize from the Association of İstanbul Ready-Made Garment Exporters.

1995

1996

Körfez Gayrimenkul A.Ş. was established as a subsidiary of Kuveyt Türk.

1997

Kuveyt Türk's total branch network expanded to 16 locations.

1998

Kuveyt Türk launched its first credit card.

1999

The Bank started to deliver its operations, subjected to the Banking Law No. 4389.

2000

2000
The Bank started providing individual banking services.

The Bank became the first interest-free financial institution in Europe to receive ISO 9001-2001 Quality Certification.

2001

The Bank introduced the Palmiye Card, the first commercial card with installment payments.

2002

Kuveyt Türk became the first private financial institution to be a direct member of Visa.

2003

In order to offer interest-free banking services nationwide, Kuveyt Türk reached an agreement with the Turkish Postal System (PTT), which has nearly 1,000 branches.

2004

Kuveyt Türk opened its first representative office in Mannheim, Germany.

2005

The Bank received an achievement award from İstanbul International Finance Forum for its contributions to the interest-free banking sector.

2006

Assumed the name of Kuveyt Türk Katılım Bankası A.Ş (Kuveyt Türk) which is still in use.

The international rating agency Fitch Ratings upgraded Kuveyt Türk's individual rating from D/E to D and its long term national rating from AA (-) to AA (tur).

The four-year, USD 50 million murabaha syndication secured by Kuveyt Türk for GAP Güneydoğu Tekstil became the longest term loan secured from Gulf countries up to that time.

2007

Kuveyt Türk became the first participation bank to launch foreign currency forward trading with a fixed exchange rate.

As the first and only participation bank on the Istanbul Gold Exchange, Kuveyt Türk started selling gold in grams and thereby took the first step in the field of Gold Banking.

2008

The two-year, USD 200 million murabaha syndication secured by Kuveyt Türk from banks in the Gulf Region and Europe was not only oversubscribed by USD 265 million but also significantly bolstered the Bank's reputation in international markets. Kuveyt Türk unveiled many innovative products including Gold Swap, Gold for Gold, and Gold Check.

2009

Between 2008-2016, it provided services at the Dubai International Finance Center (DIFC) as a bank subsidiary with a capital of USD 12 million.

The representative office in Germany was transformed into the Financial Services Branch.

2010

Issuing the first sukuk security under the co-leadership of LH (Liquidity Management House) and Citibank, the Bank introduced Turkey to this financial instrument used widely across the Gulf Region and Malaysia. The three-year, USD 100 million issuances were 1.5 times oversubscribed as a result of ample interest from the world's major financial centers.

2011

In 2011, Kuveyt Türk completed its second sukuk issuance backed by sukuks, securing a USD 350 million foreign resources for the Turkish economy.

In 2011, Kuveyt Türk became the first and only Turkish bank, and the world's first participation bank, that was accepted to the London Bullion Market Association (LBMA) as an "Associate."

2012

Kuwait Finance House's subsidiary, Liquidity Management House, became one of the three financial institutions to support the Undersecretariat of Treasury in its five-year sukuk issuance worth USD 1.5 billion - the first of its kind in Turkey. Kuveyt Türk participated in the referenced transaction as co-leader.

Kuveyt Türk was the only bank to receive praise in the 2012 special report of the World Gold Council (WGC) for the diversity of its gold products and services.

2013

In line with its social responsibility mission, Kuveyt Türk launched a fundraising campaign to benefit the Hope Foundation for Children with Cancer (KAÇUV) and to fight against cancer, a growing problem in the country.

Kuveyt Türk's issuance of sukuks, worth TL 150 million, with a maturity of 364 days, was oversubscribed by more than two-fold.

With the collaboration of Kuveyt Turk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş., Katılım Emeklilik ve Hayat A.Ş. is established.

2014

Kuveyt Türk completed the XTM project, which offers video chat and self-service transactions at the same time, the first of its kind in the world. This innovative service was offered to customers at 22 locations across Istanbul.

The latest version of Kuveyt Türk's Mobile Branch features new functionality and offerings as well as an enhanced user experience.

Kuveyt Türk became the first bank in Turkey to appoint a Board Member in charge of Ethics.

2015

Kuveyt Türk obtained the required license from BaFin, the German Federal Financial Supervisory Authority, to offer banking services in Germany. KT Bank AG commenced its operations as the first bank in Germany that is engaged in interest-free banking activities.

Kuveyt Türk commenced its Private Banking operations, a first in the participation banking industry in Turkey.

Kuveyt Türk launched "Senin Bankan," the branch-free and fee-free digital banking platform. Senin Bankan represents the next-gen banking approach – merging participation banking principles with innovations and opportunities provided by the internet.

2016

Having issued a subordinated sukuk loan worth USD 350 million in February 2016, domestic sukuks as public offering worth USD 300 million in May, and international sukuks worth USD 500 million in November, the Bank firmly held on to its position as Turkey's largest sukuk issuer.

The Turkish Capital Markets Association (TSPB) presented an award to Kuveyt Türk for its operations in the banking industry in 2016.

The Bank was designated "Turkey's Best Islamic Financial Institution" by Global Finance, and "Issuer of the Year" by Islamic Finance News.

2017

Kuveyt Türk launched its new generation retail credit card Sağlam Kart (Sağlam Card).

Kuveyt Türk held the Hackathon Digital Banking Software Project Competition with a view to support the development of the FinTech ecosystem and to provide young entrepreneurs with an environment to apply and realize their ideas.

Kuveyt Türk inaugurated the Lonca Entrepreneurship Center to offer start-up companies opportunities and support including training, mentoring, consultancy and financial investment.

KT Bank AG, the first and only interest-free bank in Germany and in the Euro Zone, inaugurated its Cologne branch after the Frankfurt, Berlin and Mannheim branches.

The only bank in Turkey to boast two R&D centers, Kuveyt Türk inaugurated its second R&D Center in Konya.

2018

The Best Workplaces in Turkey 2018 survey by the Great Place to Work Institute named Kuveyt Türk as the "Best Finance Employer" and one of the "Best Workplaces in Turkey."

At the World's Best Banks Awards organized by Global Finance Magazine, which is available in 189 countries, Kuveyt Türk was named "Turkey's Best Islamic Finance Institution." Additionally, Kuveyt Türk's fully-owned subsidiary KT Bank AG received the award for "Europe's Best Islamic Finance Institution."

The partnership of Kuveyt Türk and Vakıf Participation launched the "Techno-Venture Capital Investment Fund."

Kuveyt Türk achieved significant success by exporting software totaling TL 120 million in a lump. Kuveyt Türk's banking software BOA was used in more than 60 banks in 20 countries including Nigeria, Malaysia, Indonesia and Egypt.

2019

Kuveyt Türk became the first Turkish institution listed on the Shanghai Gold Exchange.

Renewing its mobile branch, Kuveyt Türk increased users' sign-in security through Face ID and Touch ID features.

With its new mobile app TradePlus, the Bank started to offer 24/5 transaction capability for investment instruments such as investment funds, equities, FX, gold and silver.

Launched to train middle school students (explorers) on coding and robotics, the 1010 Explorer Project expanded its outreach.

Kuveyt Türk was selected as the "Best Employer of Turkey" by Great Place to Work Institute for the second time in a row.

Trailing yet another blaze in Turkey, Kuveyt Türk utilized artificial intelligence to categorize complaints and standardize complaint handling flows as part of Complaint Handling Management.

The Bank's robotic process automation project was completed, and the first robot commenced activities.

ABOUT KUVEYT TÜRK

Kuveyt Türk stays true to its mission and vision in all its operations.

MISSION

To be a bank that adheres to its interest-free principles; abides by moral values; focuses on customer-oriented banking while adding value for stakeholders; and embraces corporate social responsibility.

Kuveyt Türk performs all financial activities in compliance with the principles of participation banking.

VISION

To be the most reliable participation bank providing sustainable and profitable growth by leading the way in developing interest-free financial services.

Boasting a competent and qualified team, Kuveyt Türk introduces novelties to the banking sector.

OUR QUALITY POLICY

In line with the principles of participation banking and total quality management, we aim to become an institution that:

- Improves the service quality and customer satisfaction,
- Leads the banking sector,
- Creates value under the leadership of senior management,
- With the ongoing efforts of employees throughout the organization.
  to consistently create value.

OUR VALUES

All employees are responsible for embracing and putting into practice the following values:

- Sound Banking
- Fairness
- Trust
- Team spirit
- Professionalism

OUR ETHICAL PRINCIPLES

Kuveyt Türk pursues the following service principles to maintain uninterrupted maximum service quality:

- Integrity
- Impartiality
- Transparency
- Confidentiality
- Ethical approach

OUR SERVICE PRINCIPLES

Kuveyt Türk pursues the following service principles to maintain uninterrupted maximum service quality:

- Reliability
- Responsiveness
- Empathy
- Solution-oriented

MESSAGE FROM THE CHAIRMAN

As the sector's pioneering bank, Kuveyt Türk maintained its consistent growth and continued introducing customers to new products and services in 2019.

Turkey's economy started to give signals of recovery as of the end of Q2 2019, in the aftermath of the exchange rate and interest volatility in 2018.

The Central Bank is expected to assess inflation, financial stability and economic growth together in 2020, keeping interest rates as low as possible with stricter liquidity facilities. Very low-interest rates and monetary easing policies around the world allow for the Central Bank to cut rates.

Esteemed Shareholders,

The year 2019 marked numerous political developments in financial markets, central banks' changing monetary policies, and rising geopolitical risks, especially for developing countries. While trade wars between the US and China remained the core reason behind weak global growth, monetary easing policies adopted by central banks – the Federal Reserve (Fed) and European Central Bank (ECB) in particular – mitigated, though only partially, the impact of tensions on growth. Relations between the US and China appeared to soften, and fears of a gridlocked Brexit diminished at the end of 2019; both are considered positive developments for the global economy.

In its Interim Economic Outlook Report in November, the Organization for Economic Co-operation and Development (OECD) described the global economic outlook as fragile and drew attention to mounting signals for a deepening crisis, while maintaining its 2019 growth projections at 2.9%, as announced in the interim September report and lowering 2020 growth projections from 3% to 2.9%.

In the World Economic Outlook Update for January 2020, the International Monetary Fund (IMF) reassessed the 2019 and 2020 growth projections announced in the October 2019 report, lowering them to 2.9% for 2019 and 3.3% for 2020. The downward revision was primarily the result of negative developments in economic activity in a few emerging market economies, notably India.

After the rate cut of 25 basis points in September, the Fed did not change rates in its meeting held in December, maintaining them at 1.75% to 2%. According to the IMF, the current interest rates are in a shape to support economic growth, and low unemployment is expected to continue until the next US presidential elections. The IMF stated in the report that global developments and inflation will be monitored. The US economy grew by 3.1%, 2% and 2.1% in the first, second and third quarters of 2019, consecutively, whereas unemployment delivered the best performance over the last 50 years, with 3.5% in December.

Economic activity in the Eurozone is weak and inflation remains under the desired levels. In its December meeting, the European Central Bank lowered interest rates by 10 basis points in September, leaving policy rates at 0%, deposit rates at -0.50% and marginal funding rates at -0.25%. The ECB also announced the re-introduction of the monetary easing program in September. The region is expected to be under the grip of developments revolving around Brexit, country-specific political risks and uncertainties in global trade. Export-driven countries, including Germany, Netherlands and Switzerland, are anticipated to feel the impacts more heavily.

Turkey's economy started to give signals of recovery as of the end of Q2 2019, in the aftermath of volatility in exchange rates and interest in 2018. On an annual basis, it shrank by 2.3% and 1.6% in Q1 and Q2 respectively, while delivering a growth performance of 0.95% in Q3 and 0,90% in Q4. As for growth, there was a transition from the balancing period to the transformation period. Accordingly, a 0.5% growth is expected to conclude the year, in line with the goals of the New Economic Plan. Driven by rising private-sector consumption and investments, in 2020, the economy's growth will reach 4% or 5%, according to projections. Keeping up with the improving outlook in inflation, the Central Bank of Turkey lowered the policy rate to 12% with a cut of 1,200 basis points in the second half of the year. The Central Bank is expected to assess inflation, financial stability and economic growth together in 2020, keeping interest rates as low as possible with stricter liquidity facilities. Very low-interest rates and monetary easing policies around the world allow for the Central Bank to cut rates. As of the end of 2019, consumer inflation equaled 11.84% and therefore failed to reach expectations. As per the New Economic Plan, the inflation goals for 2020, 2021 and 2022 are 8.5%, 6% and 4.9%, respectively.

The robust capital structure of the banking sector, which is among the most important sectors in Turkey's economy, mitigates vulnerabilities against economic fluctuations. The ratio of non-performing loans in the sector stood at 4.98% as of the end of November, whereas the capital adequacy ratio is high at 18.63%. In the first 11 months of 2019, the assets of the sector grew by 12.6% YoY and fund extensions rose by 10.8%. A momentum is observed in funds extended as a result of lower interest rates and public financial incentive packages offered. In the same period, participation banks maintained their growth and thus strengthened their position in the sector, increasing total assets by 29.3% and extended funds by 20.8%. With demand for trade finance picking up in 2020, the volume of finance facilities is expected to surge in the banking sector. Uncertainties in global trade and geopolitical developments will remain on the agenda for global markets also in the coming period.

The pioneering bank of the sector, Kuveyt Türk maintained its consistent growth and continued introducing customers to new products and services in 2019. Acting in parallel with economic developments and customer needs and expectations, Kuveyt Türk expands its network of physical branches and coverage in Turkey and continues to diversify products and services offered on digital platforms. As a result of new and innovative products rolled out to the sector and its customers, Kuveyt Türk was recognized for its success with many awards.

In 2020, Kuveyt Türk will continue digitalizing banking transactions to the furthest extent possible to provide the best customer experience. The Bank will pursue digital transformation for all its processes and procedures and invest in its infrastructure to address the requirements of the future in an era marked by fierce competition.

Highly competent, well-trained, young and dynamic employees were the driving force of our success in 2019 as well as in previous years. I would like to extend my gratitude to you, our esteemed colleagues, for your contributions to our achievements, and to our shareholders for your unfaltering support.

With regards,

HAMAD ABDULMOHSEN AL MARZOUQ
Chairman of the Board of Directors

MESSAGE FROM THE CEO

A pioneer of innovative products and services in participation finance, Kuveyt Türk continued to support the real economy in 2019 through project finance, export finance and online supplier finance facilities.

The leader of participation finance in Turkey, Kuveyt Türk achieved successful financial and operational results in 2019 coming forward as one of the key and most reliable actors of the Turkish banking sector.

1.11

(TL BILLION)

Kuveyt Türk increased its annual net profit for the period to TL 1.11 million.

Esteemed Shareholders,

Celebrating its 30th anniversary in 2019, Kuveyt Türk launched initiatives at full speed, continuing to add value to shareholders' savings through its robust capital structure and dynamic corporate governance approach. Propelled by the strong shareholding structure of our principal shareholders, Kuwait Finance House (KFH) and General Directorate of Foundations, our Bank reached milestones for participation finance and injected momentum into the Turkish banking sector's digital transformation process through exemplary practices.

Consistent Financial and Operational Results...

The leader of participation finance in Turkey, Kuveyt Türk achieved successful financial and operational results in 2019 and came to the fore as a key and one of the most reliable actors of the Turkish banking sector. Within this scope, I would like to proudly share with our stakeholders that we rank among the top Turkish banks in current accounts. As of the end of 2019, Kuveyt Türk attained over 58% growth in funds collected, 41% growth in asset size, and nearly 28% growth in annual net profit for the period, with a strong focus on productivity. The Bank increased its total assets to TL 104.43 billion and net profit to TL 1.11 billion. Our Bank's extended funds reached TL 57.9 billion and collected funds TL 85.49 billion, while our NPL ratio remained very much below the sector average with 3.53%. Serving with approximately 6 thousand employees at 430 branches across 72 provinces in Turkey, Kuveyt Türk has achieved a regional coverage rate of 89%. Furthermore, the number of customers on Senin Bankan, the world's first interest-free and branch-free banking platform, rose to 190 thousand, representing approximately 20% of Kuveyt Türk's retail customer acquisition.

We Power the Solar Energy Sector...

Managing a portfolio worth USD 1 billion, our Project and Structured Finance team continued to provide finance for renewable energy investments – solar energy in particular – and comprehensive infrastructure projects in the 2019 accounting period. Our Bank has up to now provided funds worth USD 423 million for solar plants in Turkey and allocated USD 340 million in the 2018-2019 period to finance infrastructure projects for bridges and motorways, which will play a key role in Turkey's sustainable development. Boasting a strong capital adequacy ratio and a robust shareholding structure, our Bank was among the co-founders of the Çanakkale Bridge project, the Niğde-Ankara Motorway project, and the North Marmara Highway Project, providing the first interest-free finance and thus demonstrating its confidence in Turkey's economy.

We Finance Turkish Exports...

At Kuveyt Türk, our top priority is to contribute to Turkey's sustainable growth through our expertise and financial strength. Pursuing this core objective, we stand by exporters who face certain challenges in the face of a fragile global economy.

Within this scope, I would like to share with our stakeholders that we have mobilized our funds in different currencies to support exporters in the 2019 accounting period. We are determined to continue to stand by our exporters operating across the globe to create value for Turkey in the upcoming period.

We Improve Customer Experience with Innovative Products and Services...

Online Supplier Finance, which is a novel product in participation finance, enables suppliers to collect payments before they are due and buyers to benefit from flexible payment options. This is how Kuveyt Türk arranges both parties' cash flows and helps them maintain operations without facing hardship.

Kuveyt Türk has become the first participation bank with integration into Eximbank's Short-Term Receivables Insurance. Eximbank insures receivables against commercial and political risks to facilitate the collection of due amounts arising from exporters' overseas sales. Banks accept this insurance policy as collateral to finance exporters. The aim is to facilitate access to finance for exporters who work with the 'cash against goods' model.

Kuveyt Türk's mobile app Trade Plus allowed all retail and corporate customers to follow up investment products that include investment funds, share certificates, FX, and gold and silver, to perform transactions at

MESSAGE FROM THE CEO

Celebrating its 30th year in 2019, Kuveyt Türk leads the growth of the participation finance model in Europe as well, with Europe's first participation bank, KT Bank AG, in Germany.

Kuveyt Türk partnered with ComPay, a leading fintech company offering payment solutions, and launched the QR Code Payment service.

120

(TL MILLION)

Architecht is planned to export software worth TL 120 million to over 20 countries by 2022.

instantaneous prices, and to place trading orders for 24 hours every day on weekdays in line with international interest-free finance principles.

The Pioneer of Sukuk and Gold Banking in Turkey...

As the financial institution leading innovations and firsts in participation finance, Kuveyt Türk continued to add further strength to Turkey's economy with outstanding competencies in Sukuk and gold banking. Having issued the first sukuk (lease certificate) in Turkey in 2010, Kuveyt Türk issued 30 lease certificates worth TL 5.891 billion in the fiscal year 2019. Kuveyt Türk also made significant contributions to the gold reserves of the Central Bank of Turkey through innovative gold banking products and services. In addition, Kuveyt Türk made advancements in gold banking abroad and marked a significant achievement by becoming the first Turkish financial institution to be listed on the Shanghai Gold Exchange.

We Produce and Export Technology...

The only Turkish bank boasting two R&D centers, Kuveyt Türk took steps towards digitalization focused on big data to address customer needs and expectations in 2019. Architecht Bilişim, a technology company established to market products and services developed at the Bank's R&D centers in Turkey and around the world, was ranked among the top 500 IT companies of Turkey in a short span of time. Working at full speed, Architecht Bilişim was named the "Fastest Growing IT Company of the Year" at the Bilişim 500 Award Ceremony, organized by BThaber for the 20th time in 2019. Now a destination for new banking technologies, Architecht intends to export software worth TL 120 million to over 20 countries by 2022.

Cooperation with Fintechs...

A fully owned Kuveyt Türk Subsidiary, KT Portföy Yönetimi A.Ş., introduced the Techno-Venture Capital Investment Fund (Techno-Venture CIF), which made its first investment in Akaunting, developed by graduates of the Lonca Entrepreneurship Center for SMEs.

Kuveyt Türk partnered with ComPay, a leading fintech company offering payment solutions, and launched the QR Code Payment service. This app allows payments with a QR code for purchases on e-commerce websites, enabling users to shop via their bank account without the need for a credit card.

Europe's First Participation Bank: KT Bank AG...

Established by Kuveyt Türk in Germany as the first participation bank in Europe, KT Bank AG launched Bizim Toprak, accounts that encourage Turkish citizens residing or registered abroad to utilize their savings in Turkey, in addition to providing free-of-charge money transfers from Europe to Turkey. Turkish ex-pats who would like to grow and utilize their savings in their own country are now able to open a Bizim Toprak account at Kuveyt Türk and transfer – free of charge – up to EUR 5,000 to their account at KT

Bank AG. Pioneering the growth of the participation financing model in Europe, KT Bank AG received three awards at the Islamic Retail Banking Awards (IRBA) held by Cambridge IFA for the fifth time in 2019, including the "Best Developing Islamic Bank in Europe," "Most Innovative Islamic Bank in Europe" and the "IRBA Perfection Award."

All Time "Best Employer" of Turkey...

A standout among employers in the banking sector and featuring a service network spanning the country, Kuveyt Türk was deemed worthy of two awards at Turkey's Best Workplaces 2019 Awards, organized by the Great Place to Work Research Institute. Kuveyt Türk was again named "Turkey's Best Workplace" in the '2,000+ Employees' category and won the "Best Employer in Finance" award, following the trend of last year. Kuveyt Türk will continue to provide human resources – who are the guarantors of sustainable development – with continuous development opportunities and position them as the main drivers of our digital transformation process.

"We Are Opening to the World Through Our Values..."

At Kuveyt Türk, we integrate innovative practices successfully into our business processes without compromising on our values. We describe our sustainability approach as a gateway that accelerates our steps in this direction. I would like to express my pleasure and pride that Kuveyt Türk has published its first Sustainability Report recognized by the Global Reporting Initiative (GRI), covering our sustainability efforts which are reflected in each and every level of our organizational layout. At Kuveyt Türk, we believe that our 2018 Sustainability Report, themed "We Are Opening to the World Through Our Values," will serve as an important reference point for our stakeholders.

Digital Transformation Will Determine the Direction of Our Future Activities...

Propelled by its robust shareholding structure and sources of finance, Kuveyt Türk will remain the driving force of Turkish participation banking in the upcoming period as well. Our Bank, tapping into the know-how and experience of Kuwait Finance House (KFH), will effectively and speedily adopt the digital transformation process and boost its financial profitability and operational efficiency. Kuveyt Türk's Digital Ecosystem is built on an innovative corporate culture that encourages collaboration with fintechs and bringing internally conceived ideas to life. We believe that this ecosystem will provide significant momentum to Turkey's digitalization process in the coming period. Accordingly, we support employees' continuous development through training programs designed to raise data analysts and scientists and improve digital skills.

I would like to extend my thanks to Kuwait Finance House and General Directorate of Foundations for their unfaltering support in all the initiatives our Bank has taken in the fiscal year. I would also like to extend my thanks to our employees and stakeholders for their contributions to our achievements and the confidence we have in the future in the accounting period of 2019, which coincided with our 30th anniversary.

In 2020, we will continue to open to the world without compromising on our values, while preserving our asset quality, focusing on sustainable growth and taking swift steps towards digital transformation.

With regards,

Ufuk UYAN
Member of the Board of Directors and Chief Executive Officer

RETAIL BANKING

The Private Banking Group Directorate, Retail Marketing Department and Digital Marketing Department operate under Retail Banking.

Offering tailor-made solutions, Kuveyt Türk's Private Banking Group Directorate was actively involved in the marketing of 30 sukuk issuances for qualified investors in 2019.

14.4

(TL BILLION)

The Private Banking Directorate increased its total assets to TL 14.4 billion in 2019, corresponding to a growth of 51%.

As of the year-end, a total of 42 branches served as retail branches, indicative of the expanded outreach of Kuveyt Türk in retail banking. No operations employee is assigned at the Retail Branch other than four employees, an XTM device and ATM device. Thanks to the XTM device at branches, customers are able to reach the Head Office and perform banking transactions swiftly. Kuveyt Türk's Retail Banking branches provide services in Turkish, English, Arabic and sign language. Retail branches collected TL 1.5 billion and extended TL 290 million in funds as of the end of 2019. Approximately 60% of customers at retail branches prefer digital channels. XTM devices are installed at branches with a high number of foreign customers because the Bank's XTM devices are capable of performing all banking transactions and serving in all eligible languages. Within this scope, XTM devices were installed in 24 branches in addition to retail branches in the 2019 accounting period. The Bank serves at a total of 70 locations featuring XTM devices, including four XTM and ATM-only locations.

The Private Banking Group Directorate, Retail Marketing Department and Digital Marketing Department operate under Retail Banking.

PRIVATE BANKING GROUP DIRECTORATE

Kuveyt Türk Private Banking Group Directorate aims to meet the investment and financial needs of domestic and foreign clients in the high net worth segment. It offers exclusive and prioritized service standards with the best pricing and widest product range. The Bank extends these exclusive and prioritized services to domestic and foreign retail clients as well as portfolio management firms, pension funds, non-governmental organizations and foreign investment companies that meet specific criteria under the Bank's policies.

As the first participation bank to position high net worth individuals in the Private Banking segment, Kuveyt Türk serves customers from 83 countries on six continents via the Private Banking and Wealth Management Group Directorate. Targeting a higher customer segment through a change in Private Banking criteria, the Directorate attained a total asset size of TL 14.4 billion in the 2019 accounting period, equaling a 51% increase.

Having started to extend its services to non-bank financial institutions – including insurance companies, portfolio management firms, pension funds, and investment funds – in 2017, Kuveyt Türk Private Banking Group Directorate further broadened its client base in 2019 by offering an even wider array of products and services. Providing tailor-made solutions for Private Banking customers – including qualified sukuk issues, limited edition sukuk issues,

Kuveyt Türk's Private Banking Group Directorate aims to serve as the destination for wealthy individuals based in the Gulf Region with the willingness to invest in Turkey.

1.5

(TL BILLION)

A total of TL 1.5 billion funds were collected at retail branches as of the end of 2019.

The Private Banking and Wealth Management Directorate caters to customers' financial needs via a dedicated Istanbul Private Banking Branch where they can access fast track services, as well as 14 exclusive Private Banking Corners.

investment funds, and personalized investment funds – the Private Banking Group Directorate conducted active marketing efforts for 30 sukuk issues aimed at qualified investors in 2019.

In addition to the already available TL sukuk fund, USD sukuk fund and mixed equity funds featuring shares, a Kuveyt Türk subsidiary, KT Portföy, actively marketed the participation fund for Private Banking clients featuring short term sukuks offering daily returns. The Private Banking Group Directorate aims for Kuveyt Türk to be the bank of choice for high net worth individuals from the Gulf region who would like to invest in Turkey. To this end, the Group enters into agreements with top tier construction projects and participates in both domestic and overseas real estate trade fairs. Furthermore, funding facilities are made available for Gulf region investors who would like to seize opportunities in the real estate sector.

Launched at the end of 2015, the Private Banking Credit Card offers cardholders a range of privileges and benefits. These include free fast-track services at selected domestic airports, free access to lounges at over 1,100 airports in Turkey and abroad, car park and valet services at Sabiha Gökçen Airport, complimentary car wash and dry cleaning services, discount airport transfer services, discount checkup services, free of charge overseas travel insurance, discounts at overseas restaurants and accommodation expenditures, free Gastro Club services, and fee-free ATMs.

The Private Banking and Wealth Management Directorate caters to customers' financial needs via a dedicated Istanbul Private Banking Branch where they can access fast track services, as well as 14 exclusive Private Banking Corners. For customers who want to receive services overseas or who seek to invest in interest-free products, the Bank provides service points in Bahrain, Kuwait, and Germany.

In response to the demand from Gulf Region clients, the Directorate continued to deliver exclusive advisory services on issues such as law, taxes, zakat, inheritance, real estate, arts, and education overseas as well as tailor-made services for portfolio management, investment consultancy and legal advice regarding the acquisition of Turkish citizenship.

Due to the impact of new legal requirements concerning how Turkish citizenship is acquired, the Directorate intensified consultancy services in 2019. Kuveyt Türk's Private Banking website at www. kuveytturkozel.com. tr is available in Turkish, English and Arabic, ensuring that local customers can open accounts instantly. For foreign customers who would like to open accounts, there is a dedicated call center for Kuveyt Türk Private Banking customers. The call center operates 24/7 with callback options in Turkish, English and Arabic to help clients set up their accounts. The arts and culture section of the Group's website features weekly articles from well-known artists in their respective areas.

Alongside innovative products and services that capture the limelight, Kuveyt Türk was deemed worthy of the "Best Wealth Management" award at the ninth edition of Global Islamic Finance Awards (GIFA) in 2019.

RETAIL BANKING

As the first bank to introduce participation banking products and services to the retail segment, Kuveyt Türk acquired 575 thousand new customers and expanded its total retail customer base by 13.7% to 4.5 million in 2019 in 2019.

The Private Banking Group Directorate plans to expand its customer base and portfolio size and increase the number of private banking branches and service points under the brand "Kuveyt Türk Private Banking" in 2020.

17

(TL BILLION)

Kuveyt Türk acquired new funds worth TL 17 billion for retail banking activities in 2019.

In the ceremony held in Cape Town, South Africa, Kuveyt Türk was presented the "Best Wealth Management" award for tapping into technology solutions in providing quality and fast services to customers through domestic and overseas branches and correspondent banks. Generating a high added value for Kuveyt Türk, the Private Banking Group Directorate plans to expand its customer base and the average portfolio size served under the Kuveyt Türk Private Banking brand. Additional private banking branches and service corners are also planned for 2020.

RETAIL MARKETING DIRECTORATE

As the first bank to introduce participation banking products and services to the retail segment, Kuveyt Türk acquired 575 thousand new customers and expanded its total retail customer base by 13.7% to 4.5 million in 2019.

The Bank raised TL 17 billion in new funds through retail banking activities, reaching growth in the total fund volume by 66% year-on-year. Having inaugurated 16 new branches and expanded its branch network to 431 locations in 2019, Kuveyt Türk also delivers products and services via ATMs at prominent commercial and industrial hubs, the Internet Branch and Telephone Banking designed with state-of-the-art technology and well-experienced retail sales team.

Accounts

Kuveyt Türk recorded a 77% year-on-year increase in the total balance of its retail sector deposits. The Bank's total rate of the retail sector deposits accounted for 40% while attaining a 54% YoY growth in the balance of precious metal accounts. The overall volume of gold collected through all gold accounts of the Bank totaled 26 tons. The ongoing gold coin collection campaign “Golden Days” helped integrate about 2.5 tons of gold into Turkey’s economy in 2019. To encourage injecting “under-the-mattress” gold into the country’s economy, the Bank continued promotional campaigns and released a new commercial themed "My Gold within Easy Reach at Kuveyt Türk" in 2019. Kuveyt Türk enables the Gram and Quarter Gold Coin account

In 2019, insurance premiums generated by Neova Insurance via Kuveyt Türk reached approximately TL 200 million.

26

TONS

The overall volume of the funds collected through the gold accounts opened up to date has climbed to 26 tons.

A significant step was taken in 2019 to further expand the base of Kuveyt Türk's salary customers, as per the deals signed with public institutions for public sector employees.

holders to trade physical and virtual gold, give gold trading instructions and make regular gold savings on credit or debit cards. Furthermore, customers can withdraw physical gold coins from all Kuveyt Türk branches and ATMs or purchase gold on the Internet Branch and Mobile Branch.

Kuveyt Türk offers the following account products:

- An important step was taken in 2019 to broaden the base of Kuveyt Türk's salary account holders as part of the agreements with related institutions for public sector employees. The plan is to expand the portfolio by providing various benefits to salary account holders in 2020.
- Exclusive benefits and cash gifts were offered to Kuveyt Türk pension accounts to guarantee customer satisfaction under retirement banking services. The number of retirement salary account holders grew by 16% year-on-year.

Insurance and Pension

Since February 2011, Kuveyt Türk has offered its customers Private Pension System (PPS) plans, which include interest-free instruments such as sukuk, equities, participation accounts, gold and silver funds. In 2019, the Bank sold another 65 thousand PPS plans, bringing the total to 220 thousand. The PPS fund portfolio size climbed to TL 2.3 billion and commission revenues amounted to TL 4.5 million.

Diligently observing the principles of tekâfül (interest-free insurance) in all its operations and contracts, Kuveyt Türk continued its collaboration with Neova Sigorta, Turkey's only insurance company to provide services under these terms in 2019. The Bank has collaborated with Neova Sigorta since 2010.

Kuveyt Türk is focused on meeting all the funding needs and expectations of its customer base in line with interest-free banking principles. To this end, the Bank collaborates with Neova Sigorta and Katılım Emeklilik to

meet its customers' insurance needs with generous collateral structures and alternative product packages. In 2019, insurance premiums generated by Neova Insurance via Kuveyt Türk reached approximately TL 200 million. Kuveyt Türk continued to take steps aimed at addressing the requirements of our era, in which digital transformation prevails all aspects of life. Therefore, the Bank started to provide PPS, Personal Accident and Health Insurance, motor insurance, traffic insurance, housing insurance and TCIP on the internet and mobile branches in 2019.

With its innovative vision in interest-free insurance, advanced technology investments, and customer-oriented service approach, Kuveyt Türk continuously expands the range of products and services offered through Katılım Emeklilik. Full Support Health Insurance and Travel Health Insurance were introduced to cover the expenses of health services received from private hospitals up to eight times per year irrespective of the amount. The insurance premiums generated by Katılım Emeklilik through Kuveyt Türk reached TL 45 million in 2019.

Credit and Debit Cards

The number of Kuveyt Türk credit cards grew by 30% year-on-year and reached 725 thousand, equaling 47% hike in turnover in 2019.

RETAIL BANKING

A standout with innovative products and services, Kuveyt Türk was deemed worthy of the "Best Wealth Management" award at the ninth edition of Global Islamic Finance Awards in 2019.

The insurance premiums generated by Katılım Emeklilik through Kuveyt Türk reached TL 45 million in 2019.

725

THOUSAND

The number of Kuveyt Türk credit cards grew by 30% year-on-year, equaling 725 thousand in 2019.

Enabling customers' access to their current account at ATMs and while shopping and earn Gold Points for their purchases, Sağlam Debit Card reached 2,620 thousand in 2019.

Thanks to the rapid expansion in the credit cards and debit cards, Kuveyt Türk cemented its position among the top 10 banks with direct access to Interbank Card Center (BKM) committees in 2019. Receiving customer praise for Sağlam Kart, which splits healthcare and education expenses into five interest-free installments even in the absence of vendor agreement, the Bank continues to develop innovative payment systems.

Financing

Retail Banking accounts for 14% of total loans, with a loan portfolio amounting to TL 6.8 billion. With vehicle finance liabilities reaching TL 898 million, Kuveyt Türk grew 77% year-on-year and attained a market size of 15%. The Bank offers customers a wide range of personal finance solutions that meet all their needs – from education to vacations or Hajj/Umrah travel to wedding expenses. Kuveyt Türk also began to offer customers three interest-free installments on Umrah travels organized by the Directorate of Religious Affairs between November 2018 and 2019.

DIGITAL MARKETING DEPARTMENT

Established under Retail Banking in 2015, the Digital Marketing Department aims primarily to cut operational costs of branches and implement new trends in marketing methods. Instead of a conventional branch-based banking approach, the Department operates on a low-cost, technology-based, efficient and customer-oriented marketing approach. Digital Marketing also develops new marketing alternatives by using digital tools.

The Digital Marketing includes dedicated teams for Senin Bankan, the first interest-free digital banking product in Turkey and the world; XTM, the world's first automated teller machine project that combines video chat with self-service transactions; in addition to various initiatives to boost mobile and internet branch marketing efforts.

The First and Only Digital Banking Platform in Turkey: Senin Bankan

Since early 2015, Senin Bankan has operated as Turkey's first and only digital participation banking platform, intended to serve as the "simple and lean digital bank" of every "digital" individual, without any demographic restrictions. In 2019, the Bank maintained its growth built on the concept of Next-Gen Digital Bank. Reaching 190,000 customers with a 90% hike as of the end of 2019, Senin Bank represents approximately 20% of retail customer acquisition of the Bank.

Attaining 90% growth with 190,000 customers as of the end of 2019, Senin Bankan represents approximately 20% of Kuveyt Türk's retail customer acquisition.

Customers can access banking services in their preferred language through remote-access established via the XTM device to the Call Center staff, selecting from English, Arabic and sign language options.

Project Aimed at Cutting Branch Overhead Expenses: XTM

Launched in 2013 with the inauguration of the first XTM point, the Bank's XTM project aims to reduce branch overhead expenses while expanding participation banking services into every area of life and continuing to take steps in this direction also in 2019. Customers can access banking services in their preferred language through remote-access established via the XTM device to the Call Center staff, selecting from English, Arabic and sign language options. In 2019, the XTM project was further developed by increasing available transaction sets and establishing additional branches, most of which are in Istanbul.

Kuveyt Türk Always Stands by Customers through Mobile and Internet Branches...

Having launched its iOS and Android Mobile Branch apps developed with in-house resources in 2015, Kuveyt Türk undertook further efforts in 2019 to boost the use of the Mobile Branch. In 2019, the active user base of the Mobile Branch expanded nearly 56%, equaling 1 million 250 thousand people. Meanwhile, the active customer base on the Bank's digital banking platform rose 42% to 1 million 350 thousand. With the increase in Mobile Branch and Internet Branch use in 2019, around 70% of the Bank's active customers now use the digital channels.

Easy-to-use Kuveyt Türk Website

With the launch of the new Internet Branch website in 2017, all users can now enjoy a more customized user experience. New features introduced on the web site helped streamline user access to Gold Days, made it easier to find branch and ATM locations, and provided further navigation options for card applications and opening accounts. The new structure provides customers with more effective services, including swift access for

loan and profit share calculations from the home page. A MoneyGram form was also embedded into the website to facilitate transactions at branches. A new appointment structure was established for Gold Days in 2019, with process improvements in terms of customer experience. As a result of the efforts in 2018, user authorization stages to allow website notifications were reduced to a single step, enabling delivery of free notifications to both Kuveyt Türk customers and all users who allow Kuveyt Türk to reach them via the Internet. Thanks to this revamped structure, 180 thousand persons received notifications at no extra cost in 2018, which increased by 50% to 270 thousand in 2019. During the year, logins on the Internet branch reached 2.6 million, equaling an increase of 5.5%, and average monthly individual users visiting the website upped 9.23% over the prior year.

SME BANKING

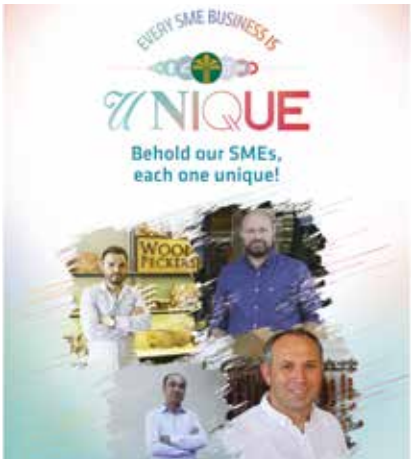
Kuveyt Türk SME Banking's total loan volume rose to TL 18.1 billion, accounting for 31% of total loans.

Of the funds Kuveyt Türk SME Banking Group extended in 2019, business finance accounted for approximately 68.1%, real estate finance 5.7%, vehicle finance 13.1%, leasing finance 2.7%, and mortgage finance 4.9%.

19.5

(TL BILLION)

Kuveyt Türk SME Banking increased its deposits in 2019 to TL 19.5 billion, boosting its total fund volume by 59% year-on-year.



Kuveyt Türk implemented an ambitious strategy based on innovative processes and economic sustainability, along with digitalization in its SME Banking business line in 2019. To ensure a seamless customer journey, the customer processes were revised and the customer segmentation was enhanced to better reflect the size, volume, financial structure, and the latest industry conditions. Thanks to this structure, the segmentation ensured the delivery of tailored services. Efficiency was increased through further digital enhancements in pricing and customer management. The Bank aims to continue projects concerning digitalization and sales strategies in 2020, developing systems to respond to customer needs pro-actively.

TL 19.5 Billion in Deposits...

Kuveyt Türk SME Banking increased its deposits in 2019 to TL 19.5 billion, boosting its total fund volume by 59% year-on-year. TL 11 billion of the total deposits is held in current accounts and TL 8.5 billion in participation accounts. SME Banking Group concluded the year with a 1.95% share of cash loans across the whole industry, while its share within the participation banking segment was 33.9%. The total loan volume of SME Banking rose to TL 18.1 billion, accounting for 31% of total loans. Of the total loan volume, TL 15 billion is cash loans while TL 3.1 billion is non-cash loans.

95 Thousand New and "Happy" Customers

Of the funds Kuveyt Türk SME Banking Group extended in 2019, business finance accounted for approximately 68.1%, real estate finance 5.7%, vehicle finance 13.1%, leasing finance 2.7%, and mortgage finance 4.9%. Having opened another 95 thousand new accounts for SME customers in 2019, the Bank now serves 350 thousand customers under the portfolio.

Online Finance System

Online Finance System was launched to help customers access funding more swiftly and on more favorable terms without having to go to a branch. Developed to facilitate customers' finance transactions, the Online Finance System is accommodating for certain customer requirements, providing up to two months of payment-free period and a flexible repayment plan. The System allowed 2,795 clients to access a total of TL 1 billion in funds with 20,402 projects, saving time and money.

Since customers managed their transactions swiftly via Mobile Branch and Internet Branch, branches and portfolio representatives enjoyed operational efficiency.

The Online Letter of Guarantee System allows customers to apply for and receive letters of guarantee via the Internet Branch, avoiding extra workload on the branches. In 2019, 30,078 letters of guarantee were issued online, extending TL 2.3 billion in non-cash loans.

528,2

(TL MILLION)

Kuveyt Türk SME Banking achieved a turnover of TL 528.2 million in 2019 with Sağlam KOBİ Kart (Sağlam SME Card).

With the Sağlam KOBİ Kart (Sağlam SME Card), Kuveyt Türk allocates funds with up to 18 installments on existing credit limits, becoming the only participation bank to integrate a business finance loan with a card product.

Online Letter Issuance System

Brought online in the last quarter of 2017 by Kuveyt Türk SME Banking, the system allows customers to apply for and receive letters of guarantee via the Internet Branch, avoiding extra workload on the branches. In 2019, 30,078 letters of guarantee were issued online, extending TL 2.3 billion in non-cash loans.

Bundle Management

Through the Bundle Management project, developed over 2017 and implemented in October 2017, customers were offered customized banking service products in bundles also in 2019. Aimed at customers who frequently use various banking channels, compact products matching their requirements are drawn together for cash sales. Since October 2017, 20,655 of such bundles have been sold, corresponding to a sales volume of TL 30 million. Projects geared towards enabling customers to monitor their bundles and purchase new bundles on the Mobile Branch continued successfully.

Leasing with Profit Share

Launched in Q4 2016, the Leasing with Profit Share product makes Kuveyt Türk the first and only bank to offer the service among participation banks. In the leasing with a profit share offering, all or some of the financing cost is charged from the seller; the customer who takes out the loan can enjoy installment payments via an invoice that excludes the profit share and commission fee. Almost 140 deals were struck with vendors, contributing more than TL 27 million to the leasing volume.

Supply Chain Finance

Through the Supply Chain Finance facility of Kuveyt Türk SME Banking, suppliers meet their cash requirements arising from their receivables by their preferred terms, avoiding liquidity issues. Meanwhile, corporate and large scale companies receiving goods from the suppliers gain flexibility in their cash flows and are able to provide uninterrupted supply with effective procurement strategies.

The first Islamic Supplier Finance product of Kuveyt Türk SME Banking went live as of November 2017, and 2019 saw 3 buyers and 39 vendors conduct 271 transactions, reaching a total transaction volume of USD 110.8 million. Focusing on continuous development, Kuveyt Türk aims to provide outstanding solutions based on unconfirmed supplier finance, a new model under supplier finance, in 2020. With the Sağlam KOBİ Kart (Sağlam SME Card), Kuveyt Türk allocates funds with up to 18 installments on existing credit limits, becoming the only participation bank to integrate a business finance loan with a card product.

Designed without the drawbacks of business cards and easy to obtain, Sağlam KOBİ Kart allows customers to access funds 24 hours/day, including weekends. Compared to regular business cards, Sağlam Kobi Kart's key differentiating features are that no additional credit limit is needed and branches can immediately print a card using existing credit limits.

Sağlam KOBİ Kart achieved a turnover of TL 528.2 million in 2019. With a cash risk amounting to TL 165.1 million, KOBİ Kart was once again a top strategic product for SME Banking with a high potential in 2019.

Sağlam Dealer Credit Card

Kuveyt Türk's Sağlam Dealer Credit Card is a commercial credit card that gives a systematic structure to the commercial payments and collections among distributors and dealers, allowing for the purchases of goods with payment installments. Offered as an alternative product for companies

SME BANKING

Plant production support, milk and livestock support, tractor support, cropland financing, and agricultural machinery leasing are some of the Agricultural Banking products on offer.

Taking the requirements of the rapidly growing Turkish tourism sector into account, Kuveyt Türk started offering market players financing with flexible (seasonal) payment options.

41

THOUSAND

Kuveyt Türk's total farmer customers reached 41 thousand.

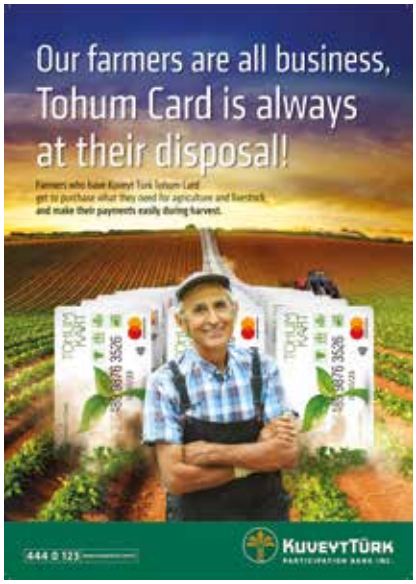
not suitable for Direct Lending (DBS), the card offers a practical payment system, freeing businesses from the complexities of the check, bond or cash payments. As a result of the efforts undertaken in 2019:

- Dealers were given the option of conducting collections even when they did not have their card with them through the mail-order method.
- During 2019, holders of the cards allocated to main dealers generated a turnover of TL 28.2 million.

Agricultural Banking

Kuveyt Türk's Agricultural Banking products extend support to farmers conducting agricultural and stockbreeding activities. Plant production support, milk and livestock support, tractor support, cropland financing, and agricultural machinery leasing are some of the Agricultural Banking products on offer. Repayment installments are scheduled according to the farmers' harvest times. The Bank also acts as a broker for TARSİM in crop insurance. Farmers were also offered the chance to perform their Electronic Product Note (ELÜS) transactions via Kuveyt Türk. Efforts continued to provide new alternative products and reach more farmers also in 2019, as well.

Throughout the year, the Bank's agricultural sector risk reached TL 750 million. Total fund allocations via the Tohum Kart (Seed Card), which allows farmers to make payments at harvest time and repay their loans without hardship, amounted to TL 50 million in 2019. The number of Agricultural Banking customers reached 41 thousand.



TOURISM BANKING

Offering a wealth of activities to local and foreign tourists in every season of the year, Turkey hosted over 40 million foreign visitors in the first ten months of 2019, equaling a 14.5% increase year-on-year. Taking the requirements of the rapidly growing Turkish tourism sector into account, Kuveyt Türk started offering market players financing with flexible (seasonal) payment options. Furthermore, Kuveyt Türk's new product "Tourism Card" provided up to 6 months as a payment-free period. Kuveyt Türk is aware of the added value tourism activities create for the real sector, and thus it is determined to maintain the support extended to tourism in the coming period, as well.

Fixed Tariff POS reached 5,065 fixed tariff POS users throughout 2019.

1.5

(TL BILLION)

Kuveyt Türk's DBS system achieved a total volume of TL 1.5 billion in 2019.

In 2019, the number of active schools on installment contracts reached 140 and the number of parents/ guardians involed in the scheme rose to 6,744.

DDS - DCS - Profit Share DDS (Direct Debiting – Direct Collection System)

DDS is a payment system where parent companies who grant franchise licenses or work with dealers and distributors can guarantee the collection of their receivables while dealers enjoy various payment solutions. Besides, the parent company can generate campaigns for dealers through profit share DDS and make collections ahead of the due date. Each company is able to issue multiple profit share campaigns. Kuveyt Türk's DBS system achieved a total volume of TL 1.5 billion in 2019.

The Bank intends to provide customers with new integration models via the web service platform scheduled to be established in 2020.

School Installments System (OTS) and University Fee Collections

Kuveyt Türk extends eligible parents or guardians a non-cash finance facility for the payment of tuition fees for private schools, universities, and training centers and offers a comprehensive service involving collections and transfers into the accounts of the education institution.

In 2019, the number of active schools on installment contracts reached 140 and the number of parents/guardians involved in the scheme rose to 6,744. Again in 2019, the total volume of the School Installments System reached TL 78.7 million. In 2020, Kuveyt Türk aims to offer new OTS solutions to Schools registered at the School Guarantee System.

Fixed Tariff POS

Fixed Tariff POS allows contracted merchants to collect on the next day, in return for a fixed monthly fee, the payments for one-off sales made with credit card up to a certain tariff limit, without paying a commission fee. The primary beneficiary of this scheme is customers from the Micro and SME segments who agree to pay a pre-determined flat monthly tariff fee. As of 2019, there are 5,065 fixed tariff POS devices in operation.

Virtual POS Upgrades

Under the Virtual POS UX upgrade, Kuveyt Türk continued to make improvements and corrections to menu interfaces, a number of installments, user data, card and address information, end-of-day order follow-up and manual POS transactions throughout 2019. As part of the Virtual POS integration contract signed with the Revenue Administration, Virtual POS installed at 1,039 tax offices generated a transaction volume of TL 51 million. Virtual POS was upgraded to offer installment options for a fee, paving the way for further potential agreements with fintech companies in particular, and boosting the number of e-commerce customers reached.

SME BANKING

The "Solid Support for Export" package was inaugurated, offering a 6-month grace period and up to 36 months' maturity. The volume of total extensions stood at USD 1.25 billion.

Kuveyt Türk continued to boost support for exporters in all segments, SMEs in particular, also in 2019.

14,355

CUSTOMERS

CebimPOS reached 14,355 active customers and TL 469 million turnover in 2019.

CebimPOS

Kuveyt Türk customers with a POS terminal can use the Virtual POS software via the Mobile Branch as of 2019. With the fast, simple and free-of-charge application that transforms every smartphone into a POS, the transaction begins as soon as the contactless card comes close to the mobile device and the card information appears on the POS screen securely blocked. Running on a 3D Secure infrastructure, CebimPOS is aimed at businesses that rely mainly on cash transactions but are not required to keep POS-terminals integrated with cash registers such as plumbers, street vendors, restaurants, gym operators, financial advisors, taxi drivers, and barbers. The Bank reached 14,355 active customers and a turnover of TL 469 million in 2019. Kuveyt Türk aims to make e-invoice, NFC feature and digital application upgrades on CebimPOS in 2020.

Foreign Trade Marketing

Enhancing its foreign trade finance products and processes, Kuveyt Türk boosted its support to export-oriented SMEs and all other exporters from every segment, every single day in 2019. The Bank keeps a firm focus on the kind of transactions that would contribute to Turkey's current and foreign trade balances. In this framework, benefits and activities aimed at exporters in 2019 facilitated customers' Eximbank loan processes, fees on foreign trade transactions were reduced significantly compared to the previous year, and improvements were made to include the export proceeds into the accounts. Furthermore, the assistance provided to foreign trade customers for transactions integral to the process such as freight insurance, foreign exchange transactions and customs tax payments was increased.

Kuveyt Türk undertook successful efforts aimed at exporters' swift and cost-effective access to finance in 2019. The "Solid Support for Finance" package was launched, offering a 6-month grace period and up to 36 months' maturity. The volume of total extensions stood at USD 1.25 billion.

The integration and cooperation efforts with our subsidiary in Germany KT Bank AG were accelerated. A customer experience survey for KT Bank AG was conducted and action is being taken based on the findings. The campaign "The Goal is Foreign Trade & The Route is Germany" was positively received by German and European exporters.

As part of the efforts toward the new Islamic finance model, Kuveyt Türk completed its registration at Factor Chain International (FCI), reaching the pinnacle of the International Supplier Finance model.

1.1

(USD BILLION)

The overall volume of export loan facilities extended surged by 33%, to USD 1,138 million.

Commissions generated through foreign trade increased by 17.5%, from TL 66.8 million to TL 78.5 million.

Marketing and Product Development Activities

To generate a new type of collateral for exporter SME customers who face challenges in generating collateral, the Exim Receivables Insurance collateralization initiative was completed. Kuveyt Türk marked the first such initiative in participation banking. Besides, in order to further support exporters, product development activities were launched concerning Rediscount Credits with Turkey's Central Bank under efforts to develop new export finance facilities in compliance with participation banking principles with the approval from the Central Advisory Board. Thanks to the efforts of esteemed counterparts at the Central Bank, a new guideline was devised for participation banks and the integration process was initiated. The Bank intends to complete this process in 2020.

As part of the efforts toward the new Islamic finance model, Kuveyt Türk completed its registration at Factor Chain International (FCI), reaching the pinnacle of the International Supplier Finance model.

Key Indicators

As a result of successful activities in 2019:

- The overall volume of export loan facilities extended surged by 33%, to USD 1,138 million;
- Branches extending export loans grew by 8%, from 266 to 287;
- Number of exporter customers soared by 13%, from 10,644 to 11,990;
- Number of importer customers soared by 3%, from 7,470 to 7,692;
- Number of branches conducting foreign trade transactions rose by 4%, from 404 to 418;
- Commissions generated through foreign trade increased by 17.5%, from TL 66.8 million to TL 78.5 million.

CORPORATE AND COMMERCIAL BANKING

Serving at 83 branches with 115 portfolios and 175 competent staff, the Commercial Banking Group concluded 2019 with 28,818 customers.

Serving at three dedicated corporate branches with seven portfolios and 14 competent staff, the Corporate Banking business concluded the year with 1,721 customers.

5.3

(TL BILLION)

Corporate Banking recorded a fund volume of TL 5.3 billion.

Through its customer-oriented portfolio management model, Kuveyt Türk maintained and strengthened its lead in the Corporate and Commercial Banking Line among participation banks in 2019. Corporate Marketing Department, Commercial Marketing Department, and Project and Structured Finance Department operate under the Corporate and Commercial Banking Group.

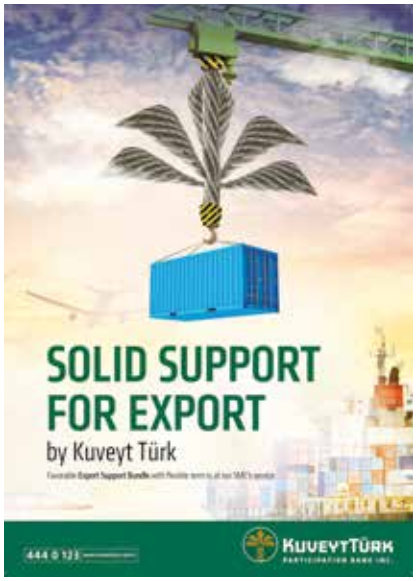
CORPORATE MARKETING DEPARTMENT

Serving at three dedicated corporate branches with seven portfolios and 14 competent staff, the Corporate Banking business concluded the year with 1,721 customers, reaching TL 1.5 billion in collected funds, and TL 5.3 billion in extended funds. 2019 figures of the Corporate Marketing business attest to the clear lead of the Bank in the industry:

- 1.721 total clients
- TL 1.5 billion collected funds
- TL 5,3 billion cash funds extended
- TL 2,9 billion non-cash credit volume
- TL 50.5 million other revenues
- TL 4.5 billion FX credit risk
- TL 21.6 million leasing

The primary goals of the Corporate Marketing Department for 2020 are as follows:

- Providing continued funding for infrastructure, superstructure, and energy projects;
- Focusing on asset quality in growth and developing strategies for the expansion of the deposit base;



- Optimizing customer experience and satisfaction with business and solution-oriented products and services;
- Intensifying with respect to customers in its portfolio by employing CRM technologies and enhancing product penetration;
- Increasing main dealer and sub-dealer agreements involving strategic products such as profit share leasing, DDS, Profit Share DDS, and supplier finance;
- Developing export-driven foreign trade strategies, expanding the sector share through innovative products that support exports;
- Expanding the market share by focusing on new customers.

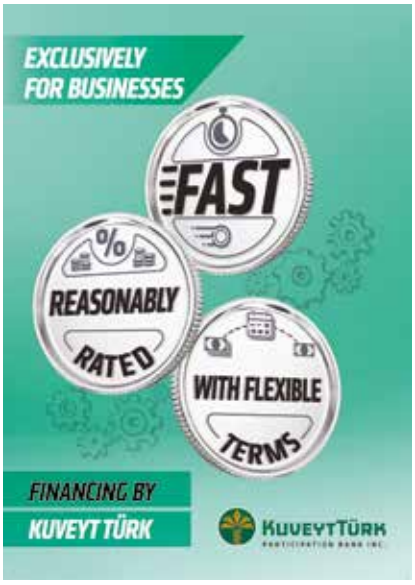
Kuveyt Türk stood out from its competitors in 2019 through products including leasing, profit share leasing, DDS, profit share DDS, and supplier finance.

28,818

PEOPLE

Kuveyt Türk Commercial Banking Group reached a total of 28,818 customers.

The Group attained TL 17.5 billion in collected funds and TL 20,22 billion in extended funds.



COMMERCIAL MARKETING DEPARTMENT

Serving at 83 branches with 115 portfolios and 175 competent staff, Kuveyt Türk Commercial Banking Group concluded 2019 with 28,818 customers, reaching TL 5.99 billion in collected funds, and TL 20.22 billion in extended funds. 2019 figures attest to the clear lead of the Bank in the industry:

- 28,818 commercial customers
- TL 5.99 billion collected funds
- TL 20.22 billion cash funds extended
- TL 5.28 billion non-cash credit volume
- TL 226.4 million other revenues
- TL 1.49 billion FX credit risk
- TL 1.58 billion leasing

Enhancing its successful performance in relationship banking through new products and digital systems, Kuveyt Türk aims to further boost its activities in the sector in 2020. Kuveyt Türk stood out from its competitors in 2019 through products including leasing, profit share leasing, DDS, profit share DDS, and supplier finance. Coming to the fore through new sub-dealership and dealership agreements with commercial segment companies, the Bank continued to acquire new customers. Regarding the strategic field of exports, Kuveyt Türk continues to extend pre-shipment export loans from Eximbank funds as well as the Bank's own funds. In 2019, campaigns were conducted to encourage FX fund extensions and the use of export loans. The agriculture sector was among the focal points for Kuveyt Türk in 2019. New products and services were launched alongside funds extended with varying terms to address companies' requirements.

In 2020, the Commercial Banking Group aims to perfect customer experience with innovative products and services and to remain yet again as an indispensable bank for customers.

The primary goals of the Commercial Marketing Department in 2020 are as follows:

- Improving loan quality, focusing on asset quality and profitability, developing strategies to increase TL denominated commercial deposits in its deposit base;
- Intensifying with respect to customers in its portfolio by employing CRM as well as efficient reporting tools and enhancing product penetration, and ensuring the acquisition of new customers;
- Increasing volumes in the strategic fields of export and agricultural banking and guaranteeing wider outreach;
- Increasing the main dealer and sub-dealer agreements involving strategic products such as profit share leasing, Profit Share DDS, and supplier finance.

TREASURY AND INTERNATIONAL BANKING

In charge of managing the Bank's liquidity and market exposures, the Treasury Department continued to pursue a risk management and profitability oriented approach in 2019.

Having finalized the admission procedures for the Shanghai Gold Exchange International (SGE International), Kuveyt Türk achieved a considerable boost in profitability through gold trading transactions in 2019.

38

(TL BILLION)

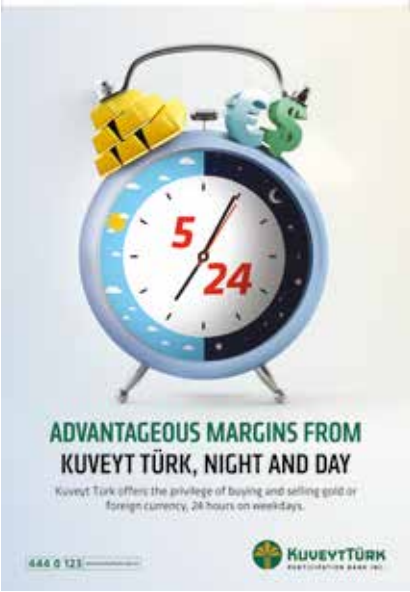
Kuveyt Türk performed transactions worth TL 38 billion on the respective sukuk market as part of liquidity management activities.

The Corporate and International Banking Group made up of Corporate Marketing, International Banking, the Treasury Group, Investment Banking, Performance and Product Management as well as Overseas Branches and Subsidiaries, strives to sharpen the Bank's domestic competitive edge, by offering customers a wider array of high-quality products and services. The Group is progressing toward regional structuring in line with Kuveyt Türk's strategic targets. In 2019, the Group contributed positively to the Bank's growth and profitability.

TREASURY GROUP DIRECTORATE

In charge of managing Kuveyt Türk's liquidity and market exposures, the Treasury Group Directorate continued to pursue a risk management and profitability oriented approach in 2019. Despite the high volatility in global markets and increasing domestic competition, Kuveyt Türk increased its profitability in foreign exchange trading. Having finalized the admission procedures for the Shanghai Gold Exchange International (SGE International), Kuveyt Türk achieved a considerable boost in profitability through gold trading transactions in 2019. Kuveyt Türk also retains its pioneering status in Turkey's foreign trade in standard gold and silver bullion. In 2019, the Bank accounted for almost one-fourth of Turkey's overall gold export and import volume.

The sale of bullion gold designed by Kuveyt Türk at international standards, which began in 2015 as an unprecedented debut for a Turkish bank, continued in both domestic and overseas markets in 2019.



FOREIGN EXCHANGE AND PRECIOUS METALS DEPARTMENT

The Foreign Exchange and Precious Metals Department is responsible for pricing treasury and financial market products including those spot trading on international foreign exchange and gold markets, and providing foreign currency and precious metals pricing services to the Bank's clients via all channels. The main strategy of the Foreign Exchange and Precious Metals Department is to increase transaction volume and profitability in financial market products. Transaction limits, transaction volumes, and profitability of the products are regularly monitored by the Department. The Precious Metals Desk under the Department conducts precious metal transactions in domestic and overseas markets, contributing to the Bank's trailblazing status and profitability.

Effective management enabled the Bank to attain an 18% hike in secondary sukuk transactions with qualified customers at branches.

18.25%

In 2019, the share of Kuveyt Türk's securities portfolio in assets increased to 18.25% up from 6.60%.

Money Markets Desk ensures access to domestic and overseas interbank markets, helping the Bank manage its liquidity effectively.

As a result of the work initiated in 2016, an electronic trading desk was established to meet the technological requirements of developing and evolving financial markets. Thus, the Bank began algorithmic trading of forex and precious metals in the spot markets, once again undertaking a pioneering role in the industry.

The Department made it possible to conduct foreign exchange and precious metal transactions on a 24/5 basis at prices close to daily margins. The facility accommodates customers seeking to perform transactions out of office hours and marks another unprecedented initiative in the industry.

ASSETS AND LIABILITIES MANAGEMENT DEPARTMENT

The main function of the Assets and Liabilities Department is to manage risks linked to liquidity and maturity mismatch on the balance sheet of the Bank arising from banking activities. Hence, transactions in money and capital markets are conducted by means of products compatible with corporate principles. The Department serves through three sub-units: Money Markets Desk, Sukuk and Syndication Desk, and Sukuk Trading Desk.

Money Markets Desk: Money Markets Desk ensures access to domestic and overseas interbank markets, helping the Bank manage its liquidity effectively. For this purpose, the Bank carries out liquidity management transactions on the interbank markets employing products compatible with Kuveyt Türk principles, while managing required liabilities and legal liquidity limits in accordance with the stipulations of regulatory and supervisory agencies. In 2019, the Money Markets Desk made an adjustable-rate transaction for the first time as part of the Islamic Cross Currency Swap, performing a hedging transaction for investment with a 5-year term. Kuveyt Türk helps business units meet their growing funding needs by obtaining low-cost perennial finance facilities thanks to its robust capital structure and access to financial institutions in the Gulf Region.

Throughout 2019, the Money Markets Desk channeled growing liquidity to short-term, high-liquidity investments in the face of the economic outlook of the country. Kuveyt Türk boasted the highest capital adequacy ratio in the industry and sustained its solid standing in the banking industry. Branch cash balances were considerably reduced through the measures implemented to utilize the cash assets held at branch vaults effectively; and alongside system improvements, field visits were made to branches to provide relevant training.

Sukuk Trading Desk: In 2019, the share of the securities portfolio in the Bank's total assets rose from 6.60% to 18.25%. In line with the market expectations and balance sheet developments in 2019, the sukuk portfolio was scaled up.

As Turkey's most active bank in both the primary and secondary sukuk markets, Kuveyt Türk increased secondary TL sukuk transactions by 66% and secondary USD sukuk transactions by 68%. The Sukuk Trading Desk intensified communications with domestic and international market players and expanded its network by introducing new correspondents to increase volumes. The provision of bidirectional pricing in BIST and OTC markets continued to boost liquidity in the sukuk market. Having played an active role in establishing the Committed Transactions Market under BIST, Kuveyt Türk conducted transactions worth TL 38 billion in the said market as part of liquidity management.

Branch customers with sukuk investments were provided with the capability of trading within working hours so that they can convert to cash and make investments at the time of their choice. Effective management enabled the Bank to attain an 18% hike in secondary sukuk transactions with qualified customers at branches.

Sukuk and Syndication Desk: Kuveyt Türk acted as an intermediary and consultant for various transactions financed from the Gulf Region to date, and emerged as

TREASURY AND INTERNATIONAL BANKING

Kuveyt Türk Treasury Marketing Department conducted activities through "Treasury Sales and Coordination" and "Treasury CRM and Marketing" and "Treasury Business Development" functions in 2019.

In July 2019, the issue of USD 200 million lease certificate (Tier 1 sukuk), eligible for inclusion in the additional principal capital, was finalized successfully.

5.89

(TL BILLION)

Kuveyt Türk issued 30 lease certificates in the amount of TL 5.89 billion.

the preferred bank for the most reputable and prominent financial institutions in the region. The Sukuk and Syndication Unit continued to steadily expand its line of business through the longstanding and robust collaborations with international financial markets, and its experience and solid know-how of various industries, business lines, transactions, and products.

In 2019, Kuveyt Türk continued its efforts for gaining maturity and price advantages through diversifying its funding sources, thereby boosting its competitive edge and enabling the provision of finance facilities at a lower cost and longer term for its clients.

The Bank conducted 30 lease certificate issues worth TL 5.89 billion as of November 2019, concluding the year with an open issue balance of TL 750 million in circulating lease certificates.

In July 2019, the issue of USD 200 million lease certificate (Tier 1 sukuk), eligible for inclusion in the additional principal capital, was finalized successfully. This issue marks the first Tier 1 securities sukuk issue performed by Kuveyt Türk.

TREASURY MARKETING DEPARTMENT

Kuveyt Türk Treasury Marketing Department conducted activities through "Treasury Sales and Coordination" and "Treasury CRM and Marketing" and "Treasury Business Development" functions in 2019. The Treasury Marketing Department closely monitors the performances of Kuveyt Türk treasury products including foreign currencies, precious metals, mutual funds, lease certificates, and equity; ensures competitive pricing for customers in different segments in coordination with the relevant marketing departments; and prepares analytical studies and campaigns with other marketing departments in order to raise awareness about treasury products and to increase sales volume and revenues.
The Department established its fundamental CRM activities on introducing customers making treasury transactions to the portfolio holders, acquiring new treasury customers, and regaining lost treasury customers.

Branch/regional sales and coordination representatives were granted access to the Treasury Value and Behavior Segmentation Dashboard Report, which is a visual summary of the Treasury Customer Value and Behavior Segmentation Report to provide them with numerical information on treasury customer transactions, an awareness of transaction behaviors, and a means to identify instant marketing actions in line with customer preferences. The said Dashboard provides different perspectives by generating thousands of combinations regarding the past three years' segmentation data.

Based on the Treasury Value and Behavior Segmentation Report, the Treasury Marketing Department along with the segment marketing departments requested effective portfolio management tools to include action on Acquiring New Treasury Customer and Regaining Lost

The Treasury Marketing Department conducts training courses for branches in coordination with regions while working to raise awareness for treasury transactions and products.

8,983

PEOPLE

A number of customers conducting investment fund transactions surged 60% year-on-year, amounting to 8,983.

The Treasury Marketing Department designated volunteering "Treasury Field Experts" in every region as part of the efforts geared towards boosting treasury revenues.

Treasury Customer. Placing emphasis on regaining lost treasury customers, the Department intensified internal communication of the aforementioned matter in the regions and branches. Analytical screen updates were made to allow stakeholders to more effectively follow up and manage lost treasury customers. The Department attended a regional performance review meeting as a pilot application to ensure more effective use of such screens by regional and branch directorates. The informative presentation was conveyed to branches located in relevant regions. This practice is slated to be rolled out in all regions for 2020. In order to encourage such actions, the Department has embedded incentives into portfolio management tools in cooperation with segment marketing departments and organized awareness communications.

The Treasury Marketing Department conducts training courses for branches in coordination with regions while working to raise awareness for treasury transactions and products. Furthermore, it runs efforts to expand the client base and increase transaction volume and revenue through visits to potential treasury customers selected on branch advice. The Department supported Kuveyt Türk to preserve its position among the leading banks of the sector, through conducting asset management activities of private treasury customers.

The Treasury Value and Behavior Segmentation Dashboard Report demonstrates that customers making treasury transactions increased by 39% from 548,769 to 763,921 as of December 2019 compared to the same period in 2018 (year-on-year). In the same period, new treasury customers grew from 87,056 to 123,182. Active treasury customers increased by 51% YoY, from 297,569 to 448,964. The Treasury Marketing Department continued to provide spot or forward pricing for treasury products including forex and precious metal transactions either through branches for customers or directly for a limited number of corporate clients.

Having launched the Treasury Automatic Pricing System (APS), which is a project based on the set of rules and exceptions specified by the segment marketing departments in line with the outputs of the Treasury Value and Behavior Segmentation, for the micro-segment in 2018, the Department rolled out the system for all customer segments as of December 2019. Through the APS, the Treasury Marketing Department managed to implement one of the contemporary marketing practices, the surge pricing model (Ditching quoting the same price to all customers and offering special, client-based, dynamic pricing based on the customer's level of involvement instead) for all customer segments.

The Treasury Marketing Department designated volunteering "Treasury Field Experts" in every region as part of the efforts geared towards boosting treasury revenues. In the light of the dynamics of the region they are assigned to, experts develop innovative solutions and revenue streams in coordination with the Treasury Department. The Treasury Marketing Department examined the treasury data analytics and conducted real-time marketing programs aimed at regaining lost retail treasury customers in the retail segment. Through these marketing activities, 4,298 lost customers were regained, creating a transaction volume of USD 51 million.

Acting in collaboration with other marketing departments, the Department succeeded in expanding the client base and increasing revenues in investment funds significantly. The number of customers conducting investment fund transactions surged 60% year-on-year, amounting to 8,983. The volume of investment fund transactions grew 312% year-on-year, equaling TL 74 billion, while revenues increased by 388% to TL 11.4 billion.

The Department carried out activities at Borsa Istanbul and Participation Banks' Association of Turkey (TKBB) to encourage participation indices

TREASURY AND INTERNATIONAL BANKING

With a view to supporting digitalization, retaining and expanding the growing tech-savvy customer base, the Treasury Marketing Department developed and launched TradePlus mobile app in June 2019, making it available for all customers.

In order to handle customer complaints effectively, the Department made call center training sessions and designed practical screens for quick identification of problems on the banking application.

Treasury Marketing Department completed the infrastructure studies for the Treasury Club Customer Loyalty Program in Q4 2019.

for equities across Turkey. Actively maintaining the management of the Trade Plus Electronic Transaction Platform available exclusively for Treasury customers, the Department developed TradePlus mobile app to support digitalization, retain and further expand its growing tech-savvy customer base and launched the app for the use of all customers in June 2019. In addition to forex and precious metal transactions, the Department included equity transactions, investment funds, advanced graphics systems, and many other customer requests on TradePlus during the year.

The Treasury Marketing Department now conducts instant marketing activities based on specific customer segments through the mobile TradePlus app. Furthermore, internal customer satisfaction was boosted by providing exchange rate information to internal customers. In order to handle customer complaints effectively, the Department made call center training sessions and designed practical screens for quick identification of problems on the banking application. Aiming to create quality outputs, the Department intensified efforts on the testing of the mobile TradePlus app and minimized customer complaints.

The Department attended the SIBOS 2019 event held in London. The Treasury Group conveyed the messages of its units to the stakeholders within the network of correspondent banks and enabled its reporting. Treasury Marketing Department completed the infrastructure studies for the Treasury Club Customer Loyalty Program in Q4 2019. and launched the program in January 2020. The Department continued to initiate and monitor IT projects to make sure the BOA Core Banking System manages Treasury products in a more risk-free and efficient manner, to provide better customer experience, and to actively support requests conveyed by other stakeholders.

In 2020, the Treasury Marketing Department will continue to make contributions to expand the Bank's overall customer base, to boost the number of customers making treasury transactions, to increase the Bank's market share among competitors in treasury transactions, and to enhance customer satisfaction through new products focusing on the needs of customers; alternative distribution channels such as the mobile treasury application, a customized, competitive and 24/5 available Automatic Pricing System, a more analytical decision-making approach based on segmentation data and an outstanding service quality in an increasingly competitive environment.

FINANCIAL INSTITUTIONS DEPARTMENT

The primary aim of the Financial Institutions Department is to establish, monitor, manage and improve the product and business relations of Kuveyt Türk with domestic and foreign banks as well as international financial institutions.

The Financial Institutions Department focuses on diversification of products and services, reciprocity, and continuity in relationships with a view to boosting the efficiency of the Bank's existing correspondent

The Financial Institutions Department focuses on diversification of products and services, reciprocity, and continuity in relationships with a view to boosting the efficiency of the Bank's existing correspondent network.

The preparation and feasibility activities of the "China Desk" project were finalized in 2018, and the Desk became operational in January 2019 to serve the entire KFH Group.

The Financial Institutions Department uses its deep-rooted and close relationships to engage in direct sales and marketing activities with correspondent banks, thereby contributing to the profitability of the branches and the Treasury Department.

network. Conducting and managing these issues with the correspondent banks is crucial for the Bank to gain a truly international profile. In addition to ensuring the efficiency of the correspondent network, the expansion of this network of relationships is another of the main tasks of the service. Efforts to this end are based on macro-level foreign trade policies, regions and countries targeted in the short and medium-term in foreign trade, and the Bank's strategies and policies.

Furthermore, the Financial Institutions Department uses its deep-rooted and close relationships to engage in direct sales and marketing activities with correspondent banks, thereby contributing to the profitability of the branches and the Treasury Department.

The Financial Institutions Department is in charge of managing the Nostro/Vostro accounts of the Bank. The accurate and efficient management of Nostro/Vostro accounts positively contributes to both profitability and customer satisfaction. The process management of all agreements signed with local and overseas financial institutions by units under the Treasury business line is also conducted by the Financial Institutions Department. The Department analyzes these agreements in terms of both participation banking principles and international legal responsibilities and diligently performs its duty to ensure that all the necessary controls are fully in place.

In order to maintain relationships with banks and financial institutions the Bank collaborates with most closely, to develop business with new correspondent banks, and to meet new correspondents selected in line with the credit and compliance policies, the Financial Institutions Department paid visits to several countries in Europe, Asia, Africa and the Gulf Region in 2019, tapping into its broad global presence. These visits not only improved the Bank's brand recognition and reputation but also strengthened the Bank's correspondent network in the regions where Turkey pursues foreign trade objectives. The correspondent network of 1,500 banks in 200 countries effectively contributed to the foreign trade transactions of the Bank and Turkey.

The Financial Institutions Department attended the SIBOS Banking Event held in London in 2019 with its main shareholder Kuwait Finance House, Architect Bilişim Sistemleri ve Pazarlama A.Ş. and its German subsidiary KT AG for the tenth time. The Department hosted the Senior Management and representatives of other financial institutions in the booth established for the Bank at the exhibition. As part of the four-day exhibition, the Bank came together with 100 banks and financial institutions and hosted over 3,000 visitors at the Kuveyt Türk booth. The synergy generated by bringing the whole industry together at SIBOS provided opportunities to develop business links further with existing and potential correspondent banks while helping the German subsidiary venture into new markets and contributing to the brand recognition of Architect.

The preparation and feasibility activities of the "China Desk" project were finalized in 2018, and the Desk became operational in January 2019 to serve the entire KFH Group. KFH China Desk became the first and only Turkish bank conducting activities on the Shanghai Gold Exchange. Providing correspondent network services at the request and developing solutions as per the requirements of customers and stakeholder departments, the China Desk made three trips to China and deepened relations with Chinese banks and financial institutions. Through branch and customer visits, the KFH China Desk team carried out effective communication on the capabilities of the Desk and made a correspondent network of 72 local banks and 62 branches of foreign banks in China available for customers.

LOANS

Kuveyt Türk Loans Group evaluated and finalized over 70 thousand loan offers for 50 thousand retail customers and over 102 thousand loan offers for 78 thousand corporate customers with its competent staff in 2019.

The Retail Revenue Modelling Project was rolled out and the pilot studies on the Analytical Loan Decision Support System Project launched in 2019, both of which contributed to the Bank's vision built on innovation.

8,411

HOURS

71 training courses covering 18 topics and 8,411 hours were conducted for 525 employees throughout 2019.

Kuveyt Türk Loans Group conducts activities with eight Loan Departments, in addition to the Project and Structured Finance Department that manages loan allocation processes through 15 regional teams. Financial Analysis and Intelligence Department also operates under the Group. Kuveyt Türk Loans Group evaluated and finalized over 70 thousand loan offers for 50 thousand retail customers and over 102 thousand loan offers for 78 thousand corporate customers with its competent staff in 2019. Attaching importance to asset quality and quick results, Kuveyt Türk Loans Group achieved relatively low NPL rates and positive customer satisfaction scores in the sector and thus concluded 2019 successfully.

In order to adapt to global digital transformation trends, macroeconomic outlook and market conditions and to keep loan exposures at the minimum level; the Loans Group reviewed loan strategies, loan policies, loan application rules and loan decision support rules periodically, and made necessary modifications as and when required. The Retail Revenue Modeling Project was launched and pilot studies for Analytical Loan Decision Support System Project were implemented in 2019, both of which contributed to the Bank's vision built on innovation and boosted the efficiency and quality of loan processes.

Furthermore, the internal trainers of the Loans Group continued to run loan training programs in order to develop loan analysis and evaluation competencies of marketing and sales teams. Throughout 2019, 71 training courses covering 18 topics and 8,411 hours were conducted for 525 employees.

PROJECT AND STRUCTURED FINANCE DEPARTMENT

Established in February 2017, the Project and Structured Finance Department started to operate under the umbrella of the Loans Group in 2019 and reached significant achievements particularly in financing renewable energy and infrastructure projects.

The Department manages a portfolio with a total worth of USD 1 billion. Of this sum, USD 375 million were allocated to projects involving the installation of solar power plants. Kuveyt Türk ranks among the largest financiers in the field, having funded 10% of all solar power plants in operation. Kuveyt Türk also provided facilities worth USD 340 million for infrastructure projects involving bridge and motorway construction in the fiscal year. The Bank envisages to continue financing renewable energy alongside other infrastructure projects such as city hospitals, motorways and bridges in the upcoming period.

The Project and Structured Finance Department manages a portfolio with a total worth of USD 1 billion. Of this sum, USD 375 million was allocated to projects involving the installation of solar power plants.

785

(TL MILLION)

Kuveyt Türk's risk exposure arising from ongoing construction projects stands at TL 785 million.

Kuveyt Türk also provided facilities worth USD 340 million for infrastructure projects involving bridge and motorway construction in the fiscal year.

The Construction Projects unit operating under the Department signed guarantorship agreements for 83 separate projects in 2019. Kuveyt Türk's risk exposure arising from ongoing construction projects stands at TL 785 million.

FINANCIAL ANALYSIS AND INTELLIGENCE DEPARTMENT

An organizational change was made to the Loans Group in 2019. Accordingly, Loans Coordination and Business Development Unit (formerly operating under Retail Loans Department) and Financial Institutions Loan and Business Coordination Unit (formerly operating under Financial Institutions Department) were brought together under the umbrella of the Financial Analysis and Intelligence Department. Financial Analysis, Intelligence, Financial Institutions Loans, and Loan Coordination & Business Development units now operating under the Financial Analysis and Intelligence Department worked in full coordination to optimize core processes of the Loans Group. These include reporting, intelligence, and allocations, setting loan strategies and policies, system enhancements and integrations, and determining country and bank limits.

Financial Analysis Unit

In 2019, 860 financial analysis reports were compiled, 170 customer visits were made and 4,800 new financial data reports entered by the branches were checked to further detail the reports and improve their content. In the light of customer experience and feedback, efforts are ongoing to deliver a more user-friendly interface for the reporting module and minimize the time spent for reporting.

Intelligence Unit

Kuveyt Türk Intelligence Unit continued to prepare intelligence reports for Corporate and Commercial customers. Within this scope, 5,550 intelligence reports were drawn up in 2019. The intelligence team evaluates customers who apply for a loan and submit collateral in the form of a special check for a specific transaction. Within this scope, funds totaling TL 380 million were extended and the ratio of approved checks collected successfully equaled 99%.

Financial Institutions Loans Unit

Functions running separately under the Financial Institutions Department and Corporate Loans Department were merged following a change in the organizational chart in 2019. The unit was positioned as a new unit to operate under the umbrella of the Financial Analysis and Intelligence Department. The unit is in charge of allocating, monitoring and reporting the credit products required for cash and non-cash transactions of Turkish and overseas banks and non-bank financial institutions, including foreign trade and treasury product transactions in particular. The primary functions of the unit include closely monitoring the countries and

LOANS

The Loans Coordination and Business Development Unit is in charge of ensuring coordination of the Loans Group with internal and external departments and managing system improvements.

The team conducts activities to optimize allocation processes by developing AI-based models.

The team is primarily in charge of system enhancements and process improvements to boost operational efficiency in line with the Bank's strategies.

financial institutions constituting a credit risk, establishing early warning mechanisms and making on-site visits as and when required. With its core team under the Corporate Loans Department in the previous period, the unit helped develop the bank valuation module with internal resources and introduced significant improvements in loan evaluation processes. In the period ahead, it aims to focus on improving the system infrastructure and business processes, tapping into the know-how and synergy of the new employees at the Financial Institutions Department.

Loans Coordination and Business Development Unit

The Loans Coordination and Business Development Unit is in charge of ensuring coordination of the Loans Group with internal and external departments and managing system improvements. Ensuring coordination within Loan Departments, updating and implementing credit policies, reporting aimed at performance monitoring, assisting internal and external audits, determining training requirements, and representing the Loans Group in strategic projects as a stakeholder are among the primary functions of the team.

Loans Business Development Team works to introduce system enhancements and process improvements to boost operational efficiency in line with the Bank's strategies. The team conducts activities to optimize allocation processes by developing AI-based models.

The key projects and process improvements undertaken in 2019 are as follows:

Loan Decision Support System (Legal Entity)

In 2019, the Loan Decision Support System was launched, running on a set of rules based on expert opinion. The system roll-out across all branches helped reduce regional loan teams' workload by approximately 30%. Furthermore, the model studies for a new analytical loan decision support system based on AI and machine learning were finalized with the use of in-house resources of the Bank in 2019. Upon the commencement of the pilot scheme, the system helped evaluate financial and non-financial data together and establish customer-specific limits and collateral terms. Branches were given the authority to allocate loans pursuant to these terms. After the full system roll-out, the aim is to speed up loan allocation processes, minimize workload, and increase the service quality and customer satisfaction.

In 2019, the Loan Decision Support System was launched, running on a set of rules based on expert opinion.

82%

82% of the credit card applications filed were automatically evaluated.

46.92% of the requests received within the scope of the Retail Credit Card Limit Increase Project launched in 2019 were evaluated by the system.

Automatic Decision Support System (Natural Person)

Under the Automatic Decision Support System launched in 2014, customer scorecards and business rules were integrated for the Retail Loan and Credit Card allocation processes, allowing the system to deliver automatic approvals and rejections successfully and swiftly. As of year-end 2019, out of the 70,000 retail loan applications 83.40% were processed automatically, with 1.10 % of the remainder evaluated by the branches, and 15.50% by the Retail Loans Department. Regarding credit card applications, automatically evaluated requests reached 82% in the same period.

46.92% of the requests received within the scope of the Retail Credit Card Limit Increase Project launched in 2019 were evaluated by the system. In 2020, the aim is to ensure that credit card limits are estimated by AI-based algorithms through the use of bank data including customers' demographic information, KKB intelligence reports, and payment behaviors. In order to optimize the credit card limits offered, the model to be developed is intended to reduce the number of limit increase requests evaluated by credit allocation employees manually and increase the number of automatic decisions.

Next-Gen Retail Revenue Model

Inaugurated in 2018 and rolled out across all branches live in December 2019, the "Retail Revenue Estimate Model" makes estimates on retail customers' revenues based on artificial intelligence. The project was developed by the in-house resources of the Bank. The project is intended

to accelerate branch allocation processes and thus maximize customer satisfaction, evaluate the applications filed on digital channels more effectively, and provide sound and reliable data to the Bank.

E-Signature Application

The application, introduced in 2018 in the Head Office and Regional Credit Committees, was broadened to involve Structuring Committees as a result of the agreements signed with Risk Follow-Up Departments. This is how the Loans Group started contributing to the "Paperless Banking" project, which is an indicator of the Bank's respect for nature.

Transition to the Authorization-Based Model

In May 2018, Kuveyt Türk Loan Departments adopted the authorization-based allocation model regardless of the customer segment in allocations. The model is designed to analyze finance requests and customer requirements on-site and thus ensure a faster and more efficient evaluation.

LAW AND RISK FOLLOW-UP GROUP

Kuveyt Türk Customer Rights and Regulatory Compliance Department continued to consult relevant departments regarding newly-introduced or amended regulations in 2019.

As well as ensuring stability for asset quality, the Law and Risk Follow-up Group made significant contributions to the digitalization and automation process of the Bank in 2019.

It continued activities as the Retail and Micro Credit Risk Follow-up Department and Business Loans Risk Follow-up Department.

The non-performing loan ratio of Kuveyt Türk again remained below the industry average in 2019, as it did in previous years. As of December 31, 2019, the non-performing loan ratio of the overall banking and participation banking sectors was 5.36% and 5.13%, respectively while Kuveyt Türk's overall non-performing loan ratio remained below the industry average at 3.53%.

This success was achieved thanks to:

- Active monitoring of clients through early warning signals,
- Taking proactive approaches towards customers in administrative monitoring,
- Displaying proactive approaches by correctly interpreting the macroeconomic indicators,
- Making the branches and personnel more conscious about risk monitoring through trainings and visits.

Kuveyt Türk continued to stand by customers facing or prone to face financial difficulties due to the downturn in economic activity and exchange rate fluctuations in the second half of 2018. Within this scope, customer requests were evaluated and swift, result-oriented solutions such as the restructuring of debts were developed.

A change was made to the organizational structure for the more effective performance of risk follow-up activities. Retail and SME Credit Risk Follow-up Department was separated into two units, namely Retail and Micro Credit Risk Follow-up service and Business Credit Risk Follow-up service. This change was aimed at enhancing the customer focus by segment and developing more effective solutions.

As well as ensuring stability for asset quality, the Law and Risk Follow-up Group made significant contributions to the digitalization and automation process of the Bank in 2019. Areas of usage and scope of analytical models were further expanded, with segmentation efforts on predicting non-performing loans and write-offs. Introduced to make administrative monitoring processes more efficient and productive, and to take the right action for the right customer at the right time concerning overdue receivables, the effectiveness of the SME Collection Decision Support System was enhanced. Furthermore, collection decision support systems were developed also for Retail and Credit Card overdue receivables. Through the Collection Analytical Models, the aim is to deal with the non-performing loans from the first day they are overdue, monitor them proactively, increase productivity and reduce non-performing loan ratios.

Retail and Micro Credit Risk Follow-up Department introduced collection IVR for credit cards, consumer loans, and microcredits. As of the end of 2019, six channels and nine applications were put into use, up from three channels and three applications in 2018, to send reminders and get payment commitments through alternative distribution channels. The first stage of the robotic process automation activities was commenced, with

In order to increase the efficiency of collections and facilitate the follow-up of existing protocols, "Write-Off Protocol" screens were developed, and all protocols were migrated to BOA.

974.2

(TL MILLION)

The number of bad debts recovered stood at TL 974.2 million in 2019.

The Early Warning System is intended to ensure effective end-to-end management of the Bank's credit quality.

the preparation of three processes finalized. The Department examined document and paper processes and the paperless execution of four different processes was achieved.

The Bad Debt Recovery Service, established under the Law and Risk Follow-up Group in 2016, continued to operate more effectively. The number of bad debts recovered rose from TL 32.6 million in 2018 to TL 974.2 million as of December 31, 2019. Monitoring work for the collection of write-off risks is directly conducted by the Debt Recovery Service regardless of the customer segment. As part of this effort, several visits were made to customers, branches, and lawyers in 2019. In order to increase the efficiency of collections and facilitate the follow-up of existing protocols, "Write-Off Protocol" screens were developed, and all protocols were migrated to BOA.

The Law and Risk Follow-up Group is one of the key actors in the IFRS 9 project sponsored by KFH. Group and Local (Turkey) provision policies were drawn up as part of the project and the new system was launched in March 2018 with new loan classification rules. Under the project, staff participated in several training sessions and relevant meetings held in Turkey and Kuwait. Joint efforts were made to compile data, policies, and documents with the Risk Management Department and Financial Control Directorate. Efforts to classify the loan receivables and data compilation and ensuring data quality for LGD and EAD calculations were undertaken by the Law and Risk Follow-up Group. Furthermore, a new project for LGD calculations was initiated along with a consultancy firm. Upon the completion of the project, significant indicators of the Bank's asset quality such as Close Monitoring, Nonperforming Loans and Provision Rates will be calculated and reported in compliance with the new BRSA Provisions Regulation, in alignment with the parent company, and in accordance with international standards.

Boasting pioneering indicators in the sector, Kuveyt Türk built an Early Warning System to differentiate the risk levels of customers, which will detect loan customers likely to experience financial stress in advance and avoid deterioration of loan quality. These efforts, conducted in line with the Bank's innovative approach and digitalization strategy, are shaped through the contribution of Loans, Risk Follow-up, Marketing and Risk Management Directorates operating in coordination with the Credit Risk Monitoring Department. The Early Warning System is intended to ensure effective end-to-end management of the Bank's credit quality. Training on the Early Warning System was conducted with the participation of one representative from each branch at Regional Directorates. Besides, branch visits were made to brief branch portfolio officers on the system. The aim is to address customer requests in credit extensions and collateral releases as per their risk level and to increase the Bank's asset quality through supporting loan analysis and monitoring processes with artificial intelligence.

In case the customer checks submitted as collateral meet the specified criteria, the system will process these directly as acceptable collateral. However, in cases when the system does not automatically accept checks, these are forwarded by branches for user approval. The process is completed when the Credit Risk Monitoring staff assesses the relevant check to approve or reject it. In order to increase system acceptance while reducing user acceptance, a statistical model has been developed based on the checks received by the user for acceptance. The model enhanced the system's decision-making capability regarding collateral checks considerably while improving the time required for a check to be accepted as collateral and reducing operational workload in branches. Built on a parametric structure, the model was launched in 2019, improving the collateral quality, reducing the time required for a check to be accepted as collateral, and offering a significant edge concerning the reduction of staff overheads.

LAW AND RISK FOLLOW-UP GROUP

The Law and Risk Follow-up Department continued to introduce system enhancements and developments on the Lawyer Tracking System and UYAP, used by contracted law firms to ensure execution proceedings run more quickly and effectively.

Efforts were initiated and system enhancements continued on the LTS-UYAP system for performance scorecard and reporting processes.

In order to diversify collaterals, new collateral processes were designed in 2019 such as Electronic Warehouse Receipt Notes (ELÜS), Eximbank-Insured Export Receivables, and Assignment of Receivables as Collateral for Supplier Finance.

The corporate KKB (Kredi Kayıt Bürosu) screens developed by the Credit Risk Monitoring Department were improved to include more details and provide a better analysis of the credit risk by relevant departments. In the event that companies are in arrears during the month but pay the overdue payables by the end of the month, their combined data does not involve default, preventing real payment performances from being monitored; however, these enhancements ensure that any default experienced over the course of the month are viewable. Furthermore, with data on the company's total outstanding loans with other banks, number of days and sums in arrears, and overall payment performance for the last 36 months now displayed, the staff can have a detailed insight of the current status of the company, predict any potential financial challenges and make early interventions where necessary. A more effective and practical corporate/retail KKB system helped the Bank identify a downturn in economic activity, analyze customers under financial stress, and benefit from the early warning system efficiently.

A training program was assigned to all regional directorates concerning Risk Monitoring and Risk Follow-up processes and practices in 2019. Risk Monitoring and Risk Follow-up trainings will also have more prominence in the credit training package of the Training Department.

The Law and Risk Follow-up Department continued to introduce system enhancements and developments on the Lawyer Tracking System and UYAP, used by contracted law firms to ensure execution proceedings run more quickly and effectively. Thanks to the Lawyer Tracking System, a great deal of operational transactions previously conducted manually are executed and reported via the system. A Check Follow-up System, which will work in integration with LTS-UYAP, is currently underway. For the performance scorecard and reporting system, aimed at increasing contracted law firms' NPL Recovery rates, studies were started on the LTS-UYAP system and enhancements continued. Contracted law firms were successfully audited through both on-site visits and reports received via LTS-UYAP, as well as reports generated.

In addition to the online submission of mortgage release letters, launched as part of the Collateral Monitoring Department's drive to make a significant contribution to the Bank's digitization initiative by boosting transaction security, productivity and particularly customer satisfaction, system enhancements continued throughout 2019, such as the design of a control system for advance payment guarantees, migrating vehicle pledges to the Artes system, and integrating Mernis information with General Loan Agreements and mortgage collaterals.

Mainly due to reasons associated with customer satisfaction, the Bank ceased the practice of receiving forex surety bonds from customers as part of its loan allocation decisions in 2018. In order to diversify collaterals, new collateral processes were designed in 2019 such as

The Customer Rights and Regulatory Compliance Department continued to consult relevant departments regarding newly-introduced or amended regulations in 2019.

32,000

REPORTS

Throughout the year, 32,000 reports were drawn up by the appraisal companies certified by the Capital Markets Board and BRSA.

Kuveyt Türk established the "Customer Rights and Regulatory Compliance Department" under the Law and Risk Follow-up Group, as a first in the sector.

Electronic Warehouse Receipt Notes (ELÜS), Eximbank-Insured Export Receivables, and Assignment of Receivables as Collateral for Supplier Finance.

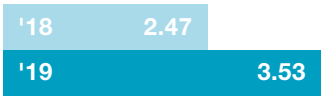
The Real Estate Appraisal Service under the Collateral Monitoring Department commissioned 32,000 reports from appraisal companies with CMB and BRSA licenses in 2019 and ensured their control. The average duration for the compilation of appraisal reports was 1.95 days for residential real estate and 2.03 days for all other types of real estate. The automatic forwarding of appraisal reports was improved, a performance system was designed for appraisal companies, and system enhancements were undertaken to provide efficiency and transaction security in appraisers' user definition processes.

In order to monitor and protect customers' rights even in the absence of a customer complaint and as part of Corporate Governance regulations, Kuveyt Türk established the Customer Rights and Regulatory Compliance Department under the Bank's Law and Risk Follow-up Group marking an unprecedented move for the industry. The Department was established to take or order all necessary action to protect Bank customers' rights in line with Article 76 of the Banking Law no. 5411 and the Consumer Protection Law no. 6502 and relevant legislation, and to ensure that the Bank's practices comply with the requirements of this framework. Pursuant to the said legislation, the Department keeps a close watch on the legislative developments that concern banks and communicates these to the relevant units and individuals within the Bank. It identifies any measures necessary to prevent non-compliant transactions within the Bank and works in coordination with other units to ensure these actions are implemented.

The Customer Rights and Regulatory Compliance Department continued to consult relevant departments regarding newly-introduced or amended regulations in 2019. The entire range of new products launched, or system enhancements introduced by the Bank were checked by the Department for compliance with the legislation.

The Department is also in charge of ensuring coordination within the Bank for compliance with the Law on Protection of Personal Data.

NON-PERFORMING LOAN RATIO (%)



PROVISION RATIO (%)

STRATEGY

Achieving an asset size above the targets, Kuveyt Türk preserved sustainable growth performance in 2019.

Strategy Planning and Corporate Performance Management Department sets the Bank's mid- and long-term strategies and policies acting in line with the opinions of the Board and Senior Management.

Strategy Planning and Corporate Performance Management Department is in charge of collecting, analyzing and interpreting performance information and data.

The Strategy Group comprises of Strategy Planning and Corporate Performance Management Department, Strategic Program Management Office, Branch Performance Management Department, Corporate Communications Department, Digital Transformation Group Directorate, and HR, Training and Quality Group Directorate.

The business plans of the units functioning under the Strategy Sector aim to disseminate the strategy by making sure that all employees focus on the right targets in order to plan the strategic priorities of the Bank, support the strategic management processes through department- and branch-based scorecards, and achieve the strategic goals of the Bank. The main functions of the Group include the establishment of a Bank-wide digital transformation and innovation culture, management of digital transformation program, coordination of integration processes with fintechs, and continuous improvement of customer experience.

In this context, the Group aims to develop and manage projects that outline the measures to implement the strategic priorities and to shape the organizational and quality structures of the Bank to reflect the strategic plan and its priorities through effective human resources management. Achieving unity of perception in the communication between internal and external elements is crucial to ensure that the Bank is managed in line with its strategic targets.

STRATEGY PLANNING AND CORPORATE PERFORMANCE MANAGEMENT DEPARTMENT

The main responsibilities of the Department are to identify the Bank's medium-term and long-term strategies and policies in line with the mission and vision of the Bank, the opinions of the Board of Directors and the Senior Management; and conducting goal-setting studies with the business units in a coordinated manner, and executing these goals. Updating the defined strategies in line with the changing conditions, thus creating an ideal environment for the Bank to reach its maximum potential is among the priorities.

As part of this duty, the Strategy Planning and Corporate Performance Management Department develops performance criteria in areas falling under the remit of the Strategy Group, administers improvement of the services, and compiles, analyzes and interprets the information and the data related to the performance.

Performance targets of these departments are designated by taking into consideration the strategic roadmap, projects and priorities, and performance metrics. Key Performance Indicators (KPI) are used as management tools to ensure that the Bank operates in line with strategic priorities. Also among the functions of the Department is to examine the external factors that can affect the services, to conduct capacity research within the Bank, to analyze both the effectiveness of the

A project was undertaken to allow the Robotic Process Automation Technology to be used in all operational processes and manually performed standard and repetitive procedures.

The 1010 Kaşif (Explorer) Project was implemented to discover and train at least 1010 enthusiastic Explorers aged 10-14 on coding.

services and the satisfaction level, and to conduct general research. Some other tasks of the Department, to make sure that the Bank's annual budget, including the budget forecast for the upcoming years, are prepared by taking the strategic plans and the annual performance program into account, and to monitor and evaluate if the Bank operates in line with the strategic priorities.

In addition to all of the above, ensuring that necessary updates are made to segment criteria as owner of the segmentation structure; keeping product and decision tree and channel structures up to date and functioning; developing new projects and keeping current projects up-to-date as the lead for efforts involving customer, product and channel efficacy; making location analysis for new branches to be opened and to submit these to the Senior Management also fall under the remit of the Strategy Planning and Corporate Performance Management Department.

In 2019, the Bank achieved an asset size above the targets, maintaining the sustainable growth performance of the past six years. This contributes to the positive outlook of 2020 significantly. After the structural adjustments undertaken by the economic administration in the second half of 2019 revived the sector, the Bank anticipates seeing the impact of these positive developments more clearly in 2020. In this period, the aim is to protect the asset quality and remain among the best performers with respect to NPL ratios within the sector. Growth over 15% in collected and extended funds by the end of 2020 is among the plans.

Strategic Program Management Office

The main duties of the Strategic Program Management Office include managing core projects falling under the scope of strategy which involve the Bank's wider staff, conducting the program-wide management of projects aimed at a specific industry or group within the scope of the strategic goals, and to build a project management framework. Therefore, the Office drew up a road map particularly for new projects. 27 of the 74 projects specified on this road map were completed, and the rest are making progress as scheduled, already making a significant contribution to the realization of the organization's overall strategy. Some of the projects completed include:

Robotic Process Automation: A project was undertaken to allow the Robotic Process Automation Technology to be used in all operational processes and manually performed standard and repetitive procedures. Efforts to disseminate the processes across the Bank continued.

Early Warning System: It enables workflows and assigns actions to be managed via the banking application in line with the early warning final status of corporate customers.

Branch Experience: A new design study was completed to respond to changing business models and priorities of branches. The project was aimed at improving customers' branch experience.

1010 Kaşif: The 1010 Kaşif (Explorer) Project was implemented to discover and train at least 1010 enthusiastic Explorers aged 10-14 on coding.

CORPORATE COMMUNICATIONS DEPARTMENT

Operating under the Strategy Group of Kuveyt Türk, the Corporate Communications Department works to implement brand communication practices among internal and external customers in regard to the Bank's strategic goals and priorities. Also promoting new products and services, the Department developed and successfully continued corporate social responsibility projects throughout 2019.

Kuveyt Türk Corporate Communications Department is guided by an awareness of its corporate social responsibilities in all promotional activities. Written into the Bank's mission statement, social responsibility awareness

STRATEGY

Kuveyt Türk released its new digital commercial "Let it go as you sent" in 2019, boasting its long-standing policy of not charging account maintenance fees and remittance fees for EFT and transfer transactions performed via the Internet and mobile branch.

Kuveyt Türk Corporate Communications Department is guided by an awareness of its corporate social responsibilities in all promotional activities.

In order to boost the visibility of the interest-free digital banking platform Senin Bankan, and to help Kuveyt Türk acquire new customers, an advertising campaign set to continue throughout October and November was launched under the theme "GEÇ (Transition)."

also constitutes the basis of communication activities. All of the communications campaigns under consideration are evaluated and executed in light of ethical banking principles.

The following advertising campaigns were conducted by the Department in 2019:

- The commercial introducing the innovative Kuveyt Türk product for corporate customers, i.e. CebimPOS, aired on national TV channels and digital channels in February 2019.
- The commercial introducing the Sağlam Card, which is a credit card product for retail customers, aired on national TV channels and digital channels in February 2019. The Sağlam Card Commercial themed "Being Solid is Our Nature" became the fourth most-watched commercial on YouTube in February 2019.
- Kuveyt Türk released its new digital commercial " Let it go as you sent" in 2019, boasting its long-standing policy of not charging account maintenance fees and remittance fees for EFT and transfer transactions performed via the Internet and mobile branch.
- Taking the lead in gold banking, Kuveyt Türk tapped into the findings of market research it conducted and targeted women in a new series of commercials titled "Golden Dreams," which covered their heroic stories and aired on national TV channels and digital channels.
- In order to boost the visibility of the interest-free digital banking platform Senin Bankan, and to help Kuveyt Türk acquire new customers, an advertising campaign for October and November was launched under the theme "GEÇ (Transition)." The commercial was released on digital channels, the radio, and billboards.
- The advertising campaign for the "quick, flexible-term and affordable" finance facility for SME and enterprise customers was broadcast on national TV channels and digital channels in November 2019.
- The follow-up series to the 2017 digital advertising campaign introducing the Bank's innovative products and services were broadcast in December 2019. This new series featured Kuveyt Türk's QR Code Cash Withdrawal and QR Code Payment services.

Driven by the motto "we grow through our values," Kuveyt Türk implemented numerous projects in 2019, including "Ramadan Everywhere," a photography contest on social media. Photographs by the winners were exhibited at the Sultanahmet Square and the courtyard of the Big Çamlıca Mosque. While the Kuveyt Türk contributes to the development of the banking sector, it also takes ownership of cultural assets based on the values of its communities to execute important social responsibility projects.

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In addition to attending the SIBOS Banking event held in London, Kuveyt Türk supported the Ahi Community Symposium, the Happy Children Festival, the 3rd World Technology Summit, and the Next-Gen Entrepreneurship Summit as a sponsor in 2019.

In 2019, the Bank continued executing social responsibility projects that add value to society.

- As part of the 1010 Kaşif Project launched in 2018, Kuveyt Türk's volunteering employees continued to run coding and robotics training programs at the schools across Turkey in 2019.

- As it had done over the last six years, Kuveyt Türk continued to cooperate with The Hope Foundation for Children with Cancer (KAÇUV) on the Support the Hope project. The construction of the second 'Family Home', the foundations of which were laid in 2018, was completed.

- Kuveyt Türk sponsored the National Awareness Camps of the Scouting and Guiding Federation of Turkey organized in Çanakkale in April 2019 and in the Sarıkamış Allahuekber Mountains in December 2019 to commemorate the martyrs.

- As part of the efforts to pass reference books on to future generations and contribute to the literature in the field, the "Industrial Revolution in Anatolia" was published and distributed.

In addition to attending the SIBOS Banking event held in London, Kuveyt Türk supported the Ahi Community Symposium, the Happy Children Festival, the 3rd World Technology Summit, and the Next-Gen Entrepreneurship Summit as a sponsor in 2019. Goday-demoday events and press meetings under the Lonca Entrepreneurship Center were organized throughout the year. In 2019, Kuveyt Türk's first sustainability report was drawn up both in Turkish and English. An innovative and interactive page was developed for the Sustainability Report on the website; advertising activities regarding the report were conducted on digital channels in August. The executive summary of the report was prepared in a "passport" concept and shared with stakeholders.

DIGITAL TRANSFORMATION GROUP DIRECTORATE

The Digital Transformation Group Directorate was established in April 2018 in order to implement the Bank's digital transformation plans, one of the strategic priorities of Kuveyt Türk, with a holistic approach. Digital Transformation and Innovation Directorate, Product Development Directorate, and Process Development Directorate operate under the Group.

DIGITAL TRANSFORMATION AND INNOVATION DEPARTMENT

In order to provide a simple, swift, seamless and uninterrupted experience to internal and external customers, the Digital Transformation and Innovation Department undertakes the following:

- Establishing customer-focused structures;
- Optimizing processes and conveying them into a digital environment;
- Developing new business models;
- Scouting for digital talent;
- Facilitating cultural transformation.

The projects under the Digital Transformation Program aim to improve the lives of internal and external customers by employing holistic approaches and technology in the following areas:

- Business Model;
- Customer Engagement;
- Business Unit Engagement;
- Process and Infrastructure;
- People, Culture, Governance and Organization;
- Managing Innovation;
- Data Analytics.

Of the 37 projects included on the roadmap of Kuveyt Türk's Digital Transformation program, 23 commenced activities in 2019. Five of these 37 projects were completed in 2019.

Completed Projects

- Digital Transformation Strategy and Roadmap
- Robotic Process Automation
- QR Code Payment
- Real-Time Campaign Management
- Internal Customer Gamification

STRATEGY

Kuveyt Türk held meetings with over 50 fintechs in 2019. 16 of such fintechs were evaluated under the FinTech Integration Process thanks to the innovative business models and benefits they provided.

Of the 37 projects included on the roadmap of Kuveyt Türk's Digital Transformation program, 23 commenced activities in 2019.

946

IDEAS

946 ideas from across different units within the Bank were submitted to the Digital Transformation Group Directorate.

Along with digitalization, FinTech partnerships considered as one of the crucial developments in the banking sector are gaining importance day by day. Accordingly, fintechs remained a significant agenda item for Kuveyt Türk also in 2019. Tapping into the Advanced API Market Platform, Digital Transformation and Innovation Department is in charge of fintech integrations that help roll out innovative and alternative business models at the Bank. Within this scope, Kuveyt Türk had meetings with over 50 fintechs in 2019. 16 of such fintechs were evaluated under the FinTech Integration Process thanks to the innovative business models and benefits they provided. The Bank partnered with ComPay to allow customers to make cardless payments easily at contracted online shopping websites with a QR code. Besides, project work was commenced with five fintechs in order to benefit from new partnerships and improve customer experience. Kuveyt Türk envisages having further discussions and partnerships with new fintechs to provide solutions that improve customers' lives also in 2020.

The Digital Transformation Group Directorate believes that innovation culture requires embracing ideas from within the organization as well as from FinTech collaborations. In this context, idea contests were organized on the Robust Idea Platform. It worked to increase service quality and improve customer satisfaction at the KFH Innovation Contest organized by KFH for all subsidiaries. 946 ideas from across different units within the Bank were submitted to the Digital Transformation Group Directorate. Three eligible ideas were evaluated and selected by different committees to represent Kuveyt Türk at the contest. In coordination with HR, employees were asked to share their ideas to improve the processes within the Bank, after the first thematic call out in the field for ideas that can make documentation, approval and business monitoring processes more effective. 108 ideas were submitted to the Digital Transformation Group Directorate, which made preliminary evaluations to convey the qualifying ideas to the Human Resources Department. Renewal efforts for the Robust Idea Innovation Portal commenced in 2019. The plan is to launch the Portal with its new interface for employees in 2020. As part of the Innovation Center Project, which is currently under construction at the Kuveyt Türk Banking Base, the Group aims to offer a unique working environment and encourage employees to embrace a shared corporate culture. Intended to be an embodiment of cultural transformation within the Bank, the Innovation Center is planned to host fintechs, conduct activities that encourage innovation culture, and organize events on digitalization.

Kuveyt Türk organized events to boost innovation culture and formed Innovation Teams comprising 22 employees from 15 departments selected as per their scores in the Innovation Awareness Survey.

Designing innovative business processes, services, and products, Innovation Teams turned ideas into products through the concepts of Customer-Focused Thinking, Lean

Kuveyt Türk formed Innovation Teams comprising 22 employees from 15 directorates selected as per their scores in the Innovation Awareness Survey.

Aimed at raising awareness on the future trends and digital transformation, the third edition of the Digital Talks was held, hosting prominent personalities of the sector.

Entrepreneurship, and Customer Verification and submitted them to the Senior Management. The Bank aims to continue the conception of innovative ideas through new innovation teams in 2020.

Aimed at raising awareness on the future trends and digital transformation, the third edition of the Digital Talks was held, hosting prominent personalities of the sector. The first phase of the "IT for Everybody" courses, designed to ensure IT processes are better understood by relevant departments, was completed. These courses enabled participants to learn how IT processes run and how IT evaluates the requests from different business units. The program is planned to continue throughout the year ahead. In order to disseminate digital transformation across the Bank, digital ambassadors were chosen from each sector and region. As part of the Digital Competency Development Program aimed at digital ambassadors, awareness-raising activities were inaugurated.

The whole range of digitalization-related activities carried out are planned to be disseminated across the Bank through the Digital Communication Plan, which targets a Bank-wide digital awareness. The motto of digital transformation efforts undertaken in March 2019, "The Future is with You; Our Route is Digital, Our Focus is People," was launched in an event that took place with the participation of all employees. Monthly Digital Bulletins were released to inform employees on the trends in Turkey and around the world, as well as the developments in the fintech ecosystem.

PRODUCT DEVELOPMENT DEPARTMENT

Kuveyt Türk implemented several projects in 2019 through the Product Development Department.

Core Banking Product Development

My Collections Secured: Buying and selling of vehicles and households are generally considered to be transactions prone to fraud. As part of this service, the buyer and seller visit a Kuveyt Türk branch to deposit the agreed-upon cash before they perform the transaction. The system checks whether or not the sales transaction is actually performed. After the sale is finalized, the amount deposited is transferred to the seller's account. Neither the buyer nor the seller has to be a Kuveyt Türk customer.

Forex Tax Development: 0,002 tax has been introduced to forex buying transactions. Necessary developments at the branch and digital channels have been finalized to reflect the newly-introduced tax.

KKB Commission Integration: Upon the request of BRSA, banks are now able to display their commission rates in a chart in the same format.

E-Government Integration: Customers are now able to display their accounts registered at different banks on the e-government system.

BIGA Project: Integration with the gold transfer system was completed through the blockchain infrastructure organized by Takasbank.

Paperless Banking: This infrastructure allows many documents and deals to be approved on mobile and tablet devices without requiring a wet signature.

Instruction through Digital Channels: Most of the time, instructions are placed physically at Kuveyt Türk branches, which then make calls for confirmation. The aim is to digitize this process. An approval pop-up on the mobile branch is designed for customer approval, which will appear once the branch staff enters the instruction on the system. The transaction will be performed upon the customer's approval.

KFH Account Opening: The web service integration between KFH and Kuveyt Türk Participation Bank now allows clients to open Kuveyt Türk accounts at KFH branches.

Explorer Account (Kâşif Hesap): The children's account offers a range of tools including Mobile Branch, debit card and high yield participation account.

STRATEGY

Kuveyt Türk served as an intermediary bank for the "Sukuk issue in consideration of the gold jewelry brought in by customers," a transaction introduced by the Ministry of Treasury in January 2019.

The web service integration between KFH and Kuveyt Türk Participation Bank now allows clients to open Kuveyt Türk accounts at KFH branches.

TL transfers from KFH to Kuveyt Türk were enabled through the Ripple transfer method.

KFH Cash Withdrawals: The product enables KFH customers to withdraw cash from the Kuveyt Türk branches.

FUNDING PRODUCT DEVELOPMENT

School-Guaranteed Installment System: The system allows the Bank's contracted schools to stand surety for the amounts the customers (parents), who receive education services via Kuveyt Türk, owe to Kuveyt Türk.

Unconfirmed Supplier Finance: This Supply Finance Product enables only the seller to assume the risk without the buyer's confirmation.

Acceptance of ELUS as Collateral: This product accepts ELUS certificates held by customers as collateral for the extension of loans in another project.

E-Guarantee Letter EKAP Integration: This development involves the preparation of guarantee letters in electronic format for use in procurement processes. The model provided a secure Internet protocol between the Banks drawing up Guarantee Letters and Electronic Public Procurement Platform (EKAP) while allowing the submittal of guarantee letters and bids on the electronic environment.

Partial and Early Closure for Legal Entities: Legal entities are now able to make interim collections. As for early closures, a calculation method to be used for all customers went live.

FOREIGN TRADE AND TREASURY PRODUCT DEVELOPMENT

Intermediary Services for the Ministry of Treasury's Gold Sukuk Issues: Kuveyt Türk served as an intermediary bank for the "Sukuk issue in consideration of the gold jewelry brought in by customers," an instrument introduced by the Ministry of Treasury in January 2019.

KFH - Ripple Integration: TL money transfers from KFH to Kuveyt Türk were enabled via the Ripple transfer method.

FCI Integration: The Bank became a member of Factors Chain International to allow Open Account Foreign Trade transactions to be performed via the Edifactoring messaging system pursuant to defined rules. This system is capable of providing receivables management, collection, and guarantee services. The guarantee also provides collateral for exporters in open account foreign trade transactions.

KT Bank AG > Kuveyt Türk Money Transfer: A web service integration between KT Bank AG and Kuveyt Türk was developed as an alternative for swift and MoneyGram transactions. This local system enables transfers to be performed much faster while supporting four different transfer formats:

- Account to account
- Name to name
- Account to name
- Name to account

The web service integration between KT Bank AG and Kuveyt Türk was developed as an alternative for swift and MoneyGram transactions.

8,02

MILLION PEOPLE

Kuveyt Türk's website hosts approximately 8.02 million visitors annually.

Kuveyt Türk Corporate Website offers customers to access their choice of language in Turkish, English and Arabic.

24/7 Trading for T+0 Investment Funds

A structure was established to help trading of and placing orders for T+0 investment funds outside 09.00-12.30 hours.

DIGITAL BANKING PRODUCT DEVELOPMENT

Kuveyt Türk aims to offer its customers new products and services by applying the latest technological advancements on banking transactions through the Digital Banking Product Development unit.

Kuveyt Türk Website: Attracting approximately 8.02 million visitors annually, the Kuveyt Türk website ranks 261st among the most visited websites in Turkey. The updated website with its responsive interface delivers an optimized user-friendly experience on smartphones, tablets and desktop computers. Thanks to the enhanced search features, accessing the required information became much quicker. Kuveyt Türk Corporate Website offers customers to access their choice of language in Turkish, English and Arabic. Furthermore, as the first bank to receive MoneyGram application forms online, Kuveyt Türk aims to swiftly provide customers with information and assistance.

The New Accessible Banking website now features the banking services provided via branches, ATMs, XTM, Online and Mobile Banking Platforms for the hearing impaired, visually-impaired, and orthopedically-challenged clients.

Internet Banking: Constantly undertaking development efforts to further enhance its services, Kuveyt Türk put the main emphasis on improving user experience and broaden the scope of banking services provided via the Internet branch in 2019. Within this scope, Money Transfer to KT Bank AG was made available for retail customers, whereas corporate customers were enabled to perform reference letters and Findeks package sales transactions via the Internet branch.

Mobile Banking: Committed to serving its customers via all digital platforms, Kuveyt Türk continued to expand its active customer base on the Mobile Branch, which is built on software developed exclusively in-house. Functionality enrichment works continued for the transfer of numerous transaction sets to the Mobile Branch in order to deliver a user experience equivalent to that of the Internet Branch. The revamped design of the Mobile Branch boasts further success with color and themes alignment as well as customer experience enhancements.

Adjustment options between menus were developed to offer personalization for customers, while notifications on money transfers were made possible via the mobile branch. Customers are now able to apply online for İhtiyaç (Needs) Card, PPS and Insurance products, without having to visit a branch. QR Code Payment was launched as a payment option on e-commerce sites. The Mobile Branch started to feature the option "Calculate Finance with My Rates" before log-in.

Senin Bankan: Senin Bankan is a digital banking platform enabling customers to file product applications online, without having to visit a branch. Through Senin Bankan, customers are able to open accounts and file credit card applications on the Internet. Developing products and services aimed at "simple, lean and digital banking," Senin Bankan undertook the following in 2019:

- Launched a new website. The website came second at the "Golden Spiders" in the "best mobile-compatible website" category.
- Senin Bankan Mobile Branch went live on iOS and Android.
- The infrastructure of the "Stars" campaign, a program exclusively designed for Senin Bankan customers, was deployed.

STRATEGY

Aiming to provide an exclusive payment systems experience for both its retail and commercial customers, Kuveyt Türk implemented several projects in the field of payment systems in 2019.

Through Senin Bankan, customers are able to open accounts and file credit card applications on the Internet.

Kuveyt Türk's card payment systems infrastructure, which is currently an outsourced service, is being re-developed by in-house resources on the BOA banking platform.

PAYMENT SYSTEMS PRODUCT DEVELOPMENT

Aiming to provide an exclusive payment systems experience for both its retail and commercial customers, Kuveyt Türk implemented several projects in the field of payment systems in 2019.

Card Payment Systems Transformation Project: Kuveyt Türk's card payment systems infrastructure, which is currently an outsourced service, is being re-developed with the in-house resources on the BOA banking platform. The system will be on BOA end-to-end, from card applications to legal proceedings.

Tourism Card: Tourism enterprises' expenditures can be split into 12 installments with up-to 6-month grace period thanks to the Business Plus cards featuring a tourism logo.

Dijital Explorer Card: The first debit card of the Bank for children, this digital product's spending limits can be managed on the mobile branch by parents/guardians.

Masterpass: Kuveyt Türk debit and credit cards can be registered at Masterpass, a digital payment solution as part of which Mastercard keeps card information in secure infrastructure and enables payments to be made swiftly.

Card to Card Money Transfers: Customers can transfer money to both Kuveyt Türk cards and other bank cards with their Kuveyt Türk Credit and Debit cards via Mobile and Internet branches 24/7.

PTTMatik and Kuveyt Türk Collaboration: A deal was struck with PTT, enabling customers to deposit and withdraw cash at PTT ATMs for free up to TL 1,000.

Getting Debit Card Passwords at ATM: Kuveyt Türk clients are now able to define the first password for their debit cards at ATMs.

Free-of-Charge Redirection to other ATMs in case of failure: Customers running into ATM problems are now able to withdraw cash from the shared ATMs of other banks free-of-charge within the day of failure.

XTM Sözleşmatik: XTM users can approve contracts and forms electronically via the XTM deal system.

XTM Visual and Audio Infrastructure Enhancement: XTM visual and audio infrastructure was revamped; a more stable and higher quality videoconference model was adopted.

PROCESS AND EXPERIENCE CENTER DEPARTMENT

As of June 2019, the "Process Development Department" was renamed as the "Process and Experience Center Department." Process Development, Robotic Process Automation and Customer Experience units operate under the Department.

XTM's visual and audio infrastructure was revamped; a more stable and higher quality videoconference model was adopted.

In 2019, the Process Design Team developed definitions and rules for Retail Vehicle Fund Extension and DBS processes and established business algorithms on the definitions and rules to ensure the flow is managed by the system.

Process Development Unit: The Unit conducts activities to ensure the Bank processes are generated in a manner that is customer-focused, efficient, making the most of the technology, participative, measurable, in compliance with the laws and the principles of the Bank, subject to predefined standards, analyses and investigations, and that they are kept up to date.

Some of the initiatives to ensure this are as follows:

- Designing process for new products and services,
- Handling and redesigning existing processes from operational efficiency and customer experience standpoint.

In 2019, the Process Design Team developed definitions and rules for Retail Vehicle Fund Extension and DBS processes and established business algorithms on the definitions and rules to ensure the flow is managed by the system. The rules and scopes for the retail vehicle loan extension and DBS processes were specified for end-to-end management by the customer.

Regarding marketing workloads, activities were monitored on-site, data analyzed, problems discussed and decisions made. A project was undertaken to reduce marketing workloads and minimize risks.

Other efforts carried out by the Process Design Unit in 2019 are as follows:

- Procurement Process Project
- Branch, ATM Opening-Change Project
- Incentive Operations Project
- Leasing Project
- Seninbankan Process Project
- Document Receipt via Mobile/ Tablet Project
- Corporate Branch Process Project
- Transformation Project of Customer Account Opening Processes

Robotic Process Automation Unit: The Unit was established in 2019 to implement robotic automation on systems. Works were performed to identify processes to be migrated to robotic automation within the bank, evaluate such processes based on prioritization criteria, and monitor them following analysis, software, testing and implementation phases. As a result of these efforts, a methodology was published for Robotic Process Automation Projects and activities were accelerated based on the principles specified therein.

In 2019, a structure was established whereby all processes are developed by employees within relevant units and implemented via the use of in-house resources. By the end of the year, 18 different work steps and processes within the Bank were migrated to the robotic automation. Migration helped improve internal and external customer experience and optimize labor and productivity.

Customer Experience Unit: The Customer Experience Unit aims primarily to ensure that customer experience culture is adopted across the company while providing end-to-end and uninterrupted banking experience for customers through AI technology with thinking and decision-making capabilities.

Under the Unit established in late 2018, the Customer Experience business model and project roadmap were drawn up in 2019. In addition to training programs on design thinking, various workshops were organized and moderated by the unit following these methodologies.

Design efforts for an NPS system aimed at identifying problematic areas through the mobile branch and call center were inaugurated. The Customer Experience Unit employs advanced AI applications to conduct text analytics modeling activities with a view to gaining insights from the texts received via the call center, social media, and complaint channels.

STRATEGY

Considering human resource as its most valuable asset, Kuveyt Türk continued to consistently invest in the HR area in 2019.

Design efforts for an NPS system aimed at identifying problematic areas through the mobile branch and call center were inaugurated.

Kuveyt Türk has been named the "Best Employer in Turkey and Finance" by GPTW for the second year in a row.

Efforts were undertaken in the following areas in order to improve customer experience beyond existing products and services:

- TradePlus App
- CebimPOS (mPos) Mobile App
- İhtiyaç (Needs) Card
- Insurance
- Call Center Speech to Text
- Product Lifecycle Management
- Voice IVR
- Chatbot

HUMAN RESOURCES, TRAINING AND QUALITY GROUP DIRECTORATE

Human Resources, Training and Quality Group Directorate comprises the Human Resources Department, Career and Recruitment Department, Training and Development Department, and Organization and Quality Improvement Department.

Human Resources Department

Considering human resource as its most valuable asset, Kuveyt Türk continued to consistently invest in the HR area in 2019. Paying special attention to shape its processes in line with the current HR standards, the Human Resources Department aims to make sure that all new employees who join the Kuveyt Türk Family embrace the robust banking principles of Kuveyt Türk, have a sound work ethic that is in line with corporate values, and find themselves in an environment that prompt them to be "So Glad."

Emanating from the belief that customer satisfaction is only achievable through employee satisfaction and generated by analyzing values and employee opinions on what makes Kuveyt Türk an ideal Employer for employees and candidates, the “So Glad” employer brand launched in 2017 was recognized with the Great Place to Work Award. Kuveyt Türk has been named the "Best Employer in Turkey and Finance" by GPTW for the second year in a row.

All human resources policies and processes of Kuveyt Türk are drawn and developed based on the “employees first” principle in a way that will bring about experiences to be “So Glad” about, and investment into a Great Place to Work continues to further enhance the work environment.

Social Activities: The teams and clubs established to improve work-private life balance at Kuveyt Türk (Sports Club, Music Club, Robotech Club, Food Club, Travel and Culture Club, Photography Club, Social Club, Taekwondo Club, Basketball Club, Table Tennis Club) continued to thrive under the management of employees in 2019. As well as staff activities such as excursions to various cities, sports competitions, tournaments between subsidiaries, coding workshops, etc. clubs are continuing to support various activities such as Computer-free Computer Sciences Workshop and 1010 Explorer Coding Training for employees’ children. Under the Social Aid Club formed in 2019, social responsibility activities were conducted to support disadvantaged students, build animal shelters, and raise awareness on the zero waste initiative. The Club will have wider outreach in 2020.

The first social life magazine of Kuveyt Türk called Mozaik (Mosaic) offered an authentic and holistic reflection of us through employee articles, company news, as well as a hobby, social and industrial features and helped bring employees closer even after its first issue.

The user-friendly "So Glad," which runs on an infrastructure designed like a social media app, contributed to interaction among employees and reduced the volume of e-mail communications through its informative processes.

As part of club activities, meetings, exhibitions, concerts, excursions, and other events were organized, open to all employees. As of year-end 2019, 550 employees are active members of these clubs.

The first social life magazine of Kuveyt Türk called Mozaik (Mosaic) offered an authentic and holistic reflection of us through employee articles, company news, as well as a hobby, social and industrial features and helped bring employees closer to each other even after its first issue. The third issue of Mozaik in 2019 made an emphasis on the Bank's 30th anniversary and took a look into the personal stories of employees.

The "Employees First Council," composed of employees from different functions and positions, has organized meetings once in every 45 days since 2014. Throughout 2019, the Council continued to perform activities with 28 members including those from the branches in Anatolia. Striving to serve as a platform where the employees and Senior Management can have their voices heard, the Council implemented projects involving practices to be "So Glad" about.

"So Glad" Mobile App Keeps Strengthening Communication within the Bank

The user-friendly "So Glad," which runs on an infrastructure designed like a social media app, contributed to interaction among employees and reduced the volume of e-mail communications through its informative processes. Shortening distances, the app-enabled each and every Kuveyt Türk branch and department from the easternmost to the westernmost of Turkey to share their happiness and values with one another. Launched in 2017 under the "So Glad" Employer Brand, the third edition of the Spring Festival was held with great enthusiasm and a focus on the Bank's 30th anniversary in 2019.

First held in 2016, the contest "Paintings by Small Hands," entered its fourth year, offering a platform to display and celebrate the achievements of Kuveyt Türk employees' children, underscoring once again the importance of family values for the Bank. Furthermore, various events were held as part of the Children's Festival, first launched in 2017, for the employees' children at the Banking Base. Winners of the painting contest received their awards during the festival.

Based on the added value generated by all employees contributing to the success of Kuveyt Türk, a special gala evening was organized during the first quarter of 2019 for former Kuveyt Türk staff who either got retired or joined other organizations called "Firm Friends." The evening brought together many friends of the Bank from its first CEO to its cook. Making sure it always commends successful employees, Kuveyt Türk brought branch managers who achieved a high performance over the 2019 period together with CEO Ufuk Uyan who personally offered his congratulations at the Performance Stars Awards Fete. On the occasion of the Bank's 30th anniversary, employees were presented various gifts and thank-you notes were sent to their families for their invaluable efforts.

Kuveyt Türk continued to stand by employees on special occasions such as Mothers' Day, the first day of the academic year, Eids, promotions, birthdays, wedding anniversaries, and the first school day of children at primary school, touching their lives with small surprises.

Performance Development:

Kuveyt Türk Human Resources Department supports the managers and employees in their continuous development process through transparent performance evaluations based on competencies and measurable targets as well as regular feedback. The Portfolio Management System allows branch employees to receive their monthly and annual performance scorecards in a more straightforward manner. The entire organization and the Head Office Departments are assessed under the Corporate Performance Management

STRATEGY

Performance Stars Awards handed out to employees to recognize their successful performance aims to achieve a consistent performance chart.

Kuveyt Türk's compensation structure is based on a "Total Compensation Package" consisting of salary, performance bonus, foreign language allowance (English-Arabic), transportation assistance, and other supplementary payments.

The Portfolio Management System allows branch employees to receive their monthly and annual performance scorecards in a more straightforward manner.

project with the Balanced Scorecard Model, which tracks and reports on the scorecard developments semi-annually.

With the introduction of the 120-point rating scale for sales scorecards of branch sales staff in 2017, it became possible to make goal and outcome measurements fairer and to subsequently improve differentiation in the performance bonus system. Performance Stars Awards handed out to employees to recognize their successful performance aims to achieve a consistent performance chart.

Developed as a 360-degree performance measurement tool that will guide human resources practices, ''Biz Bize" (Between Us) survey system allows the Bank to evaluate employees' competencies in the context of subordinate, superior and peer relations in a versatile manner and constitutes a new channel through which personnel can communicate their ideas. These surveys are regularly sent to the Bank's employees under the "One Minute for Development" motto. Data analysis is conducted and action plans are drawn based on the responses.

Compensation: Through its dedicated Compensation Management System, Kuveyt Türk aims to motivate employees to outperform their assigned objectives, to identify employees performing at various levels, and to remunerate them based on their performance. Therefore, Kuveyt Türk's compensation structure is based on a "Total Compensation Package" consisting of salary, performance bonus, foreign language allowance (English, Arabic), transportation assistance, and other supplementary payments. In order to remain competitive in the market for talent, Kuveyt Türk also offers various benefits to employees. These including private health insurance, which also covers the employee's spouse and children, a private pension system with company contribution, clothing assistance, and family support package.

Some of the other Human Resources initiatives that prompt the "So Glad" response and position us as the best workplace are as follows:

- Launched in 2015, the "Working from Home" model helps female staff strengthen relationships with their children and boosts women's employment by offering flexible work hours. Viewing motherhood as sacred, the Bank gives an off-day to mothers on the day their children start the first year of primary school.
- To ensure the comfort of employees, Kuveyt Türk introduced the summer clothing scheme in the branches in 2014. The Bank continues to implement this practice, which is seen as an innovation in the banking sector.
- In 2017, the Bank introduced Sepetim (MyBasket), a flexible employee benefits scheme unprecedented in the industry. In 2018, new products were added into the basket based on employee feedback, boosting employee satisfaction further.

Launched in 2015, the "Working from Home" model helps female staff strengthen relationships with their children and boosts women's employment by offering flexible work hours.

In order to share a sense of national consciousness while making pleasant memories, the Bank introduced Soldier Farewell Ceremonies in 2016, where employees about to embark on their military service are given a warm send-off by all of their colleagues.

- Putting people first, Kuveyt Türk believes that providing a pleasant, peaceful working environment for the staff is a key priority. Accordingly, disabled and pregnant employees are granted a leave of absence during times of inclement weather.
- In order to share a sense of national consciousness while making pleasant memories, the Bank introduced Soldier Farewell Ceremonies in 2016, where employees about to embark on their military service are given a warm send-off by all of their colleagues.
- Executives and managers spent a beautiful day working at various positions including the counter and sales, at branches in Istanbul and other Anatolian cities as part of the "A Day in the Field" or "A Day in Anatolia" schemes in order to better understand the issues staff face in an informal, non-hierarchical setting.
- Reviewing business processes across the board with a focus on development, identifying areas of improvement, and introducing new business practices that will carry Kuveyt Türk forward, the Employees First Council continues its activities with an innovative perspective.

The goals of the Human Resources Department for 2020 are as follows:

- The Career Architecture project commenced in 2019 is aimed at equipping employees with future competencies and providing an exemplary initiative in the banking sector. The new architecture is slated to be completed in the year ahead.
- 2020 is set to be a year marked by enhanced internal and external communication of the employer brand and the initiatives that prompt a "So Glad" response.
- Having concluded 2019 with activities that prompted the slogan "So Glad," Kuveyt Türk Human Resources plans to focus on enhancements to its "MyBasket" flexible employee benefits scheme that remains unprecedented in the banking industry for 2020. First introduced in 2017, MyBasket scheme is revised and updated every year in the light of employees' requests and feedback.
- Since digitalization is set to be the glaring item on the agenda in the near future, Human Resources also aims to digitize its processes. In 2020, work towards HR analytics will continue through the development of system processes that utilize big data.
- The Department will also develop projects to become a center of attraction in the sector. Internally, the Bank will continue to invest in its most important asset, namely the workforce, guided by its "Employees First" slogan. Externally, the Bank plans to continue building a "More Beautiful Kuveyt Türk" viewed by candidates as the "School of Sound Banking" where everyone would be pleased to work. 2020 is set to see increased initiatives that prompt a "So glad" response.
- Having received the Talent Board Candidate Experience Award in 2017, Kuveyt Türk aims to expand talent management initiatives for its current employees while providing the best experience for candidates.
- Kuveyt Türk is committed to remaining a center of attraction within the banking industry with its "Development-Driven Career" opportunities and "Competitive Salary Package."

HR PARTNERS DEPARTMENT

Kuveyt Türk is structured to ensure that it stands by the employee every step of the journey from recruitment to exit. Closely following each process of the staff at 14 Regional Directorates and the Head Office departments, HR partners conduct regular branch and department visits, generating an environment conducive for chats and offering support to improve the work environment.

Standing out with its experience and competence, Kuveyt Türk's HR Partners employ the most reliable HR techniques together to manage the recruiting processes effectively. The recruitment process starts with online interviews which were introduced in 2014 and it continues with English proficiency tests. The candidates who finalize these processes are evaluated

STRATEGY

Standing out with its experience and competence, Kuveyt Türk's HR Partners employ the most reliable HR techniques together to manage the recruiting processes effectively.

Under the Assessment Center, presentation skills of the candidates are evaluated, and they are measured against Kuveyt Türk's core competencies through techniques such as group work, role play, case studies, and personality inventories.

The most important action taken by the HR Partners to enhance the recruitment process was introducing the Talent Q Personality Inventory in 2015.

by the Assessment Center. Under the Assessment Center, presentation skills of the candidates are evaluated, and they are measured against Kuveyt Türk's core competencies through techniques such as group work, role play, case studies, and personality inventories.

The most important action taken by the HR Partners to enhance the recruitment process was introducing the Talent Q Personality Inventory in 2015. The tool, employed again in 2018, had a highly positive impact on boosting the quality of the recruitment process. The most striking aspect of this inventory is that it has been customized in line with the competencies of the Bank.

A key recruiter for highly qualified young graduates, the Bank launched a new training program, Kâşif (Explorer), in 2017 to run alongside its Campus at the Bank scheme which has been ongoing since 2008 in line with these targets. Upon successful completion of the program, the graduates were deemed eligible to move on to the Kuveyt Türk Management Trainee scheme. For those pursuing these goals in the field of Information Technologies, parallel new schemes were initiated, namely, Techno Campus for students and Techno MT for graduates. Moreover, the Bank launched the Adaptation Project so that high potential candidates get to know the Bank and complete the orientation process with maximum efficiency. One key component of the effort is matching and encouraging collaboration between newly recruited employees and experienced mentors who can provide guidance to the new hires.

TRAINING AND DEVELOPMENT DEPARTMENT

Kuveyt Türk Banking School set out on its journey in September 2017 in order to provide training and development activities under the Kuveyt Türk umbrella from a corporate university perspective. Running courses on participation banking competencies and strategies under different faculties, the Banking School has adopted the mission of providing Kuveyt Türk employees working in this field with an added-value learning experience.

The Banking School capitalizes on modern technologies to strengthen its infrastructure day by day and provides employees with development opportunities both for their current position and different functions in line with their potentials and preferences through learning journeys that ensure the Bank's sustainable organizational development. As part of all these activities, multi-dimensional training methods are employed to keep up with current trends. Within this scope, 1,417 face-to-face courses were held covering 483 topics and approximately 148,650 hours in 2019. Besides, 30,000 hours of digital training featuring over 250 original contents was provided.

373 newly recruited staff took the

373 newly recruited staff took the Core Banking Training Journey in 2019.

30,000
HOURS

Approximately 30,000 hours of digital training was provided to employees throughout the year.

73 employees completed the Career Development Program covering 30 days and four modules organized for candidate branch managers.

Core Banking Training Journey in 2019. The program included modules on core banking, banking legislation, interest-free banking principles, customer focus, ethical banking, products and services, sales and relationship management, performance development system, as well as other materials on the Bank's culture and structure. Operational improvement training programs were held to improve the professional knowledge, skills, and competencies of Customer Relations Managers, Customer Relations Specialists, and Tellers with a total of 632 employees receiving 5 days of training on average.

The Data Analyst Training program produced its fourth set of graduates this year, with 75 attendees getting eligible to receive certificates as data analysts. As part of the Data Scientist Training Program, held for the graduates of the former program in 2019 for the first time, 12 employees undertook 12 Analytical Projects, which were directly implemented at business units, and therefore completed the Data Scientist Training Program successfully. 480 further employees were given courses on Credit Training for sales staff to improve their technical knowledge of sales, credit, risk, banking, finance through financial analysis, financial analysis procedures and balance sheet-based credit packages. 73 employees completed the Career Development Program covering 30 days and four modules organized for candidate branch managers.

Emphasizing utilization of in-house resources, Kuveyt Türk selects competent, knowledgeable and experienced candidates in their respective fields to undergo trainer accreditation training in order to support and develop internal trainers. As of 2019, the internal training ratio was 60%. Under the Internal Trainer Accreditation Program, 61 people were accredited and received their certificates.

Designed to draw high potential candidates to the Bank, the program was restructured under three distinct concepts in 2019: General Manager MT, Techno MT, and Branch MT, with each sub-group receiving relevant training content. Covering approximately nine months, the Learning and Development Journey was diversified to include workplace internships at Branch and Head Office departments and outdoor activities alongside classroom sessions. Regarding Foreign Language training, 70 employees joined the TOEFL training program. As part of Banking in the Arabic program, 43 people took Arabic courses in a classroom setting. Foreign language allowance was introduced for Arabic-speaking staff.

Taking the growing number of foreign customers into account, two corporate booklets, namely Banking in Arabic and Banking in English, were published as part of the Foreign Banking Project. These booklets contain audio files featuring banking terms in two languages. In addition to Personal Development Trainings, a Communications Workshop was conducted with 265 employees to apply Learning by Living method.

As part of its academic efforts, Kuveyt Türk believes that employee motivation is built on the alignment between employee competencies and the competencies required by the position. The ultimate goal of such training and development programs is to equip employees with the competencies required by their relevant positions and contribute to their personal and intellectual development.

ORGANIZATION AND QUALITY

STRATEGY

Studies and surveys conducted in 2019 showed that Kuveyt Türk attained its targets in key areas such as service quality and customer satisfaction.

In 2019, at the ETİKA Competition where Ethical Values Association EDMER ranks companies according to their compliance with ethics-related criteria, Kuveyt Türk received the Ethics Award for the fifth year in a row, confirming its commitment to Ethical Banking principles.

4.07

According to the results of the Internal Customer Satisfaction Survey, the general average was 4.07 out of a possible 5 in 2019.

DEVELOPMENT DEPARTMENT

The Organization and Quality Development Department operating under the Strategy Group is responsible for:

- Conducting customer surveys,
- Conducting projects in order to improve service quality and resolving customer complaints,
- Receiving and resolving customer complaints,
- Executing enhancement projects to boost customer satisfaction,
- Conducting surveys to measure internal and external customer satisfaction,
- Correcting, preventing and ameliorating any current or future problems arising from the Bank's products and services via the DÖF (Corrective, Preventive and Remedial Actions),
- Conducting and controlling projects related to ethical banking,
- Regularly reviewing the Bank's organizational structure, building an effective organizational structure that meets the market and customer expectations in light of technological advances and establishing the optimal allocation of duties/responsibilities,
- Conducting permanent staff studies, ensuring operations are carried out by an optimized level of staffing,
- Conducting job grading studies, ensuring that posts are correctly positioned on the scale,
- Managing the authorization and workflow systems, designing workflows appropriate for the organizational structure and granting authorization in line with the job descriptions,
- Running the Quality Document Management System, ensuring the documentation is up-to-date and complete,
- Performing the works needed for ISO 10002 and EN 15838 quality certifications, and establishing an effective Quality Management System.
- The department provides information to the staff requiring assistance for banking system screens, and product and service features, while acting as the first point of contact in the event of problems faced by the employees in these fields.

Quality and Customer Satisfaction

Studies and surveys conducted in 2019 showed that Kuveyt Türk attained its targets in key areas such as service quality and customer satisfaction. The 74% staff participation rate in the Internal Customer Satisfaction Survey, which included questions on business, communication, and overall satisfaction, confirmed employees' trust in the Bank. According to the results of the Internal Customer Satisfaction Survey, the general average was 4.07 out of a possible 5 in 2019.

September 2019 marked the age of Artificial Intelligence in complaint handling, while more processes were digitized to boost customer satisfaction.

25%

The 25% reduction in complaints is a striking development for the 2019 accounting period.

The Mobile Branch and Complaint Handling Program are now fully integrated to achieve full digitalization in the customer satisfaction process.

Quality and Customer Satisfaction undertook the following activities in 2019:

- In 2019, at the ETİKA Competition where Ethical Values Association EDMER ranks companies according to their compliance with ethics-related criteria, Kuveyt Türk received the Ethics Award for the fifth year in a row, confirming its commitment to Ethical Banking principles.
- One day long, classroom-based ethical banking and service culture training for new recruits continued in an interactive manner.
- A work schedule was drawn with the Ethics Ambassadors selected from each unit and branch to help preserve and promote the ethical values and principles of the Bank, and a survey to compile the Ethics Ambassadors' ideas and suggestions was conducted as a first step.
- The Ethical Banking Survey was conducted for both internal and external customers to find out the Bank's Ethical Banking score.
- The Ethics Committee continued to hold meetings in 2019 and took significant decisions in the area of Ethical Banking. Actions were taken to establish permanent solutions on the employee entries to the Ethical Reporting System.

Taken on an annualized basis, Customer Complaints in 2019 recorded a significant decline of 25%. Among the main factors for the decline are the efforts towards correcting, preventing and remedying (CPR), and the improvements in customer satisfaction processes.

September 2019 marked the age of Artificial Intelligence in complaint handling, while more processes were digitized to boost customer satisfaction. The Artificial Intelligence application, which enables notifications to be classified and relevant workflows to be swiftly prompted, makes a difference in that it keeps on learning new classifications.

The Mobile Branch and Complaint Handling Program are now fully integrated to achieve full digitalization in the customer satisfaction process. This enhancement helped forward customer notifications to the resolution team instantly via the defined customer number, while allowing the customers to monitor the progress of their notifications on the Mobile Branch. Therefore, it contributed to customer satisfaction.

A template was designed to respond to over 200 customer queries, enabling more swift response to frequent requests from customers. In 2019, the average span of complaint handling actions undertaken by the Customer Satisfaction Center was 2.85 business days. Queries and suggestions by customers were resolved in 1.18 business days on average. Quicker response to customer questions and suggestions helped increase customer satisfaction.

Organization Development

A workload report was designed and deployed to measure the volume of transactions in a systemic manner for effective capacity planning within the operational departments of Kuveyt Türk. Thanks to this report, the operational workload at the OPM Group and other departments is monitored in real-time, requirements are identified quickly, and action is taken. The permanent staff model was revised and incorporated into the system to determine the branch sales staff.

An automatic revision process was designed and deployed to ensure that the documents in the document management system are revised annually. An automatic revision flow is now prompted by the system to help users to take action.

STRATEGY

The Product Support and Authorization Unit notifies relevant departments on the screen and process issues faced by the employees and helps them take necessary action.

As a result of the change to the Service Standard no. EN15838 on Customer Communication Centers, audits were conducted for re-certification. The Bank successfully passed these audits.

8,789

SCRUTINIES

8,789 scrutiny requests were met throughout the year.

Furthermore, a process was designed to assign reading tasks for necessary documents to newly-recruited, promoted or appointed users. The request for system enhancement to this end was submitted to relevant functions.

Internal audits were carried out within the scope of the certificates held by the Bank in accordance with the ISO 10002 Customer Complaints Management System and EN 18295 Call Center Management System standards, and action plans were drawn in areas of development. External audits were successfully completed ensuring the renewal of certificates.

As a result of the change to the Service Standard no. EN15838 on Customer Communication Centers, audits were conducted for re-certification. The Bank successfully passed these audits. Authorizations and users were revised on BOA and third-party applications. To achieve a performance improvement, system improvements were made to BOA authorization and reporting screens with authorized access.

Product Support and Authorization

Product Support and Authorization Unit provides information to the staff requiring assistance for banking system screens, and product and service features, while acting as the first point of contact in the event of problems faced by the employees in these fields.

The Product Support and Authorization Unit notifies relevant departments on the screen and process issues faced by the employees and helps them take necessary action. As such, the Unit makes efforts so that users can find permanent solutions and thus avoid running into the same problems. The Banking System (BOA) authorization definitions were made by the Product Support and Authorization Team in 2019.

The team made 60,320 telephone calls to assist the employees throughout 2019. 8,789 scrutiny requests were met throughout the year.

BANKING SERVICE GROUP

In order to efficiently manage the operational business processes of the Bank, which grows continuously in terms of branch number and transaction volume, the Operations Center undertakes investments to enhance its corporate capacity and workforce competence.

Kuveyt Türk Operations Center has been restructured to carry out the operational transactions of the corporate, retail and international banking groups in a coordinated fashion.

The Administrative Services Group comprises of the Administrative Services and Procurement Department (Procurement, Administrative Affairs and Communication Services), Construction and Real Estate Department and the Security Department.

Kuveyt Türk Operations Center has been restructured to carry out the operational transactions of the corporate, retail and international banking groups in a coordinated fashion. Directing its efforts to bring operations to the highest quality standards while minimizing operational costs, the Center comprises of Loan Operations, Banking Operations, Foreign Trade and Treasury Operations, Central Operations, Insurance, Payment Systems, Product and Customer Safety, and Call Center departments.

Managing business processes to improve work efficiency at Kuveyt Türk, and executing the necessary technology updates are also among the responsibilities of the Operations Center. In order to efficiently manage the operational business processes of the Bank, which grows continuously in terms of branch number and transaction volume, the Operations Center undertakes investments to enhance its corporate capacity and workforce competence.

ADMINISTRATIVE SERVICES GROUP DIRECTORATE

The Administrative Services Group comprises of the Administrative Services and Procurement Department (Procurement, Administrative Affairs and Communication Services), Construction and Real Estate Department and the Security Department.

Administrative Services and Procurement Department

The Department consists of Procurement, Administrative Affairs and Communication-Archive-Logistics Services, and builds and executes the Bank's supply and service processes.

Procurement: The unit is in charge of conducting a market analysis of goods and services required by the Bank, their supply in a timely, cost-effective manner and at the highest quality, storing purchased goods via Logistics Center and distributing them to the requested locations via the demand management system. As part of Procurement, Leasing and Logistics Service's activities, contracts are awarded in line with the projects drawn to ensure that the properties purchased or leased to provide new service points in line with the Bank's strategy are ready for service as required.

Procurement Management (Solicitation – Order – Supply – Invoicing) was transferred to the Bank's end-to-end ERP structure. Project work was undertaken for an e-tender software program and digitalization of procurement processes so as to ensure transparency, and easy follow-up and reporting of procurement processes from solicitation to delivery. IT-Konya R&D started working on the re-design of procurement processes and screens as part of this project. The project is planned to go live in the first quarter of 2020.

BANKING SERVICE GROUP

In 2019, tender processes for 3 regional directorates (one opening, two renewals), one call center (renewal), 16 new branches and XTM branches, and 13 offsite ATMs were finalized and they were engaged.

Travel and tourism services are extended by the Administrative Affairs Department for all staff including domestic and international flight tickets, accommodation.

Supply planning, inventory and shipment management for about 600 different products are conducted with a focus on efficiency at the Logistics and Archive Center spanning 4,500 square meters.

In order to optimize operational costs, contracts are made centrally with various suppliers, continually enhancing the quality of supply processes. Where possible, suppliers for maintenance and repair services were also merged, contributing to improved quality and reduced operating costs.

In 2019, tender processes for 3 regional directorates (one opening, two renewals), one call center (renewal), 16 new branches and XTM branches, and 13 offsite ATMs were finalized and they were engaged. Besides, 13 branches were relocated; 13 branches underwent comprehensive renewal, and 10 lobby XTMs were modified.

Supply planning, inventory and shipment management for about 600 different products are conducted with a focus on efficiency at the Logistics and Archive Center in Tuzla built on a 2,500 m2 plot with 4,500 m2 area under the direction of the Communication, Secretariat, Archive and Logistics Service.

The Communication, Secretariat, Archive and Logistics Service provides Bank's reception-registry-distribution processes for official authorities' notifications delivered by hand and mail-cargo-courier documents, all commission-committee level secretariat duties, official correspondence and notifications, private secretary services, fixed and mobile line operator services and archive services.

Some 29.961 individual subscriptions for our Bank's fixed and mobile phones, electricity, water and data lines are managed for uninterrupted service. 9,500 documents are managed on a daily basis centrally and dispatched by cargo, courier and mail without negatively affecting customer satisfaction in terms of shipping costs, and provide cost-efficiency.

The Administrative Affairs Service conducts and manages all general services required to support the seamless flow of banking activities including cleaning, travel, accommodation, food, food card, building facilities, transport, training and meeting rooms, catering, landscaping, vehicle fleet management, tea corner, car wash and chauffeuring. Miscellaneous services including a guest house, restaurant, cafeteria, gym, hairdresser, dry cleaning, tailor, etc. are also offered at the Banking Base and Leisure Campus, to ensure various needs of the employees are met on the premises.

Travel and tourism services are extended by the Administrative Affairs Department for all staff including domestic and international flight tickets, accommodation. At the same time, there is a 60-bed capacity guest house and 12 training halls and conference rooms available at the Banking Base. There are also transport services organized for the staff working at the Head Office and the Banking Base, the general cleaning and tea corner

Infrastructure and installation of 101 lobby ATMs at existing Kuveyt Türk branches were finalized.

service organized for the Regional and Branch Directorates, and the facilities services at the Banking Base including sports for healthy living, technical facilities, cleaning services and landscaping services conducted under the department.

In 2019, Kuveyt Türk Complimentary Food and Beverage Concept was broadened to include healthy snacks with tea and Turkish delight with coffee. Training courses were provided to the service staff at all locations. As a result of the evaluations made by the unit, 323 cars were purchased and put to use to replace staff and administrative cars with expired rental contracts in 2019. Within the framework of specified policies and practices of the Bank, further projects are carried out to improve and develop the service processes, ensuring that the needs of the employees are met and the services extended are satisfactory.

Construction and Real Estate Department

The Construction and Real Estate Department undertakes necessary work to rent, design, and execute the construction of new service points at selected locations in line with Kuveyt Türk's strategy. In 2019, one Innovation Center and 16 new branches were constructed. Over the course of the year, 13 ATM points came into service.

26 existing branches were either relocated or underwent a full renovation, while 3 regional directorates underwent partial renovations and lobby XTM service points were opened in 10 branches. Based on the requirements of branches or new business models, 30 branches underwent comprehensive renovations while 80 underwent partial renovations and improvement works. Infrastructure and installation of 101 lobby ATMs at existing Kuveyt Türk branches were finalized. 8,050 requests conveyed from branches into Branch Facilities unit over the course of the year were logged and resolved. The landscaping works spanning an area of 6,722 sqm, which is one of the Bank's social responsibility projects, were completed. The construction of the mosque at the Banking Base is ongoing. The extensive project, renovation and construction efforts continued at the Head Office in an attempt to upgrade the building at its current site. In addition to new branch inaugurations and renovations, the Construction and Real Estate Department continued its services and contributions in 2019 to realize the sales, marketing and business model development policies of Kuveyt Türk on the field.

Security Department

Security services are provided with private security officials having the required technical and tactical knowledge and high business discipline and keeping up with developing technology in order to maintain the security of service point in duty zones and Bank service points within the legal coverage by considering customer satisfaction.

OPERATIONS GROUP DIRECTORATE

Kuveyt Türk Operations Group Directorate coordinates activities of Banking Operations Department, Foreign Trade and Treasury Operations Department, Credit Operations Department, Central Operations Department, and Payment Systems Department.

Banking Operations Department Insurance Transactions Unit:

The unit provides policy issuance, renewal, addendum operations (Changes-Cancellations) and pursuance of claims for insurance policies both associated with loans extended by Kuveyt Türk, or those outside the scope of Bank loans. In its insurance operations and contracts, the Bank cooperates with Neova, the only insurance company in Turkey that carefully complies with participation insurance principles known as "takaful" in this field. The Bank's collaboration with Neova Insurance, dating back to 2010, was further deepened in 2019.

BANKING SERVICE GROUP

With its innovative approach to interest-free insurance, modern and technological investments, and customer-focused service approach, Kuveyt Türk continued to expand its range of products and services offered through Katılım Emeklilik in 2019.

Kuveyt Türk caters to customers' insurance needs with a wide range of collaterals and alternative product packages through the exclusive services of Neova Sigorta and Katılım Emeklilik.

1.2

(TL BILLION)

The size of Private Pension Funds Katılım Emeklilik built through Kuveyt Türk rose to TL 1,164 million.

Kuveyt Türk focuses on meeting all the needs and expectations of its customers in the field of finance in accordance with interest-free banking principles. In collaboration with Neova Insurance and Katılım Emeklilik, Kuveyt Türk provides customers a rich warranty structure and alternative product packages for their insurance needs. In 2019, insurance premiums generated by Neova Insurance via Kuveyt Türk reached approximately TL 211 million.

With its innovative approach to interest-free insurance, modern and technological investments, and customer-focused service approach, Kuveyt Türk continued to expand its range of products and services offered through Katılım Emeklilik in 2019. The insurance premiums generated by Katılım Emeklilik through Kuveyt Türk reached TL 53 million in 2019. Furthermore, the size of Private Pension Fund which Katılım Emeklilik built through Kuveyt Türk rose to TL 1,164 million. There was a 26% increase in premiums in the non-life branch and a 60% increase in the life insurance branch.

Insurance sales of the Call Center backed by the Insurance Transactions Unit surged on a YoY basis, and the range of target customers was expanded. Thanks to product briefing and sales activities performed, the Call Center became a new channel for insurance production. Throughout 2019, the Call Center produced a total TL 6.7 million in premiums. The Bank earned approximately TL 850 thousand in commission revenues from these sales.

In 2019, as a result of Kuveyt Türk's analysis of customers' insurance needs:

- For the valuation of the Bank's insurable properties, agreed appraisal activities were performed.
- Work was performed for insurance sales via alternative distribution channels. Within this scope, customers were allowed to buy PPP and Personal Accident insurance products on the Internet and Mobile branches. The Bank reached the final stage in efforts to begin the sales of Mandatory Earthquake Insurance, Home Package Insurance, Motor Insurance, Mandatory Traffic Insurance, Voluntary Pecuniary Liability Insurance, Supplementary Health Insurance and Travel Health Insurance products on these channels.
- Personal Accident Insurance for the Elderly, Full Support Personal Accident Insurance, Guest Insurance, Critical Diseases for Women, Supplementary Health Insurance and Full Participation Insurance issued by Katılım Emeklilik went on sale.
- Solar Power Plant Package Insurance issued by Neova was also offered for sale.
- The number of people working under the Neova Insurance Technical Support Team, operating at the Bank to provide technical support for Neova's insurance products, was increased; the scope of services offered by the team was expanded. In order to respond to branches' technical support requests quickly, Neova Insurance Support Line was established to provide technical support and claims support.

2.4

TONS

The gold sent to and received from the branches in the group amounted to 2.4 tons.

Under the Lobby ATM Project, the ratio of teller transactions dropped from 39% to 11% as of the end of 2019; lobby ATMs were installed at 300 branches.

The goals of Insurance Transactions Unit for 2020 are as follows:

- The Unit plans to boost sales and diversify the products at the Call Center.
- Transactions falling under the scope of the Robotic Project will be performed automatically.
- Training programs aimed at improving the technical and sales skills of the branch staff will continue to run.
- Further screen enhancements will be made to ensure services for all the insurance products are delivered in a simpler and faster manner.

Branch Coordination Service: Performing various functions including system developments, process enhancements and establishment of business standards at branches aimed at boosting operational productivity in line with the corporate strategy, the Branch Coordination Service plays an active role in administering counter and other operations at branches, ensuring assignment of optimum staff levels based on branch workload analysis, developing the knowledge and competencies of operational staff, and providing temporary support staff to branches.

The Service supports the efforts aimed at the dissemination of the New Branch Business Model across branches. The pilot branch application of the Retail/Counter concept continued with a customer-oriented operational approach. In 2019, the transformation process was completed at a total of 63 branches.

Under the Lobby, ATM Project launched by the Branch Coordination Service in 2015, the ratio of teller transactions dropped from 39% to 11% as of the end of 2019; lobby ATMs were installed at 300 branches. In order to reduce documentation workload and archiving costs at the branch under digitization efforts, activities to receive and store application documents and forms in digital channels continued.

Cash Operations Unit: The Cash Operations Unit meets Kuveyt Türk branches' need for banknotes and precious metals in the group. The unit serves 178 branches in Istanbul and 250 branches and retail branches elsewhere in the country. In addition to meeting the hard cash delivery and receipt requests from the branches, the Service also executes the transfers of KT gold grams, gold and silver bullion. Furthermore, it draws the official documentation for overseas foreign currency transfers by the Treasury Department, as well as the preparation and delivery thereof to the designated shipping company.

- In 2019, 146 million banknotes were counted in the main vault located in Istanbul, collected in group transactions at Istanbul and Anatolian branches.
- The gold sent to and received from the branches in the group amounted to 2.4 tons.
- The volume of physical FX dispatch overseas amounted to USD 2.3 billion and EUR 1.2 billion.
- The Service joined the Decentralized Cash Management (DCM) project of the Turkish Central Bank in 2019, aiming to deliver the cash collected from branches in the group to the Treasury Department more quickly.
- As part of the Bank's digitalization drive, the Cash Operations Service started to submit notifications for the Cash Management System of the Turkish Central Bank under the Robotics project.

OPC Business Development Service: The OPC Business Development Service works to ensure that the processes of units under the Operations Center are more efficient, accelerated, digitized and that OPC service standards are specified in line with corporate strategies, as well as carrying out activities to enhance internal and external customer satisfaction.

Its main priorities include reviewing the OPC processes to conduct the necessary work-efficiency analyses, determining and prioritizing the improvements and upgrades, devising projects to boost efficiency, and implementing them. The efforts

BANKING SERVICE GROUP

As part of the new Fund Extension Project, infrastructure was developed to enable fund extensions upon mobile confirmation, without the need for a signature or stamp.

The printing, archiving and paper costs of 17 documents and receipts were calculated and risk analyses were performed based on transaction amounts under the paperless banking project.

The OPM Business Development Service takes part in various strategic projects as a stakeholder to determine and implement the service standards of the Operations Center Group in line with corporate strategies.

underway involve data processing, generating projections with an analytical approach, and establishing a systemic reporting infrastructure. The OPM Business Development Service takes part as a stakeholder in various strategic projects to determine and implement the service standards of the Operations Center Group in line with corporate strategies and undertakes initiatives outside the scope of such projects. Actions taken and benefits attained under these projects include:

- The printing, archiving and paper costs of 17 documents and receipts were calculated and risk analyses were performed based on transaction amounts under the paperless banking project.

- As part of the XTM Business Model project, workloads and distribution of tasks were analyzed; XTM performance analysis was performed.

- As part of the new Fund Allocation project,

- Infrastructure was developed to enable fund allocations upon mobile confirmation, without the need for a signature or stamp.
- BOA ONE helped establish a structure allowing loan applications to be made 24/7.
- Mail/SMS communications were introduced to replace calls made to the seller for orders and to the customer for proxy letters.
- As for projects involving advance payments, transactions pending at the Credit Operations were eliminated, enabling payments to be made quickly.
- A structure was designed to allow the branch to choose the payment method of its choice (Payment to Temporary Account - DBS Payment - Check Payment).
- The branch and the customer can now manage the progress of a project via BOA ONE.
- The system, which learns customers' trade behaviors, was devised to facilitate decision-making processes.
- The support decision system offers a flexible framework that allows exceptions to be managed and new decisions to be implemented instantly.
- As for orders, Advance Payment Instructions are no longer requested from the seller.

- As part of the ATM Business Model project, the "BOA ATM Availability Dashboard" report allowing ATM-based tracking was drawn and the report's BOA integration was completed. The report enabled availability rates to be tracked by ATM, location and brand. Also displaying terminal data, the report allows downtimes in minutes and percentage for each ATM.

- As part of the Robotics project, relevant processes at the Operations Center were examined and analyzed. Capacity and efficiency analyses were performed on the services migrated to the application infrastructure. These services include cash operations, subsidized transactions, contracted merchant services, institution collections, and Senin Bankan.

In 2019, the number of transactions performed by Foreign Trade Operations grew 27% year-on-year.

Treasury Operations Unit operates through three subdivisions: Foreign Exchange and Money Market Operations, EFT and Capital Markets Operations, and Precious Metal Operations.

- As part of the Operational Level Agreement (OLA), which sets forth a time commitment for average minutes required to resolve the tasks assigned by branches to the Operations Center, branch staff is now informed of operational processes in a more transparent manner. OLA went live at Central Operations, Banking Operations, and Foreign Trade and Treasury Operations departments.

- As part of the ABBYY project, under which data entries are made by the system, applicable processes at the Operations Center were analyzed. The project has been implemented at the Official Correspondence Service. Transaction orders, entries of invoices regarding fund allocations, and insurance data entries will be among the priorities of the project in 2020.

- As part of the customer conversion project, analyses were made on the information and documents with respect to necessity, system controls, updates and occupancy rates.

- Under the OPM Communication project:

- Directorates shared periodic infographics to update all stakeholders and the Senior Management on developments.
- The monthly OP Media bulletin updates all Operations Center Directorates and relevant stakeholders on projects and enhancement work to ensure continuity of the flow of information.
- Thanks to the branch rotation activities, OPM employees had the chance to experience branch processes on-site for a period of one week.
- The OPM rotation practice allowed branch employees to experience Operations Center processes for a period of one week.
- Operations Center employees made presentations under the theme "You Can Be Yourself," updating their colleagues on topics including personal development/ arts/digitalization/banking, etc. once a month.
- The cultural "Contest at Work" organized once every week increased interaction among employees. Winners were presented gifts to boost their motivation.

Treasury and Foreign Trade Operations

Some of the responsibilities of the Department include banking transactions related to import, export and external guarantee transactions, incoming and outgoing foreign currency transfers of Bank customers, controlling and supervising EFT and SWIFT systems as well as performing foreign exchange, precious metals, CBRT, BIST, Central Registry Agency (MKK) and Takasbank transactions.

Comprising Transfers, Collections, Letters of Credit and External Guarantee Units, the Foreign Trade Operations Unit is responsible for banking services involving cash-in-advance exports, foreign exchange transfers, cash against documents, letter of guarantee and External Guarantee transactions, as well as correspondent bank services for vostro accounts.

In 2019, the number of transactions performed by Foreign Trade Operations grew 27% year-on-year. As a result of digitalization efforts undertaken by the Department, 70% of transfer transactions were shifted to digital channels. 2020 is expected to give further momentum to digitalization activities. In September 2019, Kuveyt Türk joined the SWIFT GPI system, which guarantees speed and traceability in FX transfers and transparency in costs. The Bank aims to make the application, SWIFT Global Payment Innovation (SWIFT GPI), available for customers on mobile digital platforms/channels.

Treasury Operations Unit operates through three subdivisions: Foreign Exchange and Money Market Operations, EFT and Capital Markets Operations, and Precious Metal Operations. Since the Unit also incorporates the EFT Center, it also conducts control, reconciliation and development activities for the EFT, RPS (Retail Payment Service-PÖS) and EST (Electronic Securities Transfer-EMKT) systems.

BANKING SERVICE GROUP

Under the incentive transactions service, BOA integration with e-custom declarations was completed to enable online document closure procedures for exporters and Eximbank projects.

The new Fund Extension project, which involves the digitalization of extension processes, was launched as a pilot at 17 branches.

22%

INCREASE

The number of treasury operations under the Foreign Trade and Treasury Operations Department increased by 22% year-on-year in 2019.

The number of operations conducted by the Foreign Trade and Treasury Operations Unit increased by 22% in 2019 compared to the previous year. In addition to the finalization of the e-seizure project for securities, the first Sukuk issue denominated in gold was performed also in 2019.

Kuveyt Türk aims to conduct the ELUS-TURSIB integration activities and list hedge funds on TEFAS in 2020, acting in coordination with the Treasury Operations Unit.

Credit Operations Department

The Credit Operations Department conducts operations relating to retail, SME and corporate finance facilities, subsidized lease transactions, and guarantee letters in line with Kuveyt Türk's business principles and legal regulations. In 2019:

Corporate and Commercial, SME and Retail Credit Operations conducted the following:

- "Credit Operations Information Service," established to respond to branch inquiries and information requests about fund allocations, continued to deliver comprehensive services to branches with increased staffing.
- The new Fund Extension project, which involves the digitalization of extension processes, was launched as a pilot at 17 branches.
- Alignment with the Participation Banks' Central Invoice Registry System (KBMFKS) was finalized, which helped prevent repetitive fund allocations among participation banks.
- The operational processes regarding DBS transactions were taken over from the Transaction Banking department.
- The pilot stage of Unconfirmed Supplier Finance transactions was launched at five branches. The aim is to carry out the operational processes of such transactions at the Credit Operations Unit.
- The pilot stage of Export Finance transactions was launched at two branches. The aim is to carry out the operational processes of such transactions at the Credit Operations Unit.
- Retail Credit Operations continued to conduct process improvement and development activities in 2019.
- A large number of branches and customer visits were made, and information was provided on the Bank's principles and practices.

Subsidized Transactions and Leasing Service: Under the subsidized transactions service, BOA integration with e-custom declarations was completed to enable online document closure procedures for exporters and Eximbank projects.

- Upon the integration with the Electronic Incentive Implementation and Foreign Investment Information System (E-TUYS), opening and closure procedures for the projects involving investment incentive certificates are now performed via the system.
- Leasing System Enhancement activities are ongoing.
- Subsidy process improvement and enhancement activities are ongoing.

The availability of contactless purchases at POS devices was expanded to 94%.

945

ATMs

There are 945 ATMs in total as of the end of 2019.

Letter of Guarantee Service:
The service is in charge of checking and approving letters of guarantee and letters of reference issued by the Bank for compliance with the legislation, corporate principles and fund allocation decisions; providing Head Office confirmation letters for the letters of guarantee and letters of reference; and entering into the system the letters of guarantee and letters of reference conveyed by the branches. Letters of Guarantee will continue activities as a Service Unit under the umbrella of Credit Operations.

Tender guarantees and letters of reference issued under public tenders are now being transferred to the EKAP system electronically. Electronic transfers of letters of guarantee addressed to public and private organizations with integration into the ETMP system developed by KKB have also begun.

Payment Systems Department
ADC Operations, Card/Clearing Operations and Expense Disputes, Corporate Collections and Reporting are the three units operating under the Payment Systems Department. The System Monitoring Team under the Payment Systems Department started to operate under the Product and Customer Security Department on August 1, 2019.

ADC Operations: Conducts services for member merchants (POS), and ATM/XTM operations.

Merchant Services: In 2019, top levels of customer satisfaction were achieved through higher response rates in POS installations and in troubleshooting.

Key activities conducted under Merchant Services in 2019 are as follows:

- The team signed service contracts with external companies (Turkcell, Arçelik-Beko, Profilo, Teknoser, Hugin, etc.) and made invoice reconciliations.
- The availability of contactless purchases at POS devices was expanded to 94%.
- The number of CebimPOS terminals reached 26,814, up from 11,042.
- POS Field Dashboard Report (Efficiency & Operability) by region/branch was brought into service on BOA.
- Commercial images and visuals on the screens of mobile and fixed POS devices were redesigned.
- 4,000 mobile and 3,000 fixed POS devices were included in the stocks, while 2,117 devices which completed their lifecycle were removed from the stocks.
- KT Robot helped adopt daily Problematic Call Automation.
- The training was delivered on processes regarding regional POS transactions via Skype Meetings.
- Dial-Up POS system was shut down, 700 existing POS devices were replaced with mobile and ADSL versions to provide higher quality in services.
- Deals on cash register POS field services were made and managed with cash register firms.
- 2,100 idle Turkcell lines were detected and terminated to cut down expenses.
- New screens were designed under the POS/Card transformation project; user tests were commenced to provide full-time support to the project.

ATM/XTM Operations: The unit manages a total of 945 installed ATMs of which 578 are branch-based, 69 are off-site ATMs, and 298 are lobby ATMs. The number of XTMs is 82.

The key improvements regarding ATM/XTM operations in 2019 were as follows:

- ATM Digital Lock project;
- PVIM project and ATM Troubleshooting and Process automation;
- Active monitoring of the field through Proview updates;
- Up-to-date images;
- Desmer integration;
- Cyberark integration;
- Preparation of an infrastructure to enable Forex recycling.

BANKING SERVICE GROUP

Branch and digital channels are in charge of management and operations of a total of 23 products including invoice collections for 156 contracted institutions, tax collections, and social security premium collections.

An Acquirer and Issuer analysis report structure was developed for Expense Disputes via PowerBI.

In 2019, the BTH transition for the Interbank Card Center was finalized.

Card/Clearing Operations and Expense Disputes: The unit deals with operations involving Card/ Clearing and Expense Disputes.

Card/Clearing Operations Unit: The Card/Clearing Operations Unit manages operational transactions for debit and credit cards, as well as setting up parameter definitions for card systems management, conducting daily clearing and accounting transactions with BKM-VISA and MasterCard companies, and providing reports for government agencies concerning card payment systems.

The following projects were conducted under the Card Bartering Operations in 2019:

- Obertur MChip Advance transition was completed; Mastercard chip infrastructure changed entirely. Central and instant card printing enhancements were undertaken. To prevent the existing stocks at branches from being disposed of, the branch-based chip transition was implemented incrementally to ensure optimum management of stocks.
- Visa 3D Secure 2.0 project was finalized.
- The BTH transition for the Interbank Card Center was finalized.
- A new debit card for Mastercard was developed.
- Four members of the staff took part in the efforts regarding the card-POS conversion project.

Expense Disputes: The unit examines the challenges brought by customers regarding Kuveyt Türk debit and credit cards, and conveys any expense dispute records to relevant institutions in line with BKM, VISA, and MasterCard rules.

The unit undertook the following projects in 2019:

- E-mailings to the Card (Issuer) and POS (Acquirer) on expense disputes and follow-up transactions were migrated to the "MI4BIZ" screens used by the Customer Satisfaction Team. The migration enabled transactions to be monitored and recorded as per customer number. It also helped notify the disputing customer, the branch and Head Office functions simultaneously.
- Before the Mastercom Claims Manager Migration (April 2020), proper forwarding and receipt of TQR4 clearing files were successfully tested, with the infrastructure being ready and available for such processes.
- An Acquirer and Issuer analysis report structure was developed for Expense Disputes via PowerBI.

Corporate Collections and Reporting: The Department manages public and private organizations' collections and integration processes, Analytical Reporting and Certification, and API banking operations.

Institution Collections: Branches and digital channels are in charge of management and operations of a total of 23 products including invoice collections for 156 contracted institutions, tax collections, and social security premium collections. Institution Collections are also in charge of integration and operations involving third party API Banking (Open Banking) institutions.

3,5 Million

CUSTOMERS

In 2019, 38% of the incoming customer calls were replied by customer representatives at the Call Center, which served over 3.5 million customers.

The number of hearing-impaired customers who received services in 2019 equaled 1,801.

Reporting and Certification:
Established under the Payment Systems Directorate in 2019, the Unit manages card, POS, ATM business developments, and certifications by regulatory authorities. Reporting draws up admin or operational reports on the products involving payment systems and analyzes product data.

Certification is in charge of system and product certifications as per regulatory authorities including the Interbank Card Center, MasterCard, and Visa.

CALL CENTER DEPARTMENT

Call Center Operations and XTM Central Operations constitute the two main units operating under the Call Center Department.

Call Center Operations Service:
Kuveyt Türk Call Center operates in four different locations; namely Kuveyt Türk Banking Base, Ankara Balgat DRC and Call Academy, Konya Call Academy and Izmir Call Academy. It also serves its customers 24/7 in three languages; Arabic and English, as well as Turkish.

Among the activities conducted at the Call Center are Telephone Banking, support services, credit card and insurance policy renewal and sales services, customer satisfaction line, Senin Bankan, and private banking services.

In 2019, 38% of the incoming customer calls were replied by customer representatives at the Call Center, which served over 3.5 million customers. 61.67% of the incoming calls were resolved in self-service channels. Over the year, the number of banking transactions performed via the Call Center reached 101,456. The annual value of banking transactions came in at TL 548 million.

XTM Central Operations Service:
Based in Kuveyt Türk Banking Base as well as Konya, the XTM Center provides video chat services in Turkish, Arabic, English, and in sign language for the incoming video chat calls from retail branches and in-branch lobby XTMs.

In 2019, the number of incoming video calls to the XTM Center increased by 68% to reach 195,716. Some 45% of incoming calls were answered within the first 10 seconds.

The number of hearing-impaired customers who received services in 2019 equaled 1,801. The XTM Center started to receive account opening contracts online via XTM devices. Throughout 2019, 11,832 contracts were received online, which saved a total of 308,550 paper documents.

Call Assessment and Training:
Kuveyt Türk Call Assessment and Training Service monitors and reports the services and practices of the Call Center Department in terms of quality and process while taking action if and when required. The Service provides support regarding training and service provision quality at all Call Center locations. It also measures customer experience, conducts and reports monthly surveys and takes necessary action in the light of survey findings.

Through the Speech Analytics program, the Service analyzes the incoming calls and emotional behavior of the customer, measures key performance indicators, organizes service and call center courses to improve quality management, and provides onboarding and follow-up training to customer representatives.

According to the Satisfaction After Call Survey, conducted with 78,383 customers in 2019, the satisfaction score stands at 4.37. The Call Center provided 12,598 hours of training in 2019. The Center holds the ISO 18295 "Customer Relations Center Management Certificate," which is a management system in compliance with the Customer Communication Centers Management Standard.

BANKING SERVICE GROUP

Over the course of 2019, official correspondence entries reached 230,446, collateral entries reached 194,262, check entries 844,670 and bond entries 238,623.

The number of collaterals at Kuveyt Türk branches grew 42% year-on-year as of 2019.

173,922

BONDS

The number of bonds collected through branches and correspondent banks reached 173,922.

The goals of the Call Center for 2020 are as follows:

- Video chat services are planned to be provided through the Mobile Transaction Center on the mobile app.
- The voice IVR system, the project of which is currently ongoing, is aimed at enabling customers to receive voice instructions instead of typing numbers for the transactions performed at 444 0 123. Another plan is to launch Voice Signature, which will help customers perform certain transactions securely via Voice IVR.
- Ongoing projects include a chatbot and written chat. The aim is to help customers receive information and services via these channels in 2020.

CENTRAL OPERATIONS DEPARTMENT

The Central Operations Directorate comprises of Central Account Opening, Official Correspondence, Senin Bankan, Clearing and Data Entry, and Transaction Orders services.

Data Entry and Transaction Orders Service: The Data Entry Service and Transaction Orders Service were merged in August. The Service checks the images of the data entry transactions for checks, promissory notes, collaterals and other official correspondences sent by the branches over the BOA system in terms of form requirement and enters the information into the system. In 2019, official correspondence entries reached 230,446, collateral entries to 194,262, check entries to 844,670 and promissory note entries to 238,623.

The number of collaterals at Kuveyt Türk branches grew 42% year-on-year as of 2019. As more customers were redirected to digital channels, the Transaction Orders conveyed to the Center dropped.

Clearing Service: The number of checks issued to customers after clearing the limit/risk checks of the Bank's approval mechanisms reached to 885,220, the number of other banks' checks submitted for clearing reached to 580,622 and their sum to TL 20,25 billion; the number of Kuveyt Türk checks collected via clearing was 467,079 and their sum TL 17.83 billion; the number of other banks' checks in foreign currencies sent to collection via clearing was 11,897, and their sum USD 345,8 million, the amount of Kuveyt Türk checks drawn in foreign currencies received via clearing reached to 17,478 and their sum to USD 491.7 million.

The number of promissory notes collected through branches and correspondent banks reached to 173,922 and their sum TL 1.87 billion

Central Account Opening Service: It provides operational support for customer identification processes for real/legal persons who are foreign nationals and for Association/ Foundation Accounts. As of February 2019, International Blacklist Checks came under the responsibility of the Central Account Opening service.

At the Senin Bankan Branch, deposits rose to TL 1.3 million and customers amounted to 166,000 in 2019.

Senin Bankan Customer Relations Representative Field Team performed distribution activities with 67 people in 16 provinces.

Official Correspondence Service: It is in charge of responding to all official papers sent to the Head Office and branches by KEP (electronic mail), E-Notification and postal mail, archiving them electronically, as well as controlling and responding to the packages coming from the GİB, SGK, Customs and the E-Seizure systems of SDIF.

Senin Bankan: Senin Bankan conducts operations for Kuveyt Türk's digital platform.

The functions performed by the Senin Bankan Branch are as follows:

- Processing customers' account opening applications submitted via www.seninbankan.com.tr,
- Responding to requests or complaints conveyed by Senin Bankan customers via the Call Center or Customer Satisfaction channels,
- Coordinating Customer Relations Representatives Field Team,
- and monitoring couriers, making transaction checks, managing courier operations as per contracts made with courier firms.

Deposits rose to TL 1.3 million and the number of customers to 166,000 on Senin Bankan in 2019.

In 2019, under the Department,

- Seizure letters from Enforcement Offices, Municipalities, etc. were automated.
- EFT transactions with Official Authorities were incorporated into the business process through RYS screens.
- Senin Bankan Customer Relations Representative Field Team performed distribution activities with 67 people in 16 provinces.
- Three Senin Bankan operational processes were handed over to the robotic process.
- Official Correspondence and Seizure Letters were started to be introduced to the system via ABBYY FineReader.
- Vehicle Pledge Data Entry processes were significantly automated thanks to the QR code enhancement.
- In cooperation with Compliance, the time required for approvals after International Blacklist Checker procedures were shortened through systemic filtering.

The Service has the following objectives in 2020:

- Ensuring integration with the e-seizure system for electronic processing of the seizure letters sent by the Ministry of Justice,
- Forwarding the letters submitted to the Official Correspondence Service to the relevant business units through the banking application,
- Expanding the Senin Bankan Customer Relations Representative Field Staff to 120 people,
- Automation of all types of official correspondence through ABBYY FineReader,
- Digitization of mortgage procedures through e-mortgage via a Web Service between the Land Registry Offices and Kuveyt Türk,
- Development of Systemic Control Mechanisms for the restriction of banned countries and for the requirement of a foreigner ID number in account opening procedures,
- Development of fraud detection and identification methods for passports and ID cards.

PRODUCT AND CUSTOMER SECURITY DEPARTMENT

The Product and Customer Security Department was established in July 2018 in order to address the security issues growing in tandem with technological developments and digitalization with a clear focus on preventing external fraud attempts aimed at Kuveyt Türk products and customers, combating them more effectively and taking any measures necessary.

Product and Customer Security Department also heads the External Fraud Committee within the corporate structures. Within the scope of its activities, the External Fraud Committee along with its committee stakeholders evaluates the fraud risks and identifies actions regarding the fraud trends by taking precautionary measures against threats constituting a potential risk for Kuveyt Türk and

BANKING SERVICE GROUP

As a result of the studies on SMS OTP verifications regarding debit card transactions at ATMs, verification was prompted for only those transactions with higher risk exposure, rather than pursuing verification for every transaction above a specific amount.

Activities were conducted to update the codes of practice regarding the risks arising from transaction orders and make necessary communications within the Bank.

222

PROJECTS

222 projects were completed on the Core Banking Software Platform and digital channels in 2019.

assesses the workflows or system improvements on new and existing products in terms of fraud risk. Convening regularly every month, the External Fraud Committee presents reports of its activities to the Supreme Committee on Fraud every six months.

In order to bolster anti-fraud structures the following activities were undertaken in 2019:

- An anti-fraud module to detect fraud in incoming SWIFT transactions was launched.
- The first phase of system enhancements aimed at preventing external fraud attacks made via branch channels commenced.
- As for anti-fraud, areas for Bank-wide improvement were identified and efforts undertaken through the Fraud Roadmap Project.
- The project involving the suspension of transfers considered risky at an interim account for a specific time period as per fraud scenarios was completed.
- As a result of the studies on SMS OTP verifications regarding debit card transactions at ATMs, verification was prompted for only those transactions with higher risk exposure, rather than pursuing verification for every transaction above a specific amount.
- Activities were conducted to update the codes of practice regarding the risks arising from transaction orders and make necessary communications within the Bank.
- As part of the International Fraud Awareness Week on November 17-22 2019, daily communications were released to raise corporate fraud awareness.

The following projects are scheduled under the Product and Customer Security Department in 2020:

- In addition to rules-based fraud scenarios, studies on channel-based analytical models to create risk scores as per customer's past behaviors were launched. The plan is to deploy, first and foremost, the analytical model developed by the Fraud Data Analytics Service in 2020.
- Efforts are underway for the integration of Safer Payments by IBM, with plans to use the product in fraud examinations for the digital channels in 2020.
- Working in close cooperation with all corporate stakeholders to minimize external fraud risks in transactions performed via the branches, the Department works to take corrective measures regarding system infrastructure, codes of practice and policies. Within this scope, the aim is to finalize the Fraud 360 project in 2020.
- Investments will be made in new, effective anti-fraud technologies, including ID/passport identification, devices designed to prevent copying of cards at ATMs, facial recognition systems, and mobile video chat tools.
- Communication throughout the year ahead will help raise corporate awareness of anti-fraud activities.

Throughout 2019, a total of 22 startups were supported over the course of two periods by the Lonca Entrepreneurship Center and some 80 entrepreneurs benefited from the program.

93%

In 2019, the satisfaction level with the resolution of incoming calls reached 93%.

INFORMATION TECHNOLOGIES GROUP DİRECTORATE

Kuveyt Türk Information Technologies operates in close alignment with the Bank's strategies and goals. The Department's mission is to provide efficient, usable, high quality and performance-focused IT solutions; conduct research and development activities; and develop innovative, unique products with advanced technology infrastructure.

In line with the Bank's strategies, 222 projects and enhancements as well as 2,497 modification tasks were completed over the Core Banking Software Platform and digital channels and brought live in 2019. In 2019, 36,273 incidents and 23,789 service requests from end-users were closed and as a result of the call reduction initiatives, calls were reduced by 21% compared to the previous year. Call resolution satisfaction reached 93% and approximately 80% of incoming calls were resolved at IT-Service Desk. Furthermore, a more proactive approach was adopted to resolve audit findings for systems, helping to ensure that 30% of audit findings were resolved before the deadline. Checkpoints within the scope of the quality assurance control activities were increased significantly, and the deficiencies detected were monitored regularly.

Following Refactorhon and Bugfixathon held in February, hackathon events were organized where maintenance of BOA codes was performed and bugs detected in tests were fixed. These events helped 58% of existing bugs be resolved and enabled swift improvement.

Necessary action was taken and authorizations were granted to ensure that the key business tasks on BOA application are monitored on a 7/24 basis in order to avoid business process disruption in case a task error occurs on a BOA application related to systems affecting critical business processes. IT System Monitoring Management Service pursues proactive resolutions. While increasing the number of applications where critical systems are monitored, the Service performs end-to-end monitoring 24/7 for all the critical business processes of the Bank through 11 applications. As a result of discussions between IT System Monitoring Management Service and other IT departments and business units, the monitoring coverage for critical business systems was increased to 98%. The only bank in Turkey that has two R&D Centers, Kuveyt Turk Participation Bank continued successful activities in 2019 and maintained the title of the oldest R&D Center in the banking and finance sector.

Kuveyt Türk R&D Center makes significant contributions to university-industry cooperation. In this context, the Bank's expert executives give lectures for undergraduate and graduate courses at Gebze Technical University, Istanbul Technical University and Kocaeli University. Under industry-university cooperation with Sabancı University, three joint graduation projects were organized for students.

Partnerships with universities and R&D projects supported by the European Union and TÜBİTAK create added value for the Bank as well as Turkey. In this framework, a total of 31 R&D projects (27 of which were funded from internal sources and four through incentives) were generated, as a result of which 26 scientific publications were released. Moreover, 42 Kuveyt Türk employees were granted graduate training support.

Throughout 2019, a total of 22 startups were supported over the course of two periods by the Lonca Entrepreneurship Center and some 80 entrepreneurs benefited from the program. A total of 22 enterprises were provided close to 30,000 hours of work at 16 different locations in 4 provinces in the context of the multi-location incubation center service provided. TL 540 thousand as cash donations were provided to support startups in preparing their products throughout 2019. More than 400 mentoring meetings were arranged with more than 100 mentors in the mentoring network. The training curriculum covered numerous topics including product and strategy development, digital

BANKING SERVICE GROUP

In order to help the Customer Satisfaction Service classify incoming customer notifications easily, Kuveyt Türk Mobile Branch and Senin Bankan Mobile app were integrated with Mi4Biz.

In 2019, the Senin Bankan Mobile app went live as an exclusive service for Senin Bankan customers.

80

(USD THOUSAND)

The number of services received from local and international cloud systems equaled USD 80 thousand.

marketing, customer experience, and presentation techniques in 25-day terms. The Bank met the accommodation and travel expenses for four startups to attend overseas events, including CES Las Vegas, Google I/O San Francisco, and BettShow London. During this period, more than USD 80,000 worth of support was received from domestic and foreign cloud systems and PR support provided stood at almost TL 250,000. Some 500 people attended the 2nd Demo-Day, which contributed to the promotion of such enterprises.

Some of the key projects undertaken by Information Technologies in 2019 include:

Speech Analytics Project: It involves important findings on calls recorded at the call center, customer satisfaction, likelihood of lost customers, customer representative performance, and campaign efficiency. The project is intended to automatically transcribe all the calls at the Call Center by making voice analysis and perform statistical analyses on them. The project improved the performance of customer representatives and call quality.

Mobile Branch Customer Satisfaction Integration: In order to help the Customer Satisfaction Service classify incoming customer notifications easily, Kuveyt Türk Mobile Branch and Senin Bankan Mobile app were integrated with Mi4Biz. Without the need for a roll-out, customers are able to choose among the categories instantly opened by the service and attach files to their notifications. The integration enabled customers to monitor the response status of their notifications. Customers are now able to reach customer satisfaction teams faster, while customer satisfaction teams have the convenience of classifying notifications (complaint, suggestion, appreciation, etc.) easily.

Senin Bankan Mobile Branch: In 2019, the Senin Bankan Mobile app went live as an exclusive service for Senin Bankan customers. Kuveyt Türk made design and functionality changes to the application, setting Senin Bankan apart from the mobile branch. These design changes include the alignment of Senin Bankan Mobile Branch with the vectoral design patterns on the Senin Bankan website and updates and enhancements in themes and colors. Functional changes include the display of exchange rates offered exclusively for Senin Bankan customers, and listing of Turkuaz accounts at the time of account opening procedures.

Menu for Money Transfers to KT Bank AG: Forex transfers to KT Bank AG via the Internet and mobile branches were compiled under a new menu with more convenient commission fees. No corresponding bank fee is charged for the transactions performed there.

Mobile Branch Personalized Left Menu: Kuveyt Türk customers are now able to adjust the left menu of the Mobile App in the fashion they wish. They can change the list of core transaction sets and carry the frequently used menus to upper places in the list. Furthermore, the extensible menu feature contributed to a more simplified sign-in screen, eliminating its former cumbersome design.

The Bank aims to enable customers to use chatbot, AI and natural language processing technologies to interact with the Bank as if they were speaking with a real person.

Kuveyt Türk customers are now able to adjust the left menu of the Mobile App in the fashion they wish.

Chatbot Project: The Bank aims to enable customers to use chatbot, AI and natural language processing technologies to interact with the Bank as if they were speaking with a real person. The plan is to improve chatbot capabilities of accurately understanding what customers wish, and responding to complicated questions. Communication opportunities for next-gen platforms will be offered to customers.

Saved Transactions Project: A structure was developed for customers to save long and complex data such as IBAN, Swift Code, and Accrual Numbers for Swift (Forex transfer) payments, tax payments, SGK payments, motor vehicle tax payments, etc. on the Internet and mobile branch. Customers are now able to quickly repeat the transactions previously performed, which improves customer experience and boosts customer satisfaction.

Leasing Collateral Definitions: For leasing collateral types, collateral initiation tasks should normally be performed by an automatic task. For automatic collateral task initiation, customers' project information is checked. The type of collateral at the time of initiating the task is determined to take the product group information and the project into account. This also ensures a direct association between the project and the collateral. The following collaterals were defined under this project:

- Leasing-Vehicle
- Leasing-Real Estate
- Leasing-Construction Equipment
- Leasing-Other
- Treasury Guarantee
- Project Finance Assignment Undertaking

School-Guaranteed Installment System: Allocations were used to be granted for students with sufficient KKB scores in the school installment payment system. This project allows the schools to be the guarantors for their students. Students of the schools registered in the system were able to take out loans from the Bank thanks to this project.

Unconfirmed Supplier Finance: The buyer's approval is requested for the orders entered into the system as part of supplier finance. This project eliminated the buyer approval process. Transactions by sellers working without a confirmation are finalized with a single approval, while buyers are notified of such transactions. The project is intended to increase the volume of the supplier finance product.

Transactions Involving Fraud Risk: Fraud incidents the Bank faced were analyzed in detail to detect transactions that constitute fraud risks. Transaction sets were created providing a series of rules to examine the transactions on the money transfers screen accordingly. An alert and monitoring system was developed for the branch staff and Fraud Team. Offering convenience in different screens and processes, the system is now being used in all banking transactions.

KKB Shared Inquiry System: TBB (the Banks' Association of Turkey) Risk Center shares information on retail and commercial loans. This information can contain big data depending on the size of persons and entities. Composed of information shared by all banks, this system allowed Kuveyt Türk to carry out inquiries necessary for certain projects and reporting processes via the shared inquiry system. The system helps determine the target customer group while enabling an approval and reporting mechanism to be established for inquiries.

Participation Banks Invoice Registry System Project: This is an invoice repository established under the umbrella of the Participation Banks' Association to track documents and funds allocated by participation banks, and to prevent double fund allocations or allocations in excess of the amount stated in the trading document.

BANKING SERVICE GROUP

Branch or Head Office users of corporate customers are now able to make Interim Collections or Early Closures in line with the rules of the Loan Product Development Unit.

GPI (Global Payments Innovation) project was launched to resolve key issues such as delayed forex transfers, the uncertainty of the amount correspondent banks would charge, and the inability to track where the transfer is pending.

Activities to allow customers to perform short-term fund transactions 24/7 on the Internet branch, mobile branch and at tellers are ongoing.

Early Warning Signals System: It is designed to detect customers' financial deterioration in an early fashion. The aim is to determine those customers whose repayments are likely to be overdue and to mitigate the negative impacts through suggested actions for such customers. In conventional banking, the credit risk arising from marketing activities is monitored at certain intervals. The modern approach, however, is based on continuous monitoring of credit risks and proactive detection of potential deterioration.

Creditors who detect deterioration in credit quality proactively are able to take prompt action to prevent or mitigate any negative impact resulting from such risks. In this context, the early warning system for the Bank's credit risk was developed and brought into use by the Credit Risk Monitoring, Loans, Risk Follow-up and Marketing departments.

Partial and Early Closure for Legal Entities: Legal entities were not able to perform partial and early closures as opposed to retail customers who can conduct these transactions as part of the existing collection processes for allocated funds. Branch or Head Office users of corporate customers are now able to make Interim Collections or Early Closures in line with the rules of the Loan Product Development Unit. A "Legal Entity Early Repayment Fee" is charged over the Early Closure Rate specified in the repayment plan. Adopted also for retail customers, this approach helped legal entities conduct the said transactions without causing losses for the Bank and dissatisfaction for the customer.

SWIFT GPI: GPI (Global Payments Innovation) project was launched to resolve key issues such as delayed forex transfers, the uncertainty of the amount correspondent banks would charge, and the inability to track where the transfer is pending. This helps track, on a real-time basis, the banks at which the transfer is pending, how much they charge in commission fees, and whether the transfer reached the recipient.

24/7 Trading of Investment Funds: Currently, customers can trade investment funds only during business hours. This project is intended to enable KT Portfolio's short-term funds not traded on TEFAS to be purchased and sold after business hours and on holidays. Activities to allow customers to perform short-term fund transactions 24/7 on the Internet branch, mobile branch and at tellers are ongoing. Once completed, customers will be able to cash out the funds determined by KT Portfolio even on weekends.

System integration of a Video Call app, which runs on Google WebRTC infrastructure to provide better video chat services on XTM devices, was finalized.

To prevent buyers and sellers from possible losses arising from the vehicle and household transactions, a system was developed to protect customers.

Wakala Contracts and Revenues Generated through Loans Allocated from Wakala Contracts: This project is designed to match wakala contracts with extended loans and/or sukuks purchased on Kuveyt Türk's money markets module. Once completed, the project will help the Bank ensure that projects financed through wakala contracts and the revenues generated by purchased sukuks cover the profits paid for the wakala contract. The Bank will also be able to follow up on this legal requirement via the system.

Bond Map Integration Adjustments: Yandex Map API was integrated into the bond data entry screen to help customers make payments to their creditors at the nearest Branch or Correspondent Bank for such creditors.

My Collections Secured: To prevent buyers and sellers from suffering a possible loss arising from the vehicle and household transactions, a system was developed to protect customers during the sales process. Customers using this product are able to keep the amount to be paid at the time of sales transaction pending at Kuveyt Türk and to make sure that payment is made once the sales transaction is completely finalized.

Account Information E-Government Integration: Under the project aimed at inquiring bank accounts via Turkish ID numbers on the e-government application, new accounts and closed accounts are conveyed to the BRSA Data Transfer System on a daily basis. The aim is to enable customers to find out on e-government the banks with which they have accounts.

XTM Visual and Audio Infrastructure Transformation: System integration of a Video Call app, which runs on Google WebRTC infrastructure to provide better video chat services to customers on XTM devices, was finalized. Compatible with the existing call center, the system is capable of managing agents and calls.

ATM Cash Optimization: As a result of the efforts undertaken with the Analytical Banking Unit, the ATM data spanning the past two years was processed to estimate the daily cash amount to be loaded at each specific ATM. The system learns the loading patterns and transactions over time to serve customers at maximum quality while minimizing the idle cash pending at ATMs.

Contract Approvals without a Wet Signature at XTM: Established for contracts not legally requiring a wet signature, the system allows customers or prospective customers to approve contracts swiftly by touching the screen. Thanks to the system, significant time savings were achieved within the duration of XTM video chats. Furthermore, operational efficiency was improved.

XTM Document Dispatch Checks and Archiving Process: This is aimed at improving the physical follow-up of documents generated at the XTM's affiliated with the branches. Process improvements were achieved regarding problems arising from branches' missing document dispatches, failure to upload documents on Divit in entirety, and false documents detected in courier deliveries and workflow processes.

2019 Second Term Utility and Institution Collections: Integrations with İzmirgaz (İzmir), Esgaz (Eskişehir), Armadaş (Kahramanmaraş), Göknet (Internet), Millenicom (Internet), Biga Su (Çanakkale), Depsaş (Dicle/Diyarbakır), İngaz (Bursa/İnegöl), Kırgaz (Kırşehir), Gazdaş (Gaziantep), Trepaş (Tekirdağ) and Elazığ Su were completed, enabling utility payments to be made via Kuveyt Türk branches, mobile and online branches, call center, and ATM/XTM channels.

Official Correspondence Letter Automation: The project was launched to automate the replies for incoming official letters on the official correspondence module. Templates for various reply letters, including those on seizures and EFTs, were created. Once completed, the project will help eliminate manual preparation of replies, minimize the errors encountered in reply processes, and increase the number of letters issued in reply to official correspondence.

BANKING SERVICE GROUP

Infrastructural process preparations to help customers file applications via the Senin Bankan mobile branch were finalized as part of this project.

www.seninbankan.com was revamped end to end; pages were updated as per product breakdowns; a flexible, easy-to-manage system was designed.

Processes relating to e-catalog products, such as delivery and invoicing, are now easier to track.

Senin Bankan Website: www.seninbankan.com was revamped end to end; pages were updated as per product breakdowns; a flexible, easy-to-manage system was designed. The new design and admin screen enhancements were finalized. Under the project, actions were developed to allow foreign customers to file applications via Senin Bankan. Infrastructural process preparations to help customers file applications via the Senin Bankan mobile branch were finalized as part of this project. Features were introduced to check address information and propagate addresses automatically. A star-based segmentation was developed for transaction types and volumes by the customer, helping evaluate customers in the light of such data.

Procurement Module Enhancements and E-Tender System Integration: Bidding – Order – Delivery Receipt and Invoice processes on the ERP system were improved. Furthermore, a third-party provider completed the Bank's integration with the e-tender system. Through these efforts, the aim is to eliminate the human factor and manual procedures, minimize errors, speed up processes, and offer more flexibility for reporting processes. A system was developed that allows customers to enter category-based requests (such as notebook, phone, monitor, etc.), minimizing the time lost due to end-users' failure to know the items under which requests should be logged. Request, bid, order and invoice modules were restructured in a manner to proceed separately. Through the enhancements under this project, all processes were streamlined under a single workflow, which improved the Procurement Team's capability to track them easily. This also contributed to staff productivity and facilitated the operations conducted by the Procurement Team. Processes relating to e-catalog products, such as delivery and invoicing, are now easier to track. The API infrastructure used as part of the system is the first ERP project of this kind and the second project developed within the Bank.

BOA Portal: This is intended to enable employees to follow up on the news communicated internally and information created for them exclusively. The system incorporates a separate page for each sector, namely Retail, Enterprise, Corporate, Commercial, Micro, and Private segments. Through this segmentation, employees will be able to follow up-to-date information closely through the news, announcements, statements and communications released on the BOA portal, rather than receiving individual e-mails. With the introduction of the search feature on the BOA Portal, employees will have easy access to the news released in the past.

A service infrastructure was developed and missing service definitions were completed so as to ensure that operations are reported accurately and targets assigned to branches easily in line with digitalization.

E-Seizure and Seizure Procedures for Investment Funds and Sukuks: Kuveyt Türk receives seizure requests from several institutions and individuals. Only cash and precious metals of the customer were used to be subject to attachment before the project. The Bank is now able to block and seize the relevant customer's sukuk and investment funds.

Central Limit for Corporate Collections: The BRSA introduced a professional classification recommendation regarding the inspection of customers who perform over 30 (retail) or 70 (corporate) institution collection transactions within a month. For compliance purposes, efforts were undertaken to establish a reporting system and define exceptions. A central limit infrastructure was deployed to define limits for collections at all channels over the service infrastructure.

Elimination of Missing Service Channel Descriptions: A service infrastructure was developed and missing service definitions were completed so as to ensure that operations are reported accurately and targets assigned to branches easily in line with digitalization. Services developed can be used at all central units.

OLA: As a result of the efforts undertaken with the Central Operations Unit, the OLA framework was devised to determine a target resolution time for the tasks pending at OPM. This is how estimated task resolution times are committed to branches and action is taken to manage busy days if the commitment is not fulfilled. The automatic assignment structure was developed by taking the density in workflows into account. In addition to further capabilities for managing busy days, adjustments (removal of some assignment types and standardization of the assignment algorithm), simplifications (removal of assignment options, etc.), and improvements (introduction of more practical screens, reports on when and to whom assignments are made) were made in the overall automatic assignment structure.

Vakıf Yatırım Shares Integration Project: Under the project, trading of shares is now performed via Vakıf Yatırım (Vakıf Investment). Through the systemic integration with Vakıf Yatırım, new customers can trade shares via Vakıf Yatırım. Along with process automation, joint efforts were undertaken with Vakıf Yatırım for the business infrastructure, and new screens were designed for digital channels.

Retail Revenue Model Integration Project: Revenue estimates are made through the new analytical model regarding Consumer Loan, Retail Credit Card and Retail Credit Card Limit Change applications filed at branches and the rules associated with such applications. The findings of the model are used in allocation models. The data infrastructure to feed the model was reviewed; a new relational and logical hierarchy was adopted in corporate job-profession data. The analytical model built on such data analyzes the customer segment and automates the allocation processes for applications filed at the retail channel. It also reduces user errors in allocation processes, facilitates decision-making processes, determines the most suitable card allocation limits by customer segment, and ensures data integrity that feeds other decision support systems.

MASAK - Customer Restriction by Transaction: Under the project, infrastructure developments were made to restrict customers/individuals MASAK (Financial Crimes Investigation Board) reports to the Bank by transaction or channel at relevant departments.

Money Transfers through Ripple Platform: Ripple company provides a new structure that enables financial institutions to transfer securities between one another. Via this structure, institutions establish network connections with their direct counterparts to perform transfers. Transactions performed via the structure built on blockchain are updated in the related institutions' ledgers in a synchronized manner.

BANKING SERVICE GROUP

Business Impact analyses were made to identify critical products and services, which were then migrated to DRC, as part of the new DRC Project aimed at guaranteeing the swift recovery of Kuveyt Türk operations.

In 2019, Kuveyt Türk carried out an important project to tackle the low speeds of standby lines enabling branch access to the Internet.

As part of the deal KFH Group signed with Ripple, KFH is able to make unilateral money transfers to its subsidiaries.

The New DRC Project: In the face of natural disasters such as earthquakes and floods, or man-made disasters such as fire and terrorism, banking systems may become completely dysfunctional. Therefore, a new DRC project was launched to ensure the continuity of operations in the speediest manner. All the products and services on the live environment that were determined to be critical through a Business Impact Analysis are now being provided via the DRC. DRC tests were conducted in two stages. The database and Exchange mail system were run on DRC in the first stage. The second stage involved redirecting part of the workload on the application servers to the DRC. 1% of the operations were redirected to the DRC as a first step. The volume of redirected operations was incrementally increased, as deemed appropriate by technical teams. These operations, running on the live environment with real data, were performed through the Data Center located in Ankara.

Allocation of ADSL TTVPN Standby Lines for Branches: In 2019, Kuveyt Türk carried out an important project to tackle the low speeds of standby lines enabling branch access to the Internet. A special agreement was signed with Türk Telekom, as a result of which the 1 mbit/s data links of standby lines at branches were converted into 8/1 mbit/s ADSL VPN lines. Covering eight months, the project helped boost speed while existing costs almost remained unchanged.

Türk Telekom Central SIP/AUDIO project: Another important project the Bank conducted in 2019 was the renewal of branch phone numbers that were based on the old PSTN network technology. As part of the project, branch phone numbers were migrated to Türk Telekom's NGN network, while a fully IP-based SIP audio channel between Türk Telekom and DC was established for the Bank with the phone audio traffic coming from all the branches being redirected to this channel. The project enabled central management of audio calls and eliminated all operational workloads related to the installation of cables, ports, etc. at the branches.

Back Office Teams IVR Projects: A pilot phone number was defined for volunteering units, preventing incoming calls at various departments and teams at the Banking Base and Head Office from being redirected to people. The Interactive Voice Response system was brought into service at nine units offering capabilities of making announcements, putting calls in a queue, and sharing documents automatically.

DNS Infrastructure Improvement: DNS servers on the internal domain and DNS servers on the DMZ domain are capable of making DNS queries directly on the Internet. Through the structure recently established, DNS servers on the internal domain and all the DNS servers on the DMZ domain were equipped with the capability to make DNS queries on 3 DNS Servers. The DRC DNS servers of both domains are also redirected to the two DRC DNS servers on the DNS infrastructure.

As for the tasks on the BOA Task infrastructure, tasks failing frequently, idle tasks, and tasks that interrupt the entire task system were identified; discussions were held with task owners to put such tasks in the passive status.

Under the campaign model developed, customers with a Jettz Card now enjoy various benefits in purchases at contracted merchants.

SunBird Data Center Management Software: 86 cabinets at the KTBU data center, devices and parts inside the cabinets, as well as some 10,000 fiber and copper cables between the cabinets were logged into the system. The system is able to track the data center, including the status of cabinets, devices and cables. Integrations to help follow up power consumption, temperature and humidity inside the cabinets are underway.

EOD – BOA Task Activities: As for the tasks on the BOA Task infrastructure, tasks failing frequently, idle tasks, and tasks that interrupt the entire task system were identified; discussions were held with task owners to put such tasks in the passive status. Some of the efforts undertaken as part of this project include 24/7 monitoring of highly critical tasks and defining authorizations for response in case of errors. The aim is to have control over the systems impacting critical business processes and prevent interruptions in the event of an error/problem in the tasks running on BOA.

Proactive System Monitoring Efforts: The System Monitoring team conducted proactive activities to prevent the Bank from facing reputational losses that may result from the banking systems involving critical business processes. In addition to expanding the repository of monitoring tools, the team started to provide end-to-end monitoring for banking systems through 11 applications (MicroFocus OBM-MF Operations Bridge Manager, MF Operations Bridge Analytics, MF Operations Agent Health View, MF Cloud Optimizer, MF Sitescope, MF NNM-Network Node Manager, MF UCMDB, İdera, AppDynamics, and MFOO-MF Operations Orchestration). Furthermore, Siemens WinCC Scada ensured 7/24 monitoring for the power and A/C infrastructures of the systems at the data center.

KT BANK AG PROJECTS

MasterCard IDCM

Co-run with six companies, namely Kuveyt Türk-Overseas Banking, Mastercard USA, MPTS, Modirum, Architecht, and KT Bank, the project was aimed at allowing customers to use the biometric verification method (fingerprint, face verification, etc.) of their choice in online purchases involving Mastercard as an alternative to SMS verifications. Customers are now able to use their cards for biometric verification on the mobile KT Bank AG app. Once a notice is sent to their mobile phone for confirmation of online purchases with MasterCard, they can proceed with fingerprint or face verification to finalize the payment at checkout.

Integration with the New Payment Services Directive 2 (PSD2)

The Payment Services Directive 2 was introduced to make sure that the cross border payments market is more efficient, faster and secure. Full integration with PDS2 was successfully completed in 2019.

Under the new security criteria set forth by PSD2, it is now mandatory for the banks to share payment systems information via their APIs with the third parties allowed by the customers. Customers' account information at one bank or several banks is now provided online to customers at the request and anytime they wish in a consolidated manner through a platform. This is how PSD2 helps customers manage their finances easily. Furthermore, PSD2 serves as a platform that enables the customer to make online purchases by money transfer via a third party payment systems provider other than the Bank where their account is held.

JETTZ CARD Campaign Project

Under the campaign model developed, customers with a Jettz Card now enjoy various benefits in purchases at contracted merchants. In addition to interest-free shopping benefits or convenient terms, customers can choose to benefit from more installments than previously defined for the card, depending on the terms of the campaign.

FINANCIAL AFFAIRS

The primary objective of the Financial Affairs Group is to perform its functions with an outstanding service quality through sound technological infrastructure and competent staff.

The Accounting and Tax Department consists of Participation Fund and Dividend Distribution, Tax Management and Consultancy, Financial Accounting, Accounting Payments and Invoices, and Treasury and Financial Institutions Accounting services.

The Tax Payment and Consultancy Service is in charge of registration, payment, planning, consultancy and reporting of all taxes.

All analytical management and information work necessary for the follow-up and control of profitability and risk/resource efficiency on the basis of the client, product and service and profit centers, as well as their budget-based planning and processing, are among the primary duties of the Financial Affairs Group.

The Financial Affairs Group's functions are as follows:

- Establishing an effective budgeting and reporting system with the correct data for credible management,
- Producing timely reports of accurate data that will be made public and submitted to government agencies, Establishing and developing the infrastructure of the Bank's accounting record system, and making sure it is operating well,
- Performing all of the Bank's financial and tax-related obligations,
- Reporting within the scope of the Banking Law, tax laws, TFRS standards, local and international financial legislation, and practices,
- Ensuring prompt reporting of detected problems for instant intervention and correction.

The Financial Affairs Group includes the Accounting and Tax, Financial Control, Budget and Management Reporting and Official and International Reporting, and Investor Relations Departments. Its primary aim is to perform these functions with outstanding service quality, along with its solid technological infrastructure and competent staff.

ACCOUNTING AND TAX DEPARTMENT

The Accounting and Tax Department devises the accounting registry system in alignment with applicable laws and technology and makes the system available for audits, inspections, reporting and analyses. Participation Fund and Dividend Distribution, Tax Management and Consultancy, Financial Accounting, Accounting Payments and Invoices, and Treasury and Financial Institutions Accounting services operate under the Department.

Participation Funds and Dividend Distribution

Pursuant to the new organizational layout adopted in 2019, the service started to operate under the Accounting and Tax Department. Its main functions include channeling the funds raised under Participation Funds to profitable assets; establishing a legally-compliant pool system to ensure right, reliable and swift profit distribution; tracking, reporting and managing the income and expense of participation pools; and introducing systemic improvements.

Tax Management and Consultancy

The Tax Management and Consultancy service administer registry, payment, planning, consultancy and reporting activities of all taxes; represents the Bank before tax offices and external auditors; follows up tax cases; coordinates audits and inspections performed in this field, and ensures relevant requirements are met. The service also provides tax consultancy for the Bank.

Financial Accounting

The service determines and administers the accounting policies, strategies, accounting system operations and registry processes of the Bank in accordance with generally accepted accounting principles, Banking Law, Turkish Accounting Standards, International Accounting Standards, BRSA Regulations and Communiques, tax laws, and other applicable regulations. The service successfully adopted the core changes introduced in 2019, including a registry system for the provisions under TFRS9, registry of lease contracts under TFRS16, and establishment of an accounting system for new financial products, in the accounting system of the Bank.

Accounting Payments and Invoices

The service is in charge of effectuating payment of small sums to the employees and making payments to external suppliers. It performs analyses and checks on the payments made and successfully contributes to the explanations regarding Financial Statements.

Treasury and Financial Institutions Accounting

The service develops specific accounting infrastructures for every treasury product; makes systemic enhancements for accounting records regarding derivative products, hedging, treasury and securities transactions, impairment entries, subordinated loans and sukuk borrowings, as well as other borrowing and treasury products.

FINANCIAL CONTROL DEPARTMENT

The Financial Control Department executes its functions through Financial Control and Risk Analysis, Treasury Control, Expense Management, IFRS 9 and Provisions established in 2019, and General Accounting Reconciliation units. Each unit significantly contributes to the corporate development of Kuveyt Türk by regularly improving their own processes and control points with their expert and dynamic staff.

The functions of the Financial Control Department are as follows:

Functions of the Financial Control and Risk Analysis Unit

- Establishing and developing a sound accounting infrastructure for the prompt preparation of the Bank's internal and external reporting with accurate and credible data, and performing effective financial and accounting controls,
- Ensuring the instant detection and correction of mistakes through daily, weekly and monthly periodic controls to provide for the accurate booking of all transactions within the framework of uniform accounts chart, relevant legislations and communique,
- Supporting management's decision-making processes by providing analyses about the Bank and the industry,
- Controlling and analyzing the Bank's fund and banking income and expenses on a daily basis,
- Making relevant controls and notifications under the financial control package compiled by KFH to be applied across the group,
- Generating new control points, providing support for accounting and system infrastructure efforts to develop and launch new products.

In 2019, the Financial Control and Risk Analysis Unit performed the final controls on financial transactions and continued to carry out the necessary controls and analyses on the accurate and timely reporting of information. Systemic improvements were made to reduce manual operations and automate related processes, helping detect errors more swiftly. Many of the reports within the banking system were reviewed to support correct analyses.

General Accounting Reconciliations

- The service works to establish accurate records through checking whether the maturity offered to the customer is in compliance with the customer's account; and performing controls on the uniform accounting plan, accounting system infrastructure, trial balance, and general ledger.
- Accurate and timely reconciliation of domestic and overseas banks is also among the functions of the service.

Treasury Control (Middle Office) Unit

- Ensuring that the Treasury transactions comply with the Bank's policies, procedures, and limits; performing necessary controls concurrently and releasing approvals to prevent possible losses,
- Ensuring the effective monitoring of the Bank's foreign exchange and precious metals position, and the accurate reporting of exchange, derivatives and precious metals profits,
- Checking the market compliance of FX and precious metals transactions; following up and checking the CBRT FX rates, swap points, and deposit rates,
- Follow up and control activities for the balances kept with correspondent banks (Cash Flow) and collaterals kept with counterparts (Margin Call);
- Follow up and control activities for the expenses arising from treasury authorizations and transactions;
- Analysis and reporting of treasury transactions,
- Preparation of daily liquidity reports and submitting the same to the Senior Management, Timely forwarding of treasury reports requested by KFH.

In 2019, Treasury Control developed images of the reports and analyses prepared and performed additional control and risk activities. Technical analysis of lease certificates, compliance checks on automatic trading in terms of FX position, elimination of risks involving collaterals with counterparts, and efforts aimed at boosting efficiency are among the activities performed by the service.

FINANCIAL AFFAIRS

The Expense Management Unit developed the contract management system to ensure budget, solicitation, procurement, contract and payment processes are managed more effectively.

Preparing the budget in line with the strategic goals, monitoring the compliance of branch, sector, product and department performances with the budget are among the basic functions of the Budget Planning and Monitoring Unit.

In 2019, the Official and External Reporting Department of Kuveyt Türk swiftly and completely met the report needs of corporations, institutions, and individuals that it cooperates with at home and abroad.

Functions of the Expense Management Unit

- Conducting controls and analyses for the accurate and appropriate budgeting of expenses necessary for the Bank's activities, for their provision with convenient costs that do not exceed the budget, and for their efficient use,
- Sharing the risky situations or those that require improvement detected during cost optimization work with the management and the relevant process owners, making requests for taking measures and actions,
- Ensuring that the expenses within the scope of expense management are analyzed through daily, weekly and monthly controls for the detection of extraordinary ones, Providing the management and the relevant process owners with this information, making sure the necessary measures are taken,
- Effectively taking charge in setting up the budget regarding expenses as part of expense management, and approving the budget draft,
- Providing the development and coordination of the Contract Management System,
- Approving or rejecting expenses, goods, and services purchases, and related contract requests that are above a certain amount or that will exceed the budget, depending on their compatibility.
- Organizing the Expense Management Committee meetings, preparing and presenting the agenda, and preparing the committee decisions,
- Making sure that invoice payments are made in accordance with the existing agreements and budget.

The Expense Management Unit developed the contract management system to ensure budget, solicitation, procurement, contract and payment processes are managed more effectively. The unit ensured that the Bank's interests and cost optimization policies were taken into account in the procurement of goods and services falling under the scope of the unit's authorizations.

IFRS 9 and Provisions

- Correct classification of financial assets as per the Bank's business model and specifications in accordance with IFRS 9 standard; making sure that performance and monitoring activities regarding SPPI tests are conducted by relevant units,
- As for financial assets, coordinating, calculating and reporting activities with regards to the Expected Credit Losses (ECL),
- Checking the ECL; submitting the results and analyses thereof at the Provisions Committee,
- Working together with the stakeholders in, and coordinating, IFRS 9 policy, process, procedure and parameter changes,
- Managing relations with auditors, system providers and other external stakeholders as part of the IFRS 9 process,
- Implementation of IFRS 9 works in line with the IFRS 9 standard and IFRS 9 policy of the Bank.

In 2019, IFRS 9 and Provisions played a key role in bringing to the final stage of the project aimed at facilitating automatic Expected Credit Loss calculations as requested by the BRSA and CBK on the Moody's software in compliance with IFRS9 rules. The service also assisted independent validation efforts for the IFRS 9 calculations.

Apart from these, the Financial Control Department performs the functions of conducting necessary works for the monthly financial reports, conducting interim period and year-end transactions, informing the auditors during internal and external auditing works and preparing the requested information and documentation.

The Financial Control Directorate aims to contribute more to Kuveyt Türk's attainment of its strategical targets in 2020. Increased savings awareness within the Bank, more efficient use of resources, enhancing the efficacy of the controls through the use of information technologies, and reducing the volume of manual operations are also among the goals of the Department. Furthermore, the Department also aims to calculate the expected profit-loss on a daily basis and issue the Bank's profit and loss statements on a daily and reliable basis.

BUDGET AND EXECUTIVE REPORTING DEPARTMENT

As Kuveyt Türk increases the number of branches every day, improves its organization, expands its overseas financial network, and most crucially bolsters its growth with profitability according to strategic goals, the budget and executive reporting department play a vital role in terms of supporting the planning, monitoring and decision-making functions of senior management. The Department conducts these processes through two sub-divisions.

Budget Planning and Monitoring Unit: Preparing the budget in line with the strategic goals, monitoring the compliance of branch, segment, product and department performances with the budget are among the basic functions of the Budget Planning and Monitoring Unit.

In addition to these basic functions, controlling Kuveyt Türk's transactions within the framework of basic policies and strategies, and making the Bank's financial and executive integrity sustainable are among the responsibilities of the Department.

The annual objectives that comply with the strategic targets identified by the Bank's senior management and the management plans that comply with these targets are clearly communicated to the relevant branches and units. Also, the financial development of the units is supervised through daily reports, and in the event that there is a deviation from the targets, the causes are detected, and corrective suggestions are developed. Following performance measurements and assessments in terms of realization rates of targets, reports required by the Bank's senior management are prepared. As for funds and profitability management, branches' current accounts are checked and deviations reported. Financial benchmark requests are met in the consortium with the budget comparative report sets made to KFH, the Bank's main partner. The subsidiaries of Kuveyt Türk are followed up on a comparative basis and their financials are analyzed.

Executive Reporting Unit:
The Budget and Executive Management was restructured in order to help the senior management monitor the Bank's performance in a safer, faster and in a technology-based manner, and an Executive Reporting Unit was established.

The Unit reports to the senior management and to the relevant units, branches and departments of the Bank periodically or when needed, and provides analyses and interpretations regarding the reports. The Unit administers a reporting database in itself. A team with the necessary technical equipment and know-how for reporting prepares periodic reports for the External Reporting Department via the ACL system and offers services towards the reporting needs of relevant departments.

The Unit presents the executive financial reports required by the senior management to the interested parties through the Management Information System (MIS/YBS) screens. New pages for all users were designed and added to the platform in the MIS within the year. The screen efficiency was enhanced through additional development work aimed at making the reporting processes and screens more user-friendly.

The Unit has started working on a new reporting set in the MIS Reporting. Uniformity was established in the existing reports; a glossary of terms is prepared for use in the Bank. The technological infrastructure was improved and new reports required by the Senior Management were drafted.

OFFICIAL AND INTERNATIONAL REPORTING DEPARTMENT

The Department is in charge of the financial reports that are made public or submitted to government agencies as per legal obligations, as well as the reports submitted for the review of Kuwait Finance House, the main shareholder of the Bank.

In 2019, the Official and External Reporting Department of Kuveyt Türk swiftly and completely met the report needs of corporations, institutions, and individuals that it cooperates with at home and abroad. Additionally, the report requests of official institutions, including the BRSA and the CBRT, were impeccably met in a timely fashion. The reports requested by the Bank's main partner abroad, Kuwait Finance House, with regards to the consolidation works, were quickly prepared in detail. Ad hoc information is obtained with new periodic report inquiries. In addition, the CBRT inspectors, BRSA auditors and independent auditors who conducted audits in the Bank were provided with all kinds of information and documents that they needed. The audit reports for IFRS were prepared annually and BRSA reports quarterly; these were then submitted to the relevant institutions and disclosed for the general public.

FINANCIAL AFFAIRS

As a part of financial reporting activities, periodical or on-demand reports are prepared and presented to regulatory bodies.

Annual financial statements and audit reports are prepared as of year-end in accordance with International Financial Reporting Standards (IFRS), presented to independent auditors, and published on the Bank's website.

In 2019, Kuveyt Türk Investor Relations started to conduct activities as a separate Department reporting to the Assistant General Manager in Charge of Financial Affairs.

The Kuveyt Türk Official and International Reporting Department aims to meet the new and existing reporting requirements systematically and rapidly in the year ahead. The Department consists of two units that fulfill the functions of Official Reporting and International Reporting.

Official Reporting: The unit conducts its activities under two main categories of Financial Reporting and Independent Audit.

As a part of financial reporting activities, periodical or on-demand reports are prepared and presented to regulatory bodies. Routine reports are submitted on a daily, weekly, fortnightly, monthly, semi-annual and annual basis to the relevant government agencies. In addition, the necessary legislative and regulatory requirements are monitored and tables on the required ratios and limits are prepared. The branch inaugurations and address changes are duly communicated to the regulatory bodies; meanwhile, the Unit keeps track of the transfer of outdated participation funds, deposits and receivables to the Savings Deposit Insurance Fund (SDIF) and the calculation of the savings deposit insurance premium rate.

As a part of independent audit activities, the Bank prepares and submits to independent auditors the consolidated and non-consolidated independent audit reports including financial statements and various commentaries and endnotes, which must be published every three months. The reports are presented to the regulatory institutions and the general public after the auditor provides an opinion.

The Unit ensures that the financial reports, financial statements within the independent audit, as well as relevant explanations and endnotes are in compliance with Turkish accounting standards and applicable legislation. The Unit performs the controls and analyses necessary to present the Bank's financial information and related explanations and footnotes in a transparent, reliable, truthful, exact and accurate manner in a full, understandable and comparable fashion in accordance with the needs and the nature of the business. The Unit also aims to increase the quality level of the reports every year by following the latest technological developments.

International Reporting Unit: The Unit's activities can be summarized under the following categories:

Annual financial statements and audit reports are prepared as of year-end in accordance with International Financial Reporting Standards (IFRS), presented to independent auditors, and published on the Bank's website. In addition, IFRS financial statements are prepared and presented to internal customers every month.

The monthly consolidated financial package demanded by the Bank's main shareholder Kuwait Finance House (KFH), the monthly analysis of the financial statements, as well as monthly, interim and annual projection (forecast) studies are issued complete with explanatory and complementary footnotes and reports. Reports to

KFH are performed via monthly provision reports drawn up in accordance with the regulations of the Central Bank of Kuwait.

Banking System Application Program (BSAP) and Islamic Banking System (IBS-M) reports are issued quarterly as requested as part of the KFH-Central Bank of Kuwait (CBK) reporting. Furthermore, the Bank sends to KFH, its main shareholder, the Liquidity Coverage Ratio (LCR), which represents the liquidity adequacy ratio of the Bank, and the Net Stable Funding Ratio (NSFR) reports on a daily and monthly basis.

The Basel III report submitted to KFH features monthly capital adequacy ratios calculated on the basis of the Basel III rules on credit, market and operational risks as well as the Bank's own shareholders' equity. The stress test data are calculated and risk package studies are performed as part of KFH risk management. Data and reports requested by KFH to be submitted to various rating agencies are also compiled and submitted.

INVESTOR RELATIONS DEPARTMENT

In 2019, Kuveyt Türk Investor Relations started to conduct activities as a separate Department reporting to the Assistant General Manager in Charge of Financial Affairs. The Investor Relations Department manages relations with existing and potential shareholders based on mutual trust and continuous communication; provides communication between the Senior Management and shareholders regarding the use of share ownership rights; ensures that the Bank's and Asset Leasing Companies' notification obligations under the Capital Markets Legislation, Code of Commerce, Public Disclosure Platform (KAP) regulations and practices are fulfilled; and maintains relations with subsidiaries and affiliates.

The Department performs the following three functions:

Relations with Shareholders:

- Ensuring coordination between local and foreign shareholders and the Bank;
- Conducting sale and transfer transaction of shares, entering the transactions in Shareholders' Stock Register, and regularly following up these transactions,
- Holding General Assembly Meetings in line with the Board's decision and as per applicable laws;
- Organizing capital increase and dividend distribution processes in accordance with applicable laws;
- Posting announcements for the shareholders to have information on the Bank and matters that pertain to them on the website;
- Before the General Assembly, informing shareholders on the annual report and the agenda of the general assembly; sending relevant documents for their examination and attention;

Transactions and Legal Notifications regarding the Capital Markets Board;

- Posting and communicating interim and end-of-year independent audit reports, annual reports, and declarations of responsibility on the Bank's website and Public Disclosure Platform;
- Drawing up and publishing Material Disclosures for the Central Registry Agency; posting material disclosures on the website of the Bank;
- Updating the Investor Relations page on Kuveyt Türk's website in line with applicable regulations;
- Ensuring and following up that the files published and communicated on the KAP are also available on the website of the Bank;
- Making necessary applications for the trade registry processes regarding General Assemblies on the MERSIS system; following up and finalizing such processes;
- Drawing up and sending quarterly Public Disclosure Forms to the Capital Markets Association in a timely manner;
- Following up, monitoring and acting in compliance with the CMB, Central Registry Agency regulations, Code of Commerce, KAP regulations, communique and legislation regarding investor relations;
- Drawing up, and conducting activities for interim and end-of-year activity reports;
- Managing the Company's relations with regulatory authorities including CMB, Central Registry Agency and Borsa Istanbul;

Activities Related with Subsidiaries and Affiliates:

- Conducting the operations of the Bank's Asset Leasing Companies issuing lease certificates/sukuks;
- Preparing asset leasing companies' monthly financial statements; receiving and examining the financial statements of other related affiliates;
- Drawing up interim and end-of-year independent audit reports, annual reports, and declarations of responsibility of the asset leasing companies; making necessary legal notifications;
- Conducting efforts regarding subsidiaries' general assembly processes, attending such meetings as a representative;
- Compiling and submitting information and documents on subsidiary and affiliate investments as requested by the main shareholder and official authorities;
- Working in cooperation with the Official and International Reporting units regarding subsidiaries' and affiliates' independent audits and reporting processes;
- Updating the Investor Relations page on asset leasing companies at the website; including the disclosures on KAP to the website; and conducting necessary follow-up activities.

In 2020, the Investor Relations Department will act in compliance with Corporate Governance Principles and continue to follow up current and technological developments, practices recently introduced, and the applicable legislation in the field of investor relations, while paying attention to shareholders' rights within the framework of transparency and full disclosure.

RISK, CONTROL AND COMPLIANCE GROUP

The control programs for Kuveyt Türk branches were executed in two periods in 2019, and by selecting a different risk area for each period.

INTERNAL CONTROL DEPARTMENT

The Internal Control Department is in charge of the internal control function within the Bank. The Department was found to design, implement, manage, analyze, and monitor the internal control system and its activities, and independently report their results to the management in order to ensure the execution of the Bank's activities within the framework of domestic and foreign legislation.

The Internal Control Department activities are structured in three different segments in line with the Bank's strategic targets and policies, and according to both domestic and foreign legislation, and international standards:

- The Branches and Regions Internal Control Unit,
- Head Office Internal Control,
- Central Internal Control and Business Development,
- Independent Audit Coordination and Subsidiaries Internal Control.

This structuring aims at business-based specialization and improvement of effectiveness, adequacy, and efficiency of control systems and its operations through constant controls.

As part of the 2019 control plan and program, the various business segments, units, branches, subsidiaries, processes, products and services of the Bank were monitored and examined by demonstrating a proactive and dynamic attitude with materiality criterion and a risk-oriented approach, and results of this work were reported.

The Branches and Regions Internal Control Unit: The control programs for branches were executed in two periods in 2019, and by selecting a different risk area for each period. Works in this context were conducted by the Internal Control staff (Internal Auditors) who are linked to the Department, and whose locations are regional directorates.

In order to raise awareness for risk and control, and to keep the losses due to operational risks at a minimum during branch internal control, the branch personnel was consistently informed on the internal control system and operational risks.

Head Office Internal Control: As part of Head Office audits, controls were carried out in different business units by teams specialized in different banking functions, in line with a risk-focused control plan.

The Internal Control Department actively participated in the risk control self-assessment activities, process modeling, and analytics projects. This work included reviewing the processes with business units, identifying risks on these processes, designing risk controls, and installation. This contributed to the establishment and development of an internal control environment and internal control systems across the Bank in general.

Additionally, transactions and activities that are generally considered important and risky by the Bank were remotely and periodically monitored and examined through computer-aided auditing programs and techniques (such as SQL). These activities aimed at constantly keeping transactions made throughout the Bank under control. Every work in this regard was performed by four different control services set up within the Department.

Independent Audit Coordination and Subsidiaries Internal Control: Instituted under the Directorate and compatible with the goals of other control services, the Department examined and assessed transactions and activities in the information technologies field, various business processes and products, new products and services, internal and external audit findings from an internal control system and activities perspective. These activities aimed to set up, develop an internal control system and standards throughout the Bank, as well as to spread a culture of risk and control.

Furthermore, the 2019 independent external auditing operations were coordinated, the findings and related actions found in the relevant auditing reports were tracked, and assistance was provided in order to resolve the matters specified in the findings. Reports on this were submitted to the BRSA and the Board of Directors.

Central Internal Control and Business Development: In tandem with the digitalization process of the Bank, Internal Control also began to conduct some of its audit transactions centrally and daily through systems in 2019. Therefore, audit continuity was achieved and awareness was raised at the branch level.

Meanwhile, all the systems employed by the Internal Control Department were developed by the Central Internal Control and Business Development Service, enabling internal control staff to receive instant technical support.

RISK MANAGEMENT DEPARTMENT

Determining, measuring, and managing the sustained risks in compliance with the legal legislation and regulations constitute the basic duties of the Risk Management Department The Risk Management Directorate has maintained its work in 2019 on the risks that are faced by the Bank.

Credit Risk Management and Modelling:

The credit risk management activities, credit policy preparation, as well as the monitoring of its application in the Bank for effective risk management are conducted in coordination with the relevant units of the Bank. The credit risk policy is implemented with the Board of Directors' decision, and an effective risk management system infrastructure is installed for the risk management activities.

The internal credit risk limits determined with the Board of Directors' decisions are measured and presented to the Audit Committee through periodic reports. If necessary, the actualization of country, concentration, maturity, sector, default rate, legal status, security, geography, currency type risks within the scope of internal risk limits are analyzed. Results are submitted to senior management. The infrastructure work for monitoring internal risk limits instantly and automatically was completed, enabling more effective management of risk exposure.

As part of the strategic project initiated to develop new CAR legislation-compatible models in line with the Bank's changing segment structure, appropriate rating models for segment-based portfolios created throughout 2017 were developed. Cyclic default probability models were developed for corporate and retail portfolios, and these were then integrated into the core banking systems. The outputs of the risk models started to play a decisive role in banking operations. In this context, it began to be actively deployed in the decision support processes; allocation, pricing and risk monitoring practices. Thus, an internal rating-based (IRB) risk culture began to emerge across the Bank.

The unit focused on monitoring the performance of existing rating models and revising the models that were necessary for 2019.

In 2017, further modeling studies were conducted focusing on the three main components of expected credit loss calculation (PD, LGD and EaD). The models that were developed are now used as input in the Expected Credit Loss calculations. In 2019, modeling studies were continued with an emphasis on LGD and EAD modeling. In accordance with IFRS 9, work is underway to establish models for identifying and managing risk within the framework of early warning systems in order to take early action on customers with a significant deterioration of their credit risk, which triggers transitions to the next stage. In this context, the development efforts for an Early Warning System, set to be established in coordination with Risk Follow-up and Credits services, were completed in 2019. The BRSA issued several Guidelines. The level of compliance with these guidelines was determined and endeavors continue to increase the level of compliance in coordination with the relevant business units. By conducting meetings with the business units, actions required to enhance the extent of compliance were identified and a road map was drawn. Efforts towards a better alignment with the Guideline on the Management of Concentration Risk, Guideline for the Credit Management of Banks, Guideline for Counterparty Credit Risk Management, and Guideline for Country Risk Management continued in 2019.

Validation: IFRS-9 and IRB compliant Validation efforts regarding the three main components of expected credit loss calculation (PD, LGD and EaD) were substantially finalized in 2019. Validation efforts are set to continue in 2020. Initial activities for the validation of PD models in line with IRB were completed. Validation automation was developed for regular monitoring of the models. The plan is to continue with further improvements in automation to ensure regular monitoring of IFRS-9 models in 2020. The Unit also started to prepare model and process validation guidelines on the performance of validation activities.

Data Management and Reporting: Under the Basel III rules, the amount subject to credit risk according to the standard method is calculated on a monthly basis and reported to BRSA in a solo and consolidated format. The Risk Management Department is also in charge of calculating the Bank's monthly capital adequacy ratio and reporting it to BRSA.

The risk report set that contains detailed information for the calculation of the amount subject to credit risk is being prepared on a monthly basis. Also, quarterly tables are prepared for the calculation of the amount subject to credit risk and of the capital adequacy ratio as part of the Independent Audit Report.

Market Risk: The market risk is considered periodically at the Audit Committee and the Internal Systems Committee of Kuveyt Türk, and monthly reports are sent to the BRSA and the Bank's main shareholder Kuwait Finance House. Market risk-weighted assets are calculated in accordance with the Basel III standard method.

On a consolidated and unconsolidated basis, the Internal Capital Adequacy Evaluation Report was prepared for assessing the capital adequacy of the Bank in normal and stressful periods, and as per the Regulation on Internal Systems of the Banks and Internal Capital Adequacy Evaluation Process and submitted to the BRSA in March 2019. Periodic stress testing and scenario analysis are conducted and presented at the Audit Committee and Internal Systems Committee meetings. In addition, market risk, counterparty credit risk and liquidity risk stress tests were implemented simultaneously and on a monthly basis.

RISK, CONTROL AND COMPLIANCE GROUP

In 2019, efforts were made to maintain Kuveyt Türk's maturity level in business continuity under the coordination of the Risk Management Department.

Sukuk and other investment portfolios are regularly monitored, and reported to the Audit Committee, Internal Systems Committee and to our main shareholder Kuwait Finance House every month. Analyses are made on capital assessment, asset assessment, market risk, power and sustainability of incomes, liability and liquidity, business strategy, efficiency of internal control systems, organizational structure and strength, and management under the CAMELBCOM approach developed in compliance with the risk appetite of the Bank, Turkish and world economy, early warning system study for fiscal, monetary and financial system, and the requirements of the Central Bank of Kuwait, and reported quarterly to our main shareholder Kuwait Finance House.

Operational Risk: As part of operational risk studies, works have been carried out in coordination with the Risk Management Department and Internal Control Department for Risk Control Self-Assessment studies in 2019. These studies are expected to continue in the coming years.

In 2019, work was undertaken to comply with operational risk policies and procedures of the Bank's main partner Kuwait Finance House, and the Bank's maturity level was improved. The Bank's operational risk loss data is stored systematically and in compliance with Basel III standards. Operational risk concentrations were monitored actively by adopting a terminology appropriate to Basel III and reported to the Audit Committee. Furthermore, studies have been conducted for compliance with the Operational Risk Best Practice Guidelines issued by BRSA. An active role was played in the efforts required by the Support Units Regulation, and the Risk Management Program related to Support Units was revised and presented to the Board of Directors.

IT Risk: Conducting the assessment works of the risks for Information Technologies activities arising from changes in technology, the Risk Management Department undertakes important roles in risk monitoring and risk activity follow-up.

In 2019, efforts were made to maintain Kuveyt Türk's maturity level in business continuity under the coordination of the Risk Management Department. Works regarding the identification of critical processes and critical IT systems and assurance of redundancy of these systems were conducted in 2019. The Bank's incident response and business continuity plans were updated and new plans were drawn for business units.

COMPLIANCE DEPARTMENT

Compliance Department is a department in the internal systems area that identifies, assesses, monitors, reports and offers consultancy in the legal risk in Kuveyt Türk and its subsidiaries. Operating in affiliation with the Internal Systems Committee, and reporting on its operations to the Committee, the Compliance Department has two main functions.

Compliance Control Function

- Checking the compliance of all existing and planned activities, new products, the services and transactions of the Bank to the regulations, internal policies and rules, and banking trends,
- Executing compliance control function under the compliance program and annual compliance control plan,
- Monitoring and controlling the compliance of the subsidiaries and foreign branches to the relevant regulations, and their periodic reporting to the Department.

AML/CFT Function

- Ensuring that the Bank's activities comply with the anti-money laundering and combating the proceeds of crime regulation,
- Keeping the high-level quality of the Bank's customer portfolio by implementing effective risk management, monitoring and control activities,
- Detecting suspicious transactions and notifying the public authorities,
- Consulting Head Office departments and branches on subjects related to AML/CFT regulations,
- Reviewing and consulting on designing products to be offered to customers to ensure compliance with AML/CFT regulations,
- Increasing consciousness and awareness of the staff on AML/CFT regulations.

INTERNAL AUDIT AND INSPECTION DEPARTMENT

Kuveyt Türk Internal Audit and Inspection Department performed its 2019 operations pursuant to the requirements of the business plan and the stakeholders' expectations.

The results of the Quality Assurance Review (QAR) completed in 2019 demonstrated the compliance of the Inspection Department with the International Internal Auditing Standards for the third time throughout the past eight years.

The mission of the Internal Audit and Inspection Department is to preserve and enhance the Bank's corporate value through risk-oriented and objective assurances, suggestions and predictions. The vision of the Department is to help the Bank achieve its strategic targets with assessments and suggestions and to be viewed as an exemplary internal audit unit in the industry due to its outstanding professional and ethical practices.

The results of the Quality Assurance Review (QAR) completed in 2019 demonstrated the compliance of the Inspection Department with the International Internal Auditing Standards for the third time throughout the past eight years. The Department periodically reports to the Board of Directors via the Audit Committee. The Department operates without any restrictions, within the scope of its annual business plan prepared on the basis of a risk-focused audit planning that includes the Bank's all business processes, units, branches and subsidiaries as well as information systems.

The Department performed its 2019 operations pursuant to the requirements of the business plan and the stakeholders' expectations; conducted special examinations and legal or administrative investigations in required situations and fields. Additionally, as part of the management declaration audits, it performed a comprehensive assessment of the effectiveness, adequacy and compliance of information systems' general controls and business process controls in the Bank. The said assessments form a concrete basis for the management declaration that should be presented to the Independent Auditing Institution by the Board of Directors.

The Department monitored report actions throughout the year via follow-up programs and reported follow-up results to the proper authorities when required. Similarly, operational activity reports were successfully submitted at least every three months to the Audit Committee, Internal Systems Committee, and the Board of Directors. These reports have also been submitted to the BRSA.

Recruitment and talent management processes within the Department were updated and successfully implemented in line with the Department's strategies and requirements in 2019.

AWARDS

Great Place To Work
Great Place To Work
Türkiye'nin En İyi İşverenleri
Great Place To Work
2019
TÜRKİYE
2
KUVEYT TÜRK
KATILIM BANKASI A.Ş.
PSM AWARDS
2019
Başarı Ödülü
Kuveyt Türk Katılım Bankası
Sosyal Farkındalık
XTM İşaret Dili
PSM
ISLAMIC RETAIL BANKING AWARDS
IRBA Excellence Award
2019
KT Bank AG
CAMBRIDGE
IFN Awards
DEALS OF THE YEAR
2018
Project & Infrastructure Finance Deal of the Year
Turkey's EUR200 million Islamic PPP financing for Çanakkale 1915 Bridge
KUVEYTTÜRK

At Kuveyt Türk, we "grow through values that bind us together," support social responsibility projects to preserve, improve and embrace the local and national values Turkey boasts, and continue to provide saving holders and investors with exquisite financial products and services in the most effective manner.

In 2019, we were deemed worthy of numerous prestigious awards in Turkey and Europe thanks to the invaluable members of the Kuveyt Türk family. Each and every award presented to us is an embodiment of what we have achieved together. Without a doubt, it has been our employees and stakeholders, bound with shared ideals and ambitions, who carried us where we are today.

I wholeheartedly believe that our services for our customers and social responsibility projects for our society will bring along many more awards in 2020 and thank everybody who made an effort for us to be recognized with these awards.

With regards,

Ufuk UYAN
Member of Board of Directors and Chief Executive Officer

AWARDS

The Best Workplaces in Turkey 2019 survey by the Great Place to Work Institute named Kuveyt Türk as the “Best Workplace in Turkey” and “Best Finance Employer” in the "2,000+ Employees" category.

Kuveyt Türk was awarded by the Talent Board Foundation in the Candidate Experience Competition (CandE), which measures the interview experiences of candidates for recruitment across the world.

The Bank was presented with an award in the “Best Islamic Capital Market Transaction of the Year” category at the Bonds & Loans Turkey Awards.

Kuveyt Türk won an award in the Participation Banking category for a third successive year at the A.L.F.A. Awards celebrating brands with the best customer experience management.

Kuveyt Türk’s 2016 Ramadan commercial won the first prize in the category “Performance,” one of the most important awards of YouTube, as the highest-performing commercial on the platform in Europe and the Middle East region.

At the fifth edition of the Turkey Ethics Awards held by the Centre of Ethical Values (EDMER), Kuveyt Türk was recognized for its acute sensitivity regarding ethics with its third award.

At International Data Corporation Turkey’s (IDC) Finance Technology Awards 2017, Kuveyt Türk won the first prize for its API Market Platform in the “Digital Channels” category, and second prize in the “Expanding Financial Base” category.

In the “World’s Best Islamic Financial Institutions” survey by Global Finance magazine, Sağlam Kart was named “Best New Generation Credit Card” while Kuveyt Türk’s 100% owned subsidiary KT Bank AG received the award for “Best Up-And-Coming Financial Institution.”

As the only bank in Turkey with two R&D centers, Kuveyt Türk received the “Best R&D Center” award in the “Banking and Finance” category at the sixth edition of Private Sector R&D and Design Centers Summit organized by the Science and Technology Office under the Ministry of Science, Industry and Technology in 2019.

2018

The Best Workplaces in Turkey 2018 survey by the Great Place to Work Institute named Kuveyt Türk as the “Best Finance Employer” and one of the “Best Workplaces in Turkey.”

At the World’s Best Banks Awards organized by Global Finance Magazine, which is available in 189 countries, Kuveyt Türk was named “Turkey’s Best Islamic Finance Institution.” Additionally, Kuveyt Türk’s fully-owned subsidiary KT Bank AG received the award for “Europe’s Best Islamic Finance Institution.”

Kuveyt Türk was named "Turkey's Strongest Islamic Bank" at IRBA.

2019

Kuveyt Türk won two awards at IFN Awards organized by Islamic Finance News, one of the prominent publications in the financial markets. The contest celebrated Kuveyt Türk's finance facility for the 1915 Çanakkale Bridge and the corporate sukuk issue provided to Turkcell Superonline, which marks the first such sukuk issue in the telecommunications sector.

Kuveyt Türk received the "Startup Friendly Company" award at Corporate & Startup Day.

The Best Workplaces in Turkey 2019 survey by the Great Place to Work Institute named Kuveyt Türk as the “Best Workplace in Turkey” and “Best Finance Employer” in the "2,000+ Employees" category.

At the seventh edition of the Turkey Ethics Awards held by the Centre of Ethical Values (EDMER), Kuveyt Türk was recognized for its acute sensitivity regarding ethics with its fifth award.

Architecht Bilişim was named the "Fastest Growing IT Company of the Year" at the 20th edition of Bilişim 500 awards.

Kuveyt Türk was deemed worthy of the "Best Wealth Management" award at the ninth edition of Global Islamic Finance Awards (GIFA) in 2019.

Kuveyt Türk was designated “Turkey’s Best Islamic Financial Institution” and KT Bank AG "Europe's Best Islamic Financial Institution" at World's Best Banks Awards organized by Global Magazine. At Islamic Retail Banking Awards (IRBA) held by Cambridge IFA for the fifth time in 2019, Kuveyt Türk received "Turkey's Strongest Islamic Bank" and "Turkey's Most Innovative Islamic Bank" awards. KT Bank AG received three awards including the "Best Developing Islamic Bank in Europe" at the same event.

IDC Finance Summit 2019 recognized the sign language feature of Kuveyt Türk's XTMs with an award.

Enabling the hearing-impaired to perform financial transactions in a practical and swift manner, the sign language feature of Kuveyt Türk XTMs was deemed worthy of an award at PSM Awards 2019 organized by Payment Systems Magazine.

BOARD OF DIRECTORS

Hamad Abdulmohsen Al Marzouq
Chairman of the Board of Directors

Hamad Abdulmohsen Al Marzouq graduated from Claremont Graduate School in 1985 and obtained an MBA from the University of Southern California in the U.S. He took senior positions at Kuwait Investment Corporation until 1990, followed by the Central Bank of Kuwait between 1990 and 1998, and Ahli United Bank in Bahrain between 1998 and 2014. He was appointed the Chair of the Board of Directors at Kuveyt Türk in 2014. Mr. Al Marzouq is also a Member of the Corporate Governance Committee, Executive Committee and Credit Committee.

Dr. Adnan Ertem
Vice Chairman of the Board of Directors

Mr. Ertem graduated from Istanbul University, Faculty of Political Sciences in 1987. He received a post-graduate degree in the area of Political Sciences at the Social Sciences Institute of the same university in 1990 and Ph.D. with his thesis on Social Structure and Social Change in 1998. Mr. Ertem began his professional career as the Deputy Inspector at General Directorate of Foundations in 1988 and he was assigned to Istanbul Regional Directorate of Foundations in 2002 after having served at different positions in this institution. Mr. Ertem was assigned as Member of the Board of Directors at Kuveyt Türk in the same year. He also serves as the Member of the Bank's Internal Systems Committee and Corporate Social Responsibility Committee. Between 2007 and 2010, Mr. Ertem worked as the Deputy Undersecretary at the Prime Ministry. He worked as the General Director of Foundations between 2010 and 2019. In December 2019, he was appointed the Deputy Minister of Family, Labor and Social Services.

Mazin S.A.S Al Nahedh
Member of the Board of Directors

Mr. Al Nahedh received his Bachelor's degree in Finance from California State University with honors in 1992. He started his professional career in 1993 at the National Bank of Kuwait as Bank Relations Director. In 2001, he was appointed as the Managing Director of the Bank's Treasury Unit. In 2006, he was appointed as the Assistant General Manager to the Treasury Department, later assuming the roles of Vice President of Treasury in 2007 and President of Treasury in 2008. He served as General Manager of Corporate Banking Group between 2008 and 2011, and later as the General Manager of Retail Banking Group between 2011 and 2014. Mr. Al Nahedh also served as a member of the Board at the National Bank of Kuwait from November 2010 to 2014. With over 25 years of experience in banking, Mr. Al Nahedh is working as the Managing Director of Kuwait Finance House since October 2014. He is a Member of the Board of Directors at Kuveyt Türk since September 2015. Al Nahedh is also on Kuveyt Türk's Executive Committee, Credit Committee, Corporate Social Responsibility Committee as Member and he is the Chair of the Nomination Committee.

Fawaz Al Saleh
Member of the Board of Directors

Mr. Al Saleh is a graduate of Macalester College, Department of Business Administration-Economics in the United States. He joined Kuveyt Türk Katılım Bankası A.Ş. as a Member of the Fund Management Department in 1996. Mr. Al Saleh was appointed Executive Vice President in 1999 and later as Executive Assistant to the CEO, serving in this position until 2006. Serving as a Member of the Board of Directors of Kuveyt Türk since 2006, Mr. Fawaz Al Saleh also serves as the Vice Chairman of the Board of Directors and the CEO of Turkapital Holding B.S.C.C. He is a Member of the Bank's Internal Systems Committee, Remuneration and Nomination Committee and the Corporate Social Responsibility Committee.

Ahmad S. Al-Kharji
Member of the Board of Directors

Ahmad S. Al-Kharji graduated from the Finance and Banking Department of Kuwait University in 1994 and obtained an MBA degree from San Diego University in 1998. He became a Vice President for Structured Finance at Kuwait Finance House. Between 2003 and 2006, Mr. Al-Kharji served as Senior Investment Division Manager and then as Senior Vice President at LMH between 2008 and 2013. He has served as a Member of the Board of Directors of Kuveyt Türk since March 2014. Mr. Al-Kharji is also the Chair of the Audit Committee and a Member of the Remuneration and Nomination Committee.

Mohamad Al Midani
Member of the Board of Directors

Mr. Al Midani graduated in 1988 from the Beirut American University's Business Administration Department, and he obtained an MA degree in Accounting from Concordia University, Montreal in 1994. His career includes various posts in the field of auditing, including employment for the Canada Economic Development Agency in Montreal and Ernst & Young in Jeddah. He also worked as Finance Director in a private sector company in Saudi Arabia, followed by a role at the Islamic Development Bank (IDB) in 2001. In IDB, he held the post of Lead Internal Auditor, and since 2010 he has been the Head of Equity Investments Division. With over 25 years of experience in audit, accounting, financial analysis and management consulting, Mr. Al Midani is a Member of the Board of Directors of Kuveyt Türk since March 31, 2015. Mr. Al Midani is also a Member of the Bank's Audit Committee, the Internal Systems Committee, and the Corporate Governance Committee.

BOARD OF DIRECTORS

Salah Abdullatif Al MUDHAF
Member of the Board of Directors

Born in 1958 in Kuwait, Mr. Al Mudhaf graduated from the Business Administration Department at Kuwait University in 1981. He began his career at the Kuwait Social Security Institution as a manager in charge of the staff. Mr. Al Mudhaf is still serving the same institution as the Deputy General Manager. He was a Member of the Board at Wafra Real Estate and Wafra International Investment Co. in 1993-2014 and 2002-2013, respectively. Since 2013, he has been serving the same company as the Chairman of the Board of Directors. Al Mudhaf was appointed a Member of the Board at Kuveyt Türk Katılım Bankası A.Ş. in April 2019. He is also a Member of the Internal Systems Committee.

Nadir Alpaslan
Member of the Board of Directors

Mr. Alpaslan graduated from Istanbul University, Faculty of Political Sciences, Public Administration Department in 1987. He began his professional career at Prime Ministry, Family Research Institution in 1999 and worked as the Ministry Advisor and Head of Administrative Financial Affairs at the Ministry of Tourism for four years. Mr. Alpaslan continued his professional career as the Deputy Undersecretary and Ministry Advisor at the Ministry of Culture and Tourism between 2003 and 2007 and served as the Deputy Secretary General at the Presidency between 2007 and 2018. He was appointed the Deputy Minister of Culture and Tourism in July 2018. Mr. Alpaslan has been a Member of the Board of Directors of Kuveyt Türk since April 15, 2011, and he is a Member of the Bank's Corporate Governance, Audit, and Ethical Banking Committees.

Ufuk Uyan
Member of Board of Directors and Chief Executive Officer

Mr. Uyan graduated from the Economics Department of Boğaziçi University in 1981. He received an MA degree from the Business Administration Department of the same university in 1983. He began his professional career as a Research Assistant at the Economics Department of Boğaziçi University in 1979 and worked as a Researcher Economist at the Special Researches Department at Türkiye Sınai Kalkınma Bank in 1982. Mr. Uyan became the Vice Project Manager at Albaraka Türk in 1985 and continued his career as the Project and Investments Manager at Kuveyt Türk in 1989. Mr. Uyan was promoted as the Executive Vice President in 1993 and then assigned as Head Assistant to the Chief Executive Officer. Mr. Uyan has been the Chief Executive Officer since 1999 and continues his duty as a Member of the Board of Directors and CEO at Kuveyt Türk. Mr. Uyan is also a Member of the Executive Committee, Credit Committee, Remuneration and Nomination Committee and the Corporate Social Responsibility Committee.

SENIOR MANAGEMENT

Ufuk Uyan
Member of Board of Directors and Chief Executive Officer

His resume is presented in the Board of Directors section on page 122.

Ahmet Karaca
Executive Vice President
CFO

Mr. Karaca graduated from Ankara University, Faculty of Political Sciences, Public Administration Department in 1990. He started to work as the Sworn Deputy Auditor of Banks at the Undersecretariat of Treasury in 1992 and he was assigned as the Sworn Auditor of Banks in 1995. He continued his duty with the same title at the Banking Regulation and Supervision Agency (BRSA) from 2000, and he served as the Vice President of Sworn Auditors Committee of Banks between 2002 and 2003 at the BRSA. After approximately one year of service, he was assigned as the Sworn Head Auditor of Banks in 2004. Between 2004 and 2006, he received an MA degree in economics from the State University of New York at Albany, USA and penned an MA thesis on International Banking and Capital Markets. Mr. Karaca joined Kuveyt Türk as the Chief Financial Officer in July 2006 and he still serves under this title.

Ahmet Süleyman Karakaya
Executive Vice President
Corporate and Commercial Banking

Graduated from the Business Administration and Finance Department at Istanbul University, Faculty of Economics, Mr. Karakaya began his banking career as an Inspector at Garanti Bank, where he went on to work at the Audit Committee, Risk Management Department, Loans Department, and Regional Directorates between 1981 and 2003. Mr. Karakaya has been working as the Executive Vice President of Corporate and Commercial Banking at Kuveyt Türk since 2003.

SENIOR MANAGEMENT

Bilal Sayın
Executive Vice President
Credits

Mr. Sayın graduated from the Public Administration Department of Middle East Technical University in 1990. He joined the Kuveyt Türk family in 1995 and he has been serving as the Chief Credit Officer at Kuveyt Türk since 2003.

Hüseyin Cevdet Yılmaz
Executive Vice President
Chief Risk Officer

Mr. Yılmaz graduated from the Business Administration Department of Boğaziçi University in 1989. He began his banking career as the Assistant Internal Auditor in Esbank Internal Audit and Inspection Department. After having served as Internal Auditor and Branch Manager in the same institution, he began to work as the Head of Internal Audit and Inspection Department in Kuveyt Türk in September 2000. He was assigned as the Audit and Risk Group President in 2003. Mr. Yılmaz has been serving as the Chief Risk Officer since 2012.

İrfan Yılmaz
Executive Vice President
Banking Service Group

Graduating from the Management Engineering Department of Istanbul Technical University, Mr. Yılmaz began his banking career at the Financial Affairs Department in Kuveyt Türk in 1990, was assigned to Internal Audit and Inspection Department in 1996 and served as the Head of Internal Audit and Inspection Department between 1998 and 2000. Mr. Yılmaz was appointed the Retail Banking Manager in 2000 and after five years at the Department, he took office as the Executive Vice President of Retail Banking and Enterprise Banking in 2005. He has been serving as the Executive Vice President of Banking Services since October 2012.

Dr. R. Ahmet Albayrak
Executive Vice President
Treasury and International Banking

Mr. Albayrak graduated from the Industrial Engineering Department of Istanbul Technical University. He received an MA degree in Organizational Leadership and Management at the University of North Carolina at Pembroke, the USA in 1993 and was awarded a Ph.D. degree in Technology Management at Istanbul Technical University, Department of Business Administration in the Social Sciences Institute in 2007. Having joined the participation banking sector 30 years ago, Mr. Albayrak has been serving as the Executive Vice President at Kuveyt Türk since 2005. He managed the Banking Service Group till October 2012 and he was assigned as the Executive Vice President of Treasury and International Banking as of the same date.

Nurettin Kolaç
Executive Vice President
Law and Risk Follow-up

Mr. Kolaç graduated from the Faculty of Law at Marmara University. He served as an attorney and legal counselor in banking, leasing and insurance industries for 16 years. He worked as the Vice Head of Department and Head of Department (Legal) in Banking Regulation and Supervision Agency for six years starting from 2004. He joined Kuveyt Türk in April 2010 as the Executive Vice President of Law and Risk Follow-up. Mr. Kolaç is also a Member of the Board of Directors at KT Portföy Yönetim A.Ş. as well as the chairman and member of several working committees in professional associations for the banking industry. With 30 years of experience in law and banking, Mr. Kolaç has been serving as the Executive Vice President of Corporate, Commercial, SME and Retail Risk Follow-up, Credit Risk Monitoring, Collateral Monitoring, Customer Rights and Legislation, and Law and Risk Follow-up.

Aslan Demir
Executive Vice President
Strategy

Mr. Demir graduated from Marmara University, International Relations Department. He completed his Master's degree at Sheffield University in the UK with a thesis on "Critical Elements of Strategy Implementation in Banking Sector." He began his banking career in Kuveyt Türk Treasury Department in 1995, served at the Treasury Department for six years and continued his career at Project Management and Quality Department between 2001 and 2004. He was assigned as the Project Management and Quality Manager in 2005 and he continued his career as the Information Technologies Group Manager with the new structuring in 2007. He has been serving as the Executive Vice President of Strategy, Human Resources, Digital Transformation, Corporate Communication and Corporate Performance Management since October 2012 while continuing to perform his duties at Architecht Bilişim Sistemleri ve Pazarlama Ticaret A.Ş. as a Board Member.

SENIOR MANAGEMENT

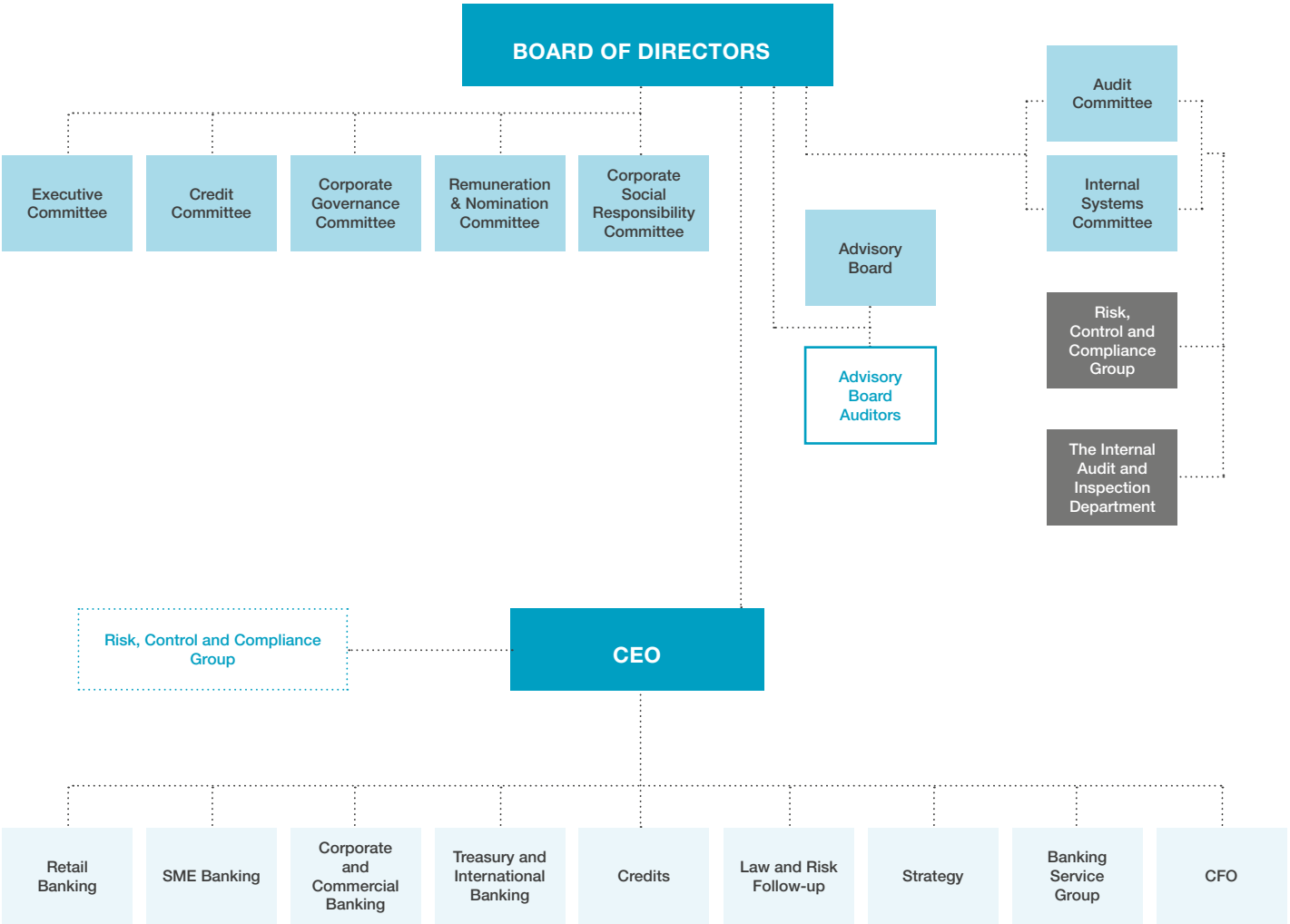
Mehmet Oral
Executive Vice President
Retail Banking

Mr. Oral graduated from the Business Administration Department of Uludağ University. He began his career in the Kuveyt Türk family at the Head Office Branch in 1992. He worked as the manager in the İMES, Bursa and Merter branches between 2000 and 2005. He was assigned as the Regional Manager at the Istanbul European Side Regional Directorate in 2005 after the transition to the Regional Directorate structure.
After having served as the Regional Manager for four years, he continued his career as the HR, Training and Quality Group Manager in 2009. He has been serving as the Executive Vice President of Retail Banking since October 2012.

Abdurrahman Delipoyraz
Executive Vice President, SME Banking

Mr. Delipoyraz graduated from the Industrial Engineering Department of Istanbul Technical University. He began his career in the Kuveyt Türk family at the Project and Investment Department and he worked at the Corporate and Commercial Banking Sales Department and Financial Analysis and Information Department till 2000. Mr. Delipoyraz worked as the Branch Manager at Beşyüzevler and Bakırköy Branches between 2000 and 2004. He was assigned as the Regional Manager in December 2004 and he worked at Istanbul Europe 1 and Istanbul Anatolia Regional Directorates. He has been serving as the Executive Vice President of SME Banking since January 2015.

ORGANIZATIONAL CHART



SUMMARY REPORT OF THE BOARD OF DIRECTORS SUBMITTED TO THE GENERAL ASSEMBLY

Esteemed Shareholders,

2019 marked numerous political developments in financial markets, central banks' changing monetary policies, and rising geopolitical risks, especially for developing countries.

In the last period of 2019, the softening of the relations between the USA and China and the reduction of the fear of no-deal Brexit are considered as positive developments in terms of the global economy.

Turkey's economy started to give signals of recovery as of the end of Q2 2019, in the aftermath of volatilities in exchange rates and interests in 2018. On an annual basis, it shrank by 2.3% and 1.6% in Q1 and Q2 respectively, while delivering a growth performance of 0.95% in Q3 and 0,90% in Q4.

In line with the targets of the New Economy Program, it is expected that 2019 will be completed with a growth rate of 0.5%, and the growth rate of 4-5% will be achieved in 2020 with the revival of private-sector consumption and investments.

The Central Bank of Turkey lowered the policy rate to 12% with a cut of 1,200 basis points in the second half of the year. Central Bank's monetary policy is expected to continue to apply low-interest rates in 2020, taking into account inflation, financial stability and economic growth together, also regarding the liquidity possibilities.

As of the end of 2019, consumer inflation was realized below the targets with 11.84%. As per the New Economic Plan, the inflation goal for 2020, 2021 and 2022 is 8.5%, 6% and 4.9%, respectively.

The robust capital structure of the banking sector, which is among the most important sectors in Turkey's economy, mitigates vulnerabilities against economic fluctuations. The ratio of non-performing loans in the sector stood at 4.98% as of the end of November, whereas the capital adequacy ratio is high with 18.63%. In the first 11 months of 2019, the assets of the sector grew by 12.6% YoY and fund extensions rose by 10.8%.

In the same period, participation banks maintained growth and thus strengthened their position in the sector, increasing total assets by 29.3% and extended funds by 20.8%. With demand for trade finance picking up in 2020, the volume of finance facilities is expected to surge in the banking sector.

Kuveyt Türk in 2019

Kuveyt Türk maintained its consistent growth and continued introducing customers to new products and services in 2019. Acting in parallel with economic developments and customer needs and expectations, Kuveyt Türk expands its network of physical branches and coverage in Turkey and continues to diversify the products and services offered on digital platforms.

Our bank's net profit for 2019 increased by 27.6% compared to the previous year to TL 1.1 billion, the size of the fund collected increased by 58.4% to TL 85.5 billion, and the size of the funds used increased by 25.6% to TL 57.5 Billion. Our shareholders' equity reached 6.8 billion TL with an increase of 24.2% and our asset size reached TL 104.4 billion with an increase of 40.7%. It maintained its first place among participation banks in terms of asset size and profitability.

Expectations from 2020

Celebrating its 30th anniversary in 2019, Kuveyt Türk took initiatives at full speed to add value to shareholders' savings in the light of its robust capital structure and dynamic corporate governance approach.

Serving with around 6 thousand employees at 430 branches across 72 provinces in Turkey, Kuveyt Türk has achieved a regional coverage rate of 89%. It will continue to increase the number of branches and their geographic coverage. Furthermore, the number of customers on Senin Bankan, the world's first interest-free and branch-free banking platform, rose to 190,000, representing approximately 20% of Kuveyt Türk's retail customer acquisition. Our growth in this matter will continue.

As a result of various innovations and novelties it rolled out to the sector and customers, Kuveyt Türk has been recognized for its success with many awards. In 2020, Kuveyt Türk will continue digitalizing banking transactions to the extent possible to provide the best customer experience, pursue digital transformation for all its processes and procedures, and invest in its infrastructure to address the requirements of the future in an era marked by fierce competition.

We would like to thank our employees who contributed to our success, all our stakeholders and you, our esteemed shareholders, who have never withdrawn their support from us.

Board of Directors

EXECUTIVES WITHIN INTERNAL SYSTEMS

Name and Surname	Duties	Education
H. Cevdet Yılmaz	Chief Risk Officer	Bachelor's Degree
Bahattin Akça	Head of Internal Audit and Inspection	Bachelor's Degree
Fadıl Uluşık	Head of Internal Control	Master's Degree
Vefa Okan Arık	Head of Risk Management	Bachelor's Degree
Hayrettin Çapoğlu	Head of Compliance	Master's Degree

HÜSEYİN CEVDET YILMAZ
Chief Risk Officer

Mr. Yılmaz graduated from the Business Administration Department of Boğaziçi University in 1989. He began his banking career as the Assistant Internal Auditor in Esbank Internal Audit and Inspection Department. After having served as Internal Auditor and Branch Manager at the same institution, he joined Kuveyt Türk in September 2000 as the Head of Internal Audit and Inspection Department. He was appointed as the Head of Audit and Risk Group in 2003. Mr. Yılmaz has been serving as Chief Risk Officer since 2012.

BAHATTİN AKÇA
Head of Internal Audit and Inspection

Mr. Akça graduated from the (English) Business Administration Department of the Faculty of Business Administration at Istanbul University in 1996. He began his career at Kuveyt Türk in 1996 as Deputy Inspector at the Internal Audit and Inspection Department. Akça served as the Head of Internal Control between 2003 and 2007. Since September 2007, he has been the Head of Internal Audit and Inspection.

FADIL ULUŞIK
Head of Internal Control

Mr. Uluışık graduated from Istanbul University, Faculty of Economics. He received an MA degree from the Money-Banking Department at the Social Sciences Institute of Istanbul University in 1999. Mr. Uluışık began his career in Kuveyt Türk in 1996 and he has been serving as the Head of Internal Control since December 2007.

VEFA OKAN ARIK
Head of Risk Management

Mr. Arık graduated from Gazi University, Faculty of Economic and Administrative Sciences. Mr. Arık began his career in 1997 and joined Kuveyt Türk in 2002. Since February 2013, he has been the Head of Risk Management.

HAYRETTİN ÇAPOĞLU
Head of Compliance

Mr. Çapoğlu graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Political Science and International Relations in 1997. He completed his MA studies on International Relations at the Social Sciences Institute of Marmara University in 2002. Mr. Çapoğlu began his career in 1997 and joined Kuveyt Türk in 2002. Since February 2013, he has been serving as the Head of Compliance.

SENIOR MANAGEMENT COMMITTEES

Audit Committee

Name and Surname	Duties	Assignment Date
Ahmad S. Al Kharji	Chairman, Member of the Board of Directors	24.09.2014
Mohamad Al Midani	Member, Member of the Board of Directors	15.05.2015
Nadir Alpaslan	Member, Member of the Board of Directors	24.12.2019

Duties and Responsibilities

- Receiving regular reports on the fulfillment of the duties from the units established within the scope of internal control, internal audit and risk management systems as well as independent auditors,
- In the event of matters or discrepancies in breach of legislation and internal regulations which may adversely affect the continuity and safe execution of the Bank's activities, reporting these to the Board of Directors,
- Reporting its opinions along with the results of its activities, to the Board of Directors on the practices required or measures to be taken by the Bank, and on other matters deemed significant in terms of sustaining the Bank's activities securely, within regular periods no longer than six months.

Internal Systems Committee

Name and Surname	Duties	Assignment Date
Adnan Ertem	Chairman, Member of the Board of Directors	29.03.2007
Fawaz KH E Al Saleh	Member, Member of the Board of Directors	26.03.2014
Mohamad Al Midani	Member, Member of the Board of Directors	15.05.2015
Salah A E Al Mudaf	Member, Member of the Board of Directors	24.12.2019

Duties and Responsibilities

- Defining the strategies, policies and implementation methods for the operations of units under the internal systems in writing, and ensuring the effective implementation and execution thereof,
- Ensuring the coordination between the units under internal systems,
- Notifying the Board of Directors to take the necessary measures about errors or in competencies in practices concerning internal systems as detected by the Banking Regulation and Supervision Agency (BRSA) or independent auditors,
- Evaluating errors or in competencies detected and ensuring that control and internal audit activities are directed at areas where same or similar errors or incompetency may occur.

Advisory Board

Name and Surname	Duties	Assignment Date
Prof. Dr. M. Abdurrezzak Tabatabai	Head of the Advisory Board	28.03.2018
Prof. Dr. Mubarak Alharbi	Member of the Advisory Board	28.03.2018
Assoc. Prof. Abdullah Durmuş	Member of the Advisory Board	17.02.2009
Assoc. Prof. Enver Şuayb Abdusselam	Member of the Advisory Board	30.01.2002
Halil Günenç	Member of the Advisory Board	23.12.2015
Mehmet Odabaşı	Member of the Advisory Board	23.12.2015

Duties and Responsibilities

* Answering the questions on the Bank's interest-free banking principles submitted at the Board, and developing alternative solutions,
* Following global developments in the area of interest-free banking,
* Inspecting the compliance of Bank's operations with the principles of interest-free banking, and acting in coordination with the inspection and internal audit units for the inspection activities regarding these matters,

* Providing opinions and suggestions on the draft contractual texts for new products,
* Organizing educational and informative seminars for the staff to guarantee Bank-wide adoption and expansion of the interest-free banking culture,
* Monitoring, examining and evaluating the Bank's activities in terms of interest-free banking principles by adopting a specific system, and submitting a report on these matters to the Board.

The Advisory Board convened 12 times in 2019.

Assets and Liabilities Committee

Name and Surname	Duties
Ufuk Uyan	Chairman, Member of the Board of Directors, CEO
H. Cevdet Yılmaz	Member, Head of Risk, Control and Compliance
A. Süleyman Karakaya	Member, Executive Vice President, Commercial Banking
R. Ahmet Albayrak	Member, Executive Vice President - Corporate and International Banking
Ahmet Karaca	Member, Executive Vice President, Financial Control
Bilal Sayın	Member, Executive Vice President, Loans
Mehmet Oral	Member, Executive Vice President, Retail Banking
İrfan Yılmaz	Member, Executive Vice President, Banking Services Group
Nurettin Kolaç	Member, Executive Vice President - Law and Risk Follow-up
Aslan Demir	Member, Executive Vice President, Strategy
Abdurrahman Delipoyraz	Member, Executive Vice President, SME Banking
Ahmet Tarık Tüzün	Member, Group Manager, Treasury

Duties and Responsibilities

This is the senior management committee responsible for the Bank’s assets-liabilities and financial management. Gathers weekly on a regular basis.

Participation in Committee Meetings

The Board of Directors meets when necessary in line with the Articles of Association and takes decisions based on requirements. The Board of Directors convened six times in 2019.

The Audit Committee tracks the Bank’s audit and risk operations within the framework of legal regulations, especially the Banking Law, and takes actions for them. The Audit Committee convened seven times in 2019.

The Internal Systems Committee meetings, aiming to manage the risks more efficiently and attended by the managers of units within internal systems, were held for seven times in 2019.

The Credit Committee undertakes the duty of examining and approving the loans up to 10% of the shareholders' equity and met seven times in 2019.

The Assets and Liabilities Committee, responsible for the financial management of the Bank and supervising its assets-liabilities balance convened 51 times in 2019.

Unless they have excuses, committee members were present during the meetings.

RELATED PARTY TRANSACTIONS

Detailed information about the transactions of the risk group in which the bank is involved is given on pages x and x of the annual report.

OUTSOURCED SERVICES

32 Bit Bilgisayar Hizm. Ltd. Şti.	Provision of software connection service with the Reuters dealing system
32 Bit Bilgisayar Hizm. Ltd.Şti.	Leasing, maintenance and support services for IBM Robotic Process Automation (RPA)
Mirsis Bilgi Teknolojileri Ltd. Şti.	Outsourced IT staff hires
Banksoft Bilişim Bilgisayar Hiz.Ltd. Şti.	Provision of credit card and merchant software infrastructure support services
Banksoft Bilişim Bilgisayar Hiz. Ltd. Şti.	Central RLL developments, Beko payment device banking application and RLL developments and provision of device integration services
Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş	Statement printing and enveloping services with card customization and enveloping works
Brink's Güvenlik Hizmetleri A.Ş	Provision of local and international transportation and crating (storage) services for precious metals and banknotes worth a maximum of USD 100 million
Chronos İstihdam Hiz. Yön. Ve Yazılım Dan. Tic. Ltd. Şti.	Provision of payroll software and maintenance services
Collectürk Alacak Yönetimi ve Danışmanlık A.Ş.	Provision of call services by company employees to Bank's debtors
Fineksus Bilişim Çözümleri Tic. A.Ş.	Supply and maintenance support for a supplementary software product for improvements related to SWIFT
Fineksus Bilişim Çözümleri Tic. A.Ş.	Supply and maintenance service for SWIFT software for the Disaster Recovery Center
Fineksus Bilişim Çözümleri Tic. A.Ş.	Supply and maintenance of SWIFT supplementary software
Fineksus Bilişim Çözümleri Tic. A.Ş.	Provision of SWIFT Alliance software maintenance and support services
Fineksus Bilişim Çözümleri Tic. A.Ş.	Supply, maintenance and update services for AML software
Fineksus Bilişim Çözümleri Tic. A.Ş.	Provision of Paygate Inspector Annual Maintenance services Outsourced IT staff hires
İstanbul Altın Rafinerisi A.Ş.	Preparation of certified gram gold and ATM gold
Karaş Yazılım Geliştirme ve Danışmanlık İthalat İhracat Limited Şirketi	Outsourced IT staff hires
Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.	Debit card and credit card distribution services
Komtaş Bilgi Yön. Ve Dan. Tic. A.Ş.	Supply and maintenance services for financial control reporting (ACL) software
Loomis Güvenlik Hizmetleri A.Ş.	Provision of local and international transportation and crating (storage) services for precious metals and banknotes worth maximum of USD 100 million
Bilişim ve Yazılım Sistemleri Sanayi ve Ticaret A.Ş.	Execution and operation services for the payroll system
Desmer Güvenlik Hizmetleri Tic. A.Ş.	Cash transportation services (including for ATMs and XTMs)

Desmer Güvenlik Hizmetleri Tic. A.Ş	Transportation of Senin Bankan number-embossed Anonymous debit cards from Bileşim A.Ş. to Kuveyt Türk Banking Base
Aktif İleti Kurye Hizmetleri A.Ş	Distribution of debit card and credit cards to customers, obtaining signatures from customers for contracts and delivery of contracts and related documents to the Bank
Bilge Adam Bilgisayar ve Eğitim Hizmetleri Sanayi Ticaret A.Ş.	Outsourced IT staff hires
Nadir Metal Rafineri San. ve Tic. A.Ş.	Provision of conversion services for Gold Bullions worth up to USD 40 million (conversion of large gold bullion to gold kilo bar)
Architecht Bilişim Sis.ve Paz. A.Ş.	Software development, source rental and provision of consultancy services
Architecht Bilişim Sis.ve Paz. A.Ş.	Provision of digital security services to enhance the Bank's infrastructure, and block the phishing and malware attacks coming through internet and mobile banking channels
Pil Eğitim Bilişim Mim. Tic. Ltd. Şti.	Employee Commitment and Communication Platform Implementation, Supply, Maintenance and Support Services
Telekurye Dağıtım ve Kurye Hizmetleri A.Ş.	Delivery of courier services for Senin Bankan channel
Maya Sosyal Hizmetler Dan. İnş. Tur. İth. İhr. San. Tic. Ltd. Şti.	Outsourced administrative staff hires
Key Yazılım Çözümleri A.Ş.	Provision of mortgage software
Key Yazılım Çözümleri A.Ş.	Provision of expert assessment software
Call Center Resources Danışmanlık A.Ş.	Licensing, maintenance and support services for Genesys Call Centre Software
Call Center Resources Danışmanlık A.Ş.	Provision of services regarding the renewal of XTM Video Audio Infrastructure
Adeo Bilişim Danışmanlık Hizmetleri Sanayi ve Ticaret A.Ş.	Provision of services regarding response to cyber incidents
Formalis Bilgi Teknolojileri A.Ş.	Delivery of maintenance, development and reporting requirements for Customer Satisfaction Program (Mi4Biz)
Simant Bilgi İşlem Sanayi ve Ticaret A.Ş.	Application, Development, Maintenance and Support Service for Credit Card and POS System
Sestek Ses ve İletişim Bilgisayar San. Tic. A.Ş.	Licensing, Supply, Maintenance and Support Services for Voice IVR, Voice Signature, Chatbot and Voice Analysis Software
BTRİSK Bilgi Güvenliği ve Bilgi Teknolojileri Ltd.Şti.	Penetration test services
MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri	
San. Tic. A.Ş.	Check printing services
Innovera Bilişim Teknolojileri A.Ş.	Provision of BRSA Penetration Test services
Token Finansal Teknolojiler A.Ş.	Monthly support services for cash register POS
Turkcell Satış ve Dijital İş Servisleri A.Ş.	Provision of Kuveyt Türk Secure Digital Signature Services

ANNUAL REPORT COMPLIANCE OPINION

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

1) Opinion

We have audited the annual report of Kuveyt Türk Katılım Bankası A.Ş. (the ''Bank") and its subsidiaries (collectively referred as the "Group") for the period of 1 January 2019 – 31 December 2019.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with ''Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 published by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with 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) Our Auditor's Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We have expressed an unqualified opinion in our auditor's reports dated 28 February 2020 and 12 February 2020 on the full set consolidated and unconsolidated financial statements of the Group and the Bank, respectively, for the period of 1 January 2019 – 31 December 2019.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 (''TCC") and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with is financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation, and representation expenses, financial aids and aids in kind, insurances and similar deposits.
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1,2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of the annual reports of Banks' published in official gazette no.26333 dated November 1, 2006 , ''Regulation on Accounting Applications for Banks Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency ("BRSA"), circulars, interpretations published by BRSA and ''BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Emre Çelik.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Emre Çelik, SMMM
Associate Partner

6 March 2020
Istanbul, Türkiye

REVIEW OF THE AUDIT COMMITTEE ON INTERNAL SYSTEMS

Internal Audit Group, Internal Control, Risk Management and Compliance Departments constitute the internal systems of the Bank. In the Bank's organizational structure, these units are established to report to the Board. The Board delegated its duties and responsibilities regarding internal systems to the Internal Systems Committee which consists of 4 members of the Board, as responsible for internal systems. The concerned units carry out their activities under the supervision and coordination of the Internal Systems Committee.

The Internal Audit Group has carried out its activities in 2019 in line with the requirements of its business plan and expectations of stakeholders. In that framework, a risk assessment was made for all of the audit entities such as domestic and foreign branches, Head Office departments and subsidiaries. Following the results of that risk assessment, a risk-based audit plan was formed and became valid following the approval of the Board of Directors. Besides the ordinary audit activities determined in the annual audit plan, special examinations, legal or administrative investigations were performed in the topics and cases demanded by the Head of Internal Audit Group. Furthermore, in the scope of the Management Declaration Audit, a comprehensive assessment of general information system controls and business controls concerning their efficiency, adequacy and compliance has been conducted. These assessment has provided a sound basis for the Management Declaration, which should be submitted to the Independent Audit Institution by the Board of Directors in line with the legal regulations.

In the audits and other engagements performed throughout the year, deficiencies and errors (if any) were revealed and opinions and recommendations were made for preventing recurrence of those issues and effective and efficient utilization of the Bank's resources. Actions determined in the internal audit reports, which were agreed upon with auditees in line with recommendations, have been followed up in line with the Internal Audit Group's follow up policies and the results have been presented to the related internal audit customers in required circumstances. Moreover, a summary of internal audit reports, general evaluations and other information about the activities of Internal Audit Group have been quarterly submitted to the Audit Committee, Internal Systems Committee and Board of Directors. These reports have also been sent to BRSA.

The Internal Control Department is in charge of the internal control function within the Bank. Internal Control System has been established adequately and effectively to cover all of the activities and all domestic and foreign branches, headquarters units and subsidiaries compatible within the scope of bank's activities and organizational structure and according to changing conditions to reduce, manage, monitor and provide controlling the risks faced by the bank. Bank's internal control system and internal control activities are designed and carried out adequately and effectively by the Internal Control Department and the relevant Senior Managers.

In line with the Bank's strategic targets and policies and accordance with the internal/ external regulations and international standards, Internal Control Department organized its activities into four different groups: "Branches and Regions Internal Control," "Head Office Internal Control," " Independent Audit Coordination and Subsidiaries Internal Control" and ''Central Internal Control and Business Development". Designed to support specialization based on business lines, this realignment increased the efficiency, proficiency and compliance of operations and control systems through continuous controls. Within the scope of 2019 Control Program, the Bank's various business lines, units, branches, processes, new products, services and analyses documents were continuously analyzed, monitored and the results were reported to the senior management with a proactive and dynamic approach as well as adapting the materiality criteria and risk-focused approach. Besides, the Internal Control Department actively participated in the Bank's Strategic Projects and also Process Modeling and Analysis studies. As part of these efforts, the Internal Control Department analyzed processes together with the relevant business units, identified any potential risks to the processes, designed and established controls to counter these risks, contributed to the reducing risks and the creation, development of the internal control environment and systems across the Bank. All information about the activities of the Internal Control Department has been quarterly submitted to the Audit Committee,

Internal Systems Committee and Board of Directors Risk Management Department effectively undertook the tasks of ensuring that the risks faced by the Bank are identified, measured, monitored and managed in 2019.

Credit Risk Management and Modelling Directorate continues its activities in the realm of establishing and improving a strong infrastructure for risk management systems to execute risk management activities within the context of Credit Policy and Credit Risk Policy effectively. The internal credit risk limits determined with the Board of Directors' decisions are measured and presented to the Auditing Committee through periodical reports. Endeavor continues to develop internal rating models to use our bank's estimated risk parameters to calculate regulatory capital. PD scores of our internal models will be taken into consideration in risk management, marketing activities, credit allocation decision, credit risk monitoring, credit risk follow-up, capital management and corporate governance. They will play an essential role in all of these activities.

IFRS-9 Financial Standards came into effect as of 1 January 2018. The IFRS–9 oriented works throughout the Bank to meet the requirements of the Standard were managed by Credit Risk Management and Modelling Directorate in coordination with the main shareholder KFH. In 2018, the performance of the existing rating models was monitored and revisions were made in the models where necessary and modeling efforts were continued by focusing on LGD and EaD modeling. The validation process of the existing models for the three main components of the expected credit loss calculation (PD, LGD and EaD) for both IFRS 9 and the IRB Approach was continued during 2019.

REVIEW OF THE AUDIT COMMITTEE ON INTERNAL SYSTEMS

The efforts have been initiated to establish models for the measurement and management of credit risk within the framework of early warning systems to take timely actions regarding the customers who have a significant increase in the credit risk which will be the trigger of the stage transitions in the scope of IFRS-9. In this context, the development of the Early Warning System, in coordination with the Risk Monitoring, Credit Origination and Marketing sectors, has been implemented in 2019.

The BRSA issued several Guidelines. The level of compliance with these guidelines was determined and endeavor continues to increase the level of compliance in coordination with the relevant business units.

Market risk is periodically reviewed by the Bank's Audit Committee and Internal Systems Committee and reported to BRSA monthly. Market risk-weighted assets are calculated under the Basel III standard method.

Bank's Internal Capital Adequacy Assessment Report for 2018 was prepared on a consolidated and unconsolidated basis to assess the capital adequacy of the Bank in normal and stress periods and was submitted to BRSA. Periodic stress tests and scenario analyses were performed and presented in the Audit Committee and Internal Systems Committee meetings. Besides, market risk, counterparty credit risk and liquidity risk stress tests were implemented simultaneously and on a monthly basis. A monthly report which includes the Bank's asset-liability management, market and liquidity risks, investments and other topics has been shared with senior management and our main shareholder KFH. Sukuk and other investment portfolios have been monitored regularly, reported to the Audit Committee and our main shareholder KFH. Besides, the works of the risk appetite of the Bank, early warning system consisting of economic indicators related to the fiscal, monetary and financial system in Turkey and the world overall, moreover the economic and financial analysis developed under Kuwait Central Bank requirements and conducted within the framework of CAMELBCOM approach were reported to our main shareholder KFH on quarterly basis.

Within the framework of operational risk activities, the Bank's operational risk loss data is stored in a systematic way and accordance with Basel III standards. Operational risk concentrations were monitored actively by adopting a terminology appropriate to Basel III and reported to the Audit Committee. In Risk Control Self-Assessment studies, workshops are arranged as a tool to assess risks in the Bank's activities and processes against potential operational risk vulnerabilities and operational risk teams attended these workshops. Additionally, studies were conducted to comply with the operational risk best practice guidelines published by the BRSA. Moreover, the Risk Management Department actively involved in the activities required by the Regulation on Support Services, Risk Management Program for Support Services was revised and submitted to the Board of Directors.

In the framework of Basel III regulations, credit risk-weighted assets are calculated according to the standard method and reported to the BRSA monthly on an unconsolidated and consolidated basis. Capital adequacy ratio is also calculated and reported to the BRSA by the Risk Management Department. The Risk Report Set, which contains detailed information on all the transactions subject to Credit Risk-Weighted Assets calculation, is prepared monthly.

Disaster Recovery Center Test was completed successfully in November within the scope of Business Continuity. To determine criticality levels of the Bank's processes, business impact analysis studies have been performed. The Bank's incident response and business continuity plans are updated and department-specific plans are formed.

Internal fraud assessment concerning the Bank's activities was completed. As a result of the analysis, the areas that can be controlled, their risks, possible effects, measures taken so far and can be taken against those risks and residual risks have been determined.

Compliance Department conducts activities to ensure that compliance risk is effectively managed and kept under control, the risks are prevented before realization and Bank's operations are continuously carried out accordingly and in compliance with the relevant legislation and regulations.

Changes in regulations concerning Bank's activities are continuously analyzed and updating Bank operations following these changes is monitored and reported. The compliance status of the foreign branches and consolidated subsidiaries are monitored.

All activities, products and transactions that are currently provided or in development are monitored for compliance with Banking Law and other relevant regulations, Bank policies, rules and Banking practices.

Efforts to ensure compliance of Bank's activities with the anti-money laundering and combating the finance of terrorism regulations are carried out, Bank policies and procedures are established, risk management, monitoring and control activities are performed with a risk-based approach and identification, follow-up and reporting of suspicious activities to the relevant official authority are performed. Training programs for increasing awareness and knowledge of the employees regarding relevant regulations are organized.

Ahmad S. AL KHARJI
Audit Committee Chairman

Nadir ALPASLAN
Audit Committee Member

Mohamad AL MIDANI
Audit Committee Member

ASSESSMENT ON FINANCIAL STATUS, PROFITABILITY AND SOLVENCY

Kuveyt Türk Participation Bank's total assets increased by 41% reaching TL 104.4 billion as of year-end 2019, while the shareholders' equity rose 25% and reached TL 6.8 billion. Concordantly, the Bank's capital adequacy ratio was above the legal requirement at 19.32%. The Bank continues to increase its profit by using its resources efficiently and productively. Information on the financial situation, profitability and solvency can be seen in the financial statements and independent audit report.

RATINGS OF KUVEYT TÜRK BY INTERNATIONAL RATING AGENCIES

Rating notes and content given by the rating agencies authorized in line with the Regulation on Principles for the Authorization and Transactions of Rating Agencies are given below.

Fitch Ratings - October 2019	Ratings
Long-term Foreign Currency	B+
Short-term Foreign Currency	B
Long-term Local Currency	BB-
Short-term Local Currency	B
Support Rating	4
Financial Capacity Rating	B+
Outlook	Negative

INFORMATION ON RISK MANAGEMENT POLICIES

Loan Risk Management Policy And Procedures

It is essential that Bank's Senior Management should manage and monitor loan risk policies by considering legal regulations. Within the scope of loan risk policy;

Strategy,
Loan risk management process,
Limit allotment principles,
Internal risk limits,
Concentration risk management,
Country and transfer risk management,
Loan risk reports,
New products and services and
Risk monitoring, control and improvement

transactions are executed.

Within this scope, periodic reports are prepared for the research of new techniques and practices for measuring, monitoring and control of undertaken loan risks in loan transactions and risks defined within the legal and Bank's internal risk limits, tracking non-performing receivables, analyzing the reasons for the delay and taking necessary measures.

Board of Directors determined the risk appetite of the Bank via risk type based internal risk limits based on the Bank's risk-taking capacity.

Various analyses and reports are generated for the Bank's portfolio within internal risk limits. Risk management transactions regarding the monitoring and management of loan risk based on country, concentration, maturity, industry, default rate, legal status, assurances, geography, currency type are performed and Audit Committee is informed with the regular reports prepared for the Bank portfolio within the internal risk limits.

Market Risk Management Policies and Procedures

Kuveyt Türk executes its risk management transactions under the responsibility of the Board of Directors in compliance with the legal regulations. For this reason, market risk management transactions are regulated within legal regulations.

Implementing the Risk Management Strategy, Policy and Practice Methods approved by the Board of Directors, providing timely and safe reporting on important risks faced by the Bank and evaluating the risk reports, taking predicted and necessary measures and participating the process of defining risk limits are the responsibilities of the Senior Management.

Risk policies and implementation methods defined for the market risk that the Bank is exposed to be approved by the Board of Directors and reviewed regularly. Market risk is managed by defining, measuring, limiting, reporting of possible risks to be faced by the Bank due to existing market conditions in line with international standards and reserving capital accordingly as well as decreasing risks with protective processes.

In line with the Risk Strategy document, it is made sure the Bank has sufficient capital and liquidity to continue its operations under all circumstances and that these are maintained at a reasonable level.

Defining written limits for the digitized risks resulting from the Bank's transactions that are subject to market risk, monitoring risks undertaken by the Bank and risk limits, tracking limit excesses are performed with the Market Risk Policy, Asset and Liability Policy, and Liquidity Risk Policy. It is substantial that the processes are executed within defined limits and Bank's risk tolerance is considered while defining the limits.

The acceptable risk level of treasury transactions is defined as the customer limits, dealing limits, allowed transactions, counterparty limits and country risk limits. Establishment of necessary tracking and control procedures to ensure regulatory compliance and prevent unacceptable situations are determined with the principles of this policy.

It is essential that the limits are defined as risk-based. Besides nominal amounts based on monetary magnitude, these limits can be also the proportional limits based on risk measurement results such as the percentage of the amount subject to the average risk, percentage of risk-weighted assets or concentration-based limits including sectoral or debtor based limitations.

Risk limits are established within the limits put on related matters approved by the Bank in all risk categories within the regulations and principle of significance. Also, implementation principles on actions to be taken if early warning limits are defined and these limits are exceeded are defined by the Board of Directors.

Kuveyt Türk's market risk management and guiding limits and informative reports system used for this purpose are based on the principles below;

Ensuring that risk management transactions work efficiently and securely, Ensuring that the Bank undertakes risks in line with its risk-taking capability and capacity and risk-taking limits are managed in line with the risky markets and risk-taking capacities of the Bank's related departments.

Operational Risk Management Policy And Procedures

Processes of defining, evaluating, monitoring, controlling and decreasing the operational risks faced by the Bank are executed under the supervision of the Board of Directors and Internal Systems Committee.

Policies and implementation methods defined within operational risk management are provided for employees on the job training and effective internal control mechanisms ensure that business units have the risk management point of view and the integration of the operational risk management culture in all units and transactions. Within this scope, each unit and employee should understand their transactions and position within the operational risk management and be aware of their authorities and responsibilities.

Risk, Control Self-Evaluation Policy was established to make I) self-assessment of the bank regarding operational risks II) evaluation of the potential threats arising from operational processes and activities, and assessment of the weaknesses of the Bank against these threats III) analysis of the potential negative impacts of such threats and weaknesses on the Bank.

Works are performed on all kinds of operational risk types that the Bank is subject to and the quality of corrective actions for such risks and risk decreasing transactions are evaluated to allow the determination of problems before the occurrence of substantial losses for the Bank. In this regard, operational risk events above the defined threshold value and detailed information of such events are recorded; at the same time, Risk Control Matrix works are performed to define the potential operational risks.

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(TL thousand)	2015	2016	2017	2018	2019
Profit Sharing Income	2,564,838	3,110,435	3,850,986	5,997,843	7,471,511
Profit Sharing Expense	1,096,026	1,440,566	1,716,773	2,850,053	3,975,600
Net Fee and Commission Income	133,942	152,970	241,002	349,546	468,907
Other Revenues	368,203	469,153	477,101	1,111,204	2,060,416
Other Expenses	1,417,481	1,628,780	2,003,383	3,482,483	4,069,967
Tax Provision	(108,795)	(121,246)	(174,942)	(256,245)	(305,429)
Net Profit for the Period	444,681	541,966	673,991	869,812	1,109,838
Total Assets	42,052,507	48,476,955	57,123,095	74,232,325	104,439,345
Total Shareholders' Equity	3,402,490	3,912,064	4,591,151	5,438,553	6,821,290
Capital Adequacy Ratio (%)	14.23	18.16	17.66	17.68	19.32

KUVEYT TÜRK KATILIM BANKASI A.Ş.

INDEPENDENT AUDITOR'S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2019

(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S AUDIT REPORT ORIGINALLY ISSUED IN TURKISH)

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

REPORT ON UNCONSOLIDATED FINANCIAL INFORMATION

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

A) Audit of Unconsolidated Financial Statements

1) Opinion

We have audited the accompanying unconsolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş (the "Bank") which comprise the unconsolidated statement of financial position as at December 31, 2019, and the unconsolidated statement of income, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended and notes to the unconsolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Group as at December 31, 2019 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

2) Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued 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 Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with 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 Matter

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

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Key Audit Matter	How the matter is addressed in our audit
Financial impact of TFRS 9 "Financial Instruments" standard and recognition of impairment ob financial assets and related important disclosures	
As disclosed in footnote 1.5 of Section 3; the Bank measured expected credit losses for financial assets by TFRS 9 "Financial Instruments Standards" in financial statements. The rationale reasons for selecting TFRS 9 implementation and impairment of financial assets as key audit subject are as follows; ▪ Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The applications TFRS 9 introduced are complex and comprehensive ▪ The classification of financial instruments based on the Bank's business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized together with the adoption of TFRS 9 ▪ Estimations and assumptions used for expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9.	Our additional audit procedures in addition to our current audit procedures: ▪ Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group's past performance, and local and global practices ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group's business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group's historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses' calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modelling process ▪ Auditing of disclosures related to TFRS 9.

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Derivative Financial Instruments	
As disclosed footnote 1.2 and 2.2 of section 5; Derivative financial instruments including foreign exchange contracts, currency and profit share rate swaps and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Bank management, fair value calculations of the selected derivative financial instruments control by another organization's valuation experts connected to the same audit network as our organization and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.

4) Other Matter

The unconsolidated financial statements of the Bank as at 31 December 2018 were audited by another audit firm, which expressed an unqualified opinion in their reports issued on 26 February 2019.

5) Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

In preparing the unconsolidated 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.

6) Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

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 BRSA Independent Audit Regulation and ISAs 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.

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As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the unconsolidated 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 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentations.

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 government 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 unconsolidated financial statements of the current period and are therefore the key audit matters. We describe the matters in our auditor's report unless law or regulation precludes public disclosures 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.

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B) Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") ; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2019 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Emre Çelik.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Emre Çelik, SMMM
Associate Partner

February 12, 2020
Istanbul, Turkey

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THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2019

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The unconsolidated Year-End Financial Report prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE 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
- DISCLOSURES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REVIEW REPORT

The unconsolidated financial statements for the year-end period and related disclosures and footnotes that are subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira.

Hamad Abdulmohsen AL-MARZOUQ Chairman of the Board of Directors	Ahmad S A A AL KHARJI Chairman of the Audit Committee	Nadir ALPASLAN Member of the Audit Committee

Mohamad AL-MIDANI Member of the Audit Committee	Ufuk UYAN CEO	Ahmet KARACA Chef Financial Officer	İsmail Hakkı YEŞİLYURT Budget and Management Reporting

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

Name-Surname/Position: İsmail Hakkı YEŞİLYURT/ Budget and Management Reporting

Telephone: 0212 354 12 84

Facsimile: 0212 354 11 03

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 2019, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD	10/10/2002	19/10/2010	24/12/2019	Doctorate	-
Nadir ALPASLAN	Member of BOD and Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	0.01%
Fawaz KH E AL SALEH	Member of BOD	20/10/2006			Bachelor	-
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015			Bachelor	-
Mohamad Al-MİDANİ	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S A A AL KHARJİ (*)	Member of BOD and Audit Committee	26/03/2014	24/09/2014		Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	0.06%
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006			Master	0.00%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.00%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.02%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005			Doctorate	0.01%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.00%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.01%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.00%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.01%

* He was appointed as the Chairman of the Audit Committee with the decision taken at the meeting of the Board of Auditors dated 26/01/2020.

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.12% of the Bank's share capital (31 December 2018 – 0.11%).

4. Information on qualified shareholders

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,489,651	%62.24	2,489,651	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	748,771	%18.72	748,771	-
Total	**3,238,422**	**%80.96**	**3,238,422**	**-**

As of 31 December 2019, 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 2019, the Bank is operating through 431 domestic branches (31 December 2018 – 414) with 5,955 employees (31 December 2018 – 5,871). Summary of some of the Bank's operations described in the Articles of Association are as follows:

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

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

6. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between 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 and Other Comprehensive Income
V. Statement of Changes in Shareholders' Equity
VI. Statement of Cash Flows
VII. Statement of Profit Distribution Table

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

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

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

			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
	ASSETS	**Note**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**4,803,455**	**37,903,612**	**42,707,067**	**3,647,527**	**19,934,154**	**23,581,681**
1.1.	**Cash and Cash Equivalents**		**1,781,590**	**24,099,321**	**25,880,911**	**1,160,217**	**15,594,242**	**16,754,459**
1.1.1.	Cash and Balances with Central Bank	(5.1.1.)	1,768,747	17,124,339	18,893,086	1,183,109	9,252,979	10,436,088
1.1.2.	Banks	(5.1.3.)	12,983	6,977,847	6,990,830	14,736	6,404,912	6,419,648
1.1.3.	Money Markets		-	-	-	-	-	-
1.1.4.	Expected Credit Loss (-)		140	2,865	3,005	37,628	63,649	101,277
1.2.	**Financial Assets at Fair Value Through Profit or Loss**		**104,688**	**3,907,054**	**4,011,742**	**292,978**	**96,168**	**389,146**
1.2.1.	Government Debt Securities		77,977	3,863,617	3,941,594	18,327	11,770	30,097
1.2.2.	Equity Instruments		-	-	-	-	-	-
1.2.3.	Other Financial Assets		26,711	43,437	70,148	274,651	84,398	359,049
1.3.	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(5.1.4.)**	**2,898,407**	**9,732,060**	**12,630,467**	**2,164,849**	**4,231,216**	**6,396,065**
1.3.1.	Government Debt Securities		2,792,631	9,313,887	12,106,518	2,065,421	3,804,519	5,869,940
1.3.2.	Equity Instruments		11,237	27,346	38,583	10,502	17,046	27,548
1.3.3.	Other Financial Assets		94,539	390,827	485,366	88,926	409,651	498,577
1.4.	**Derivative Financial Assets**	**(5.1.2.)**	**18,770**	**165,177**	**183,947**	**29,483**	**12,528**	**42,011**
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss		18,770	165,177	183,947	29,483	12,528	42,011
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II.	**FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)**	**(5.1.5.)**	**32,535,710**	**25,009,784**	**57,545,494**	**31,029,723**	**14,804,843**	**45,834,566**
2.1.	**Loans**		**33,532,383**	**21,686,066**	**55,218,449**	**31,238,479**	**14,109,856**	**45,348,335**
2.2.	**Leasing Receivables**	**(5.1.10.)**	**1,406,165**	**1,301,355**	**2,707,520**	**1,439,955**	**1,010,744**	**2,450,699**
2.3.	**Other Financial Assets Measured At Amortized Cost**	**(5.1.6.)**	**-**	**2,630,914**	**2,630,914**	**-**	**-**	**-**
2.3.1.	Government Debt Securities		-	2,630,914	2,630,914	-	-	-
2.3.2.	Other Financial Assets		-	-	-	-	-	-
2.4.	**Expected Credit Loss (-)**		**2,402,838**	**608,551**	**3,011,389**	**1,648,711**	**315,757**	**1,964,468**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)**		**473,326**	**-**	**473,326**	**270,382**	**-**	**270,382**
3.1.	Held For Sale		473,326	-	473,326	270,382	-	270,382
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**564,853**	**-**	**564,853**	**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.	**Investment in Subsidiaries (Net)**	**(5.1.8.)**	**544,853**	**-**	**544,853**	**522,950**	**-**	**522,950**
4.2.1.	Unconsolidated Financial Subsidiaries		521,173	-	521,173	499,270	-	499,270
4.2.2.	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
4.3.	**Investment in Joint Ventures (Net)**	**(5.1.9.)**	**20,000**	**-**	**20,000**	**25,000**	**-**	**25,000**
4.3.1.	Joint Ventures Valued Based on Equity Method		20,000	-	20,000	25,000	-	25,000
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**		**1,033,995**	**957**	**1,034,952**	**688,685**	**203**	**688,888**
VI.	**INTANGIBLE ASSETS (Net)**		**133,955**	**25**	**133,980**	**136,931**	**48**	**136,979**
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		133,955	25	133,980	136,931	48	136,979
VII.	**INVESTMENT PROPERTIES (Net)**		**25,146**	**-**	**25,146**	**25,305**	**-**	**25,305**
VIII.	**CURRENT TAX ASSETS**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSETS**	**(5.1.12.)**	**358,097**	**-**	**358,097**	**346,640**	**-**	**346,640**
X.	**OTHER ASSETS**	**(5.1.13.)**	**658,556**	**937,874**	**1,596,430**	**817,583**	**1,982,351**	**2,799,934**
	TOTAL ASSETS		**40,587,093**	**63,852,252**	**104,439,345**	**37,510,726**	**36,721,599**	**74,232,325**

In the Official Gazette dated 1 February 2019 and numbered 30673, the notification on the Amendment to the notification on the Financial Statements to be Announced to Public by Banks and the Disclosures and Disclosures Related to these, as well as the Financial Statement formats announced by the Banks were changed. Based on this amendment, the prior year financial statements are restated in order to be comparable with the current period financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

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

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

			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
	LIABILITIES	**Note**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FUNDS COLLECTED**	**(5.2.1.)**	**35,410,329**	**50,084,058**	**85,494,387**	**22,520,320**	**31,465,958**	**53,986,278**
II.	**FUNDS BORROWED**	**(5.2.3.)**	**923,177**	**4,468,500**	**5,391,677**	**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**		**129,690**	**294,447**	**424,137**	**21,045**	**148,288**	**169,333**
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	129,690	164,719	294,409	21,045	41,936	62,981
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.6.)	-	129,728	129,728	-	106,352	106,352
VII.	**LEASE PAYABLES**	**(5.2.5.)**	**315,732**	**10,446**	**326,178**	**-**	**-**	**-**
VIII.	**PROVISIONS**	**(5.2.7.)**	**850,649**	**240,346**	**1,090,995**	**615,510**	**180,385**	**795,895**
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves For Employee Benefits		301,593	446	302,039	228,323	318	228,641
8.3.	Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4.	Other Provisions		549,056	239,900	788,956	387,187	180,067	567,254
IX.	**CURRENT TAX LIABILITIES**	**(5.2.8.1.)**	**224,425**	**-**	**224,425**	**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.)**	**-**	**3,380,983**	**3,380,983**	**-**	**1,901,210**	**1,901,210**
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	3,380,983	3,380,983	-	1,901,210	1,901,210
XIII.	**OTHER LIABILITIES**	**(5.2.4.)**	**1,023,193**	**262,080**	**1,285,273**	**1,282,540**	**151,939**	**1,434,479**
XIV.	**SHAREHOLDERS` EQUITY**	**(5.2.11.)**	**6,742,813**	**78,477**	**6,821,290**	**5,489,985**	**(51,432)**	**5,438,553**
14.1.	Paid-in Capital		3,995,766	-	3,995,766	3,497,322	-	3,497,322
14.2.	Capital Reserves		24,489	-	24,489	22,933	-	22,933
14.2.1.	Share Premiums		23,250	-	23,250	22,933	-	22,933
14.2.2.	Share Cancellation Profits		1,239	-	1,239	-	-	-
14.2.3.	Other Capital Reserves		-	-	-	-	-	-
14.3.	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(19,082)	-	(19,082)	(13,296)	-	(13,296)
14.4.	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		127,237	78,477	205,714	(29,522)	(51,432)	(80,954)
14.5.	Profit Reserves		1,469,025	-	1,469,025	1,107,196	-	1,107,196
14.5.1.	Legal Reserves		228,723	-	228,723	184,578	-	184,578
14.5.2.	Statutory Reserves		-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		1,170,797	-	1,170,797	923,536	-	923,536
14.5.4.	Other Profit Reserves		69,505	-	69,505	(918)	-	(918)
14.6.	Profit or Loss		1,145,378	-	1,145,378	905,352	-	905,352
14.6.1.	Prior Years' Profits or Losses		35,540	-	35,540	35,540	-	35,540
14.6.2.	Current Period Net Profit or Loss		1,109,838	-	1,109,838	869,812	-	869,812
14.7.	Minority Shares	(5.2.12.)	-	-	-	-	-	-
	TOTAL LIABILITIES AND EQUITY		**45,620,008**	**58,819,337**	**104,439,345**	**32,331,988**	**41,900,337**	**74,232,325**

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2019

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
		Note	TL	FC	Total	TL	FC	Total
A.	**COMMITMENTS AND CONTINGENCIES (I+II+III)**		**67,365,973**	**56,289,772**	**123,655,745**	**57,546,517**	**29,226,698**	**86,773,215**
I.	**GUARANTEES AND WARRANTIES**	**(5.3.1.)**	**6,938,439**	**4,962,863**	**11,901,302**	**6,416,633**	**5,451,457**	**11,868,090**
1.1.	Letters of Guarantee		6,592,042	3,414,624	10,006,666	6,206,886	4,182,512	10,389,398
1.1.1.	Guarantees Subject to State Tender Law		218,286	62,740	281,026	217,252	174,971	392,223
1.1.2.	Guarantees Given For Foreign Trade Operations		375,091	79,315	454,406	371,535	167,020	538,555
1.1.3.	Other Letters of Guarantee		5,998,665	3,272,569	9,271,234	5,618,099	3,840,521	9,458,620
1.2.	Bank Loans		8,546	46,489	55,035	17,516	56,582	74,098
1.2.1.	Import Letter of Acceptances		8,546	46,489	55,035	17,516	56,582	74,098
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		10,567	1,363,442	1,374,009	11,512	1,068,364	1,079,876
1.3.1.	Documentary Letters of Credit		86	371,829	371,915	367	215,062	215,429
1.3.2.	Other Letters of Credit		10,481	991,613	1,002,094	11,145	853,302	864,447
1.4.	Guaranteed Refinancing		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Other Guarantees		327,284	138,308	465,592	180,719	143,999	324,718
1.7.	Other Warrantees		-	-	-	-	-	-
II.	**COMMITMENTS**	**(5.3.1.)**	**52,151,025**	**1,894,212**	**54,045,237**	**50,194,084**	**1,327,223**	**51,521,307**
2.1.	Irrevocable Commitments		4,795,885	1,894,212	6,690,097	3,572,418	1,327,223	4,899,641
2.1.1.	Forward Asset Purchase and Sales Commitments		455,887	1,891,166	2,347,053	345,756	1,327,223	1,672,979
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3.	Loan Granting Commitments		358,094	-	358,094	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		1,305,235	-	1,305,235	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		2,656,398	-	2,656,398	1,858,018	-	1,858,018
2.1.9.	Commitments For Credit Cards and Banking Services Promotions		2,514	-	2,514	-	-	-
2.1.10.	Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11.	Payables For Short Sale Commitments		-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments		17,757	3,046	20,803	17,757	-	17,757
2.2.	Revocable Commitments		47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.1.	Revocable Loan Granting Commitments		47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**8,276,509**	**49,432,697**	**57,709,206**	**935,800**	**22,448,018**	**23,383,818**
3.1	Derivative Financial Instruments Held For Risk Management		-	2,451,906	2,451,906	-	2,165,533	2,165,533
3.1.1	Fair Value Hedges		-	-	-	-	-	-
3.1.2	Cash Flow Hedges		-	2,451,906	2,451,906	-	2,165,533	2,165,533
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held For Trading Transactions		8,276,509	46,980,791	55,257,300	935,800	20,282,485	21,218,285
3.2.1	Forward Foreign Currency Buy/Sell Transactions		512,110	1,242,703	1,754,813	652,622	1,755,501	2,408,123
3.2.1.1	Forward Foreign Currency Buy Transactions		276,131	603,627	879,758	347,631	862,093	1,209,724
3.2.1.2	Forward Foreign Currency Sell Transactions		235,979	639,076	875,055	304,991	893,408	1,198,399
3.2.2	Other Forward Buy/Sell Transactions		7,764,399	45,738,088	53,502,487	283,178	18,526,984	18,810,162
3.3	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGES SECURITIES (IV+V+VI)**		**381,449,255**	**165,631,022**	**547,080,277**	**316,497,679**	**142,487,425**	**458,985,104**
IV.	**ITEMS HELD IN CUSTODY**		**11,299,056**	**14,947,964**	**26,247,020**	**10,816,866**	**5,644,771**	**16,461,637**
4.1.	Customers' Securities Held		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		2,891,875	424,980	3,316,855	2,159,381	156,528	2,315,909
4.3.	Checks Received for Collection		6,828,688	869,224	7,697,912	7,157,340	906,367	8,063,707
4.4.	Commercial Notes Received for Collection		1,578,493	280,131	1,858,624	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		-	13,373,629	13,373,629	-	4,339,208	4,339,208
V.	**PLEDGED ITEMS**		**370,138,560**	**150,613,354**	**520,751,914**	**305,669,174**	**136,780,695**	**442,449,869**
5.1.	Marketable Securities		194,245	111,336	305,581	185,945	99,786	285,731
5.2.	Guarantee Notes		101,727	2,402,814	2,504,541	101,681	2,133,522	2,235,203
5.3.	Commodity		8,938,138	701,641	9,639,779	6,094,405	633,381	6,727,786
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		124,206,037	2,983,314	127,189,351	112,015,122	2,715,023	114,730,145
5.6.	Other Pledged Items		236,698,413	144,414,249	381,112,662	187,272,021	131,198,983	318,471,004
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED GUARANTEES AND WARRANTEES**		**11,639**	**69,704**	**81,343**	**11,639**	**61,959**	**73,598**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**448,815,228**	**221,920,794**	**670,736,022**	**374,044,196**	**171,714,123**	**545,758,319**

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT (STATEMENT OF PROFIT/LOSS)
AS OF 31 DECEMBER 2019

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

3. INCOME STATEMENT

		Notes	Audited Current Period 01.01.2019-31.12.2019	Audited Prior Period 01.01.2018-31.12.2018
I.	**PROFIT SHARE INCOME**	**(5.4.1.)**	**7,471,511**	**5,997,843**
1.1.	Profit Share on Loans		6,012,483	5,053,908
1.2.	Profit Share on Reserve Deposits		86,722	92,411
1.3.	Profit Share on Banks		249,554	169,072
1.4.	Profit Share on Money Market Placements		-	-
1.5.	Profit Share on Marketable Securities Portfolio		800,637	416,738
1.5.1.	Fair Value Through Profit or Loss		66,463	27,920
1.5.2.	Fair Value Through Other Comprehensive Income		655,442	388,818
1.5.3.	Measured at Amortised Cost		78,732	-
1.6.	Finance Lease Income		259,612	229,320
1.7.	Other Profit Share Income		62,503	36,394
II.	**PROFIT SHARE EXPENSE**		**3,975,600**	**2,850,053**
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	3,038,951	1,995,548
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	871,989	818,702
2.3.	Profit Share Expense on Money Market Borrowings		2,514	35,789
2.4.	Expense on Securities Issued		-	-
2.5.	Profit Share Expense on Lease		62,146	14
2.6.	Other Profit Share Expense		-	-
III.	**NET PROFIT SHARE INCOME (I - II)**		**3,495,911**	**3,147,790**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**468,907**	**349,546**
4.1.	Fees And Commissions Received		769,720	549,490
4.1.1.	Non-Cash Loans		144,524	123,459
4.1.2.	Other		625,196	426,031
4.2.	Fees And Commissions Paid		300,813	199,944
4.2.1.	Non-Cash Loans		22	27
4.2.2.	Other	(5.4.13.)	300,791	199,917
V.	**DIVIDEND INCOME**	**(5.4.3.)**	**2,841**	**1,273**
VI.	**NET TRADING INCOME / LOSS**	**(5.4.5.)**	**1,274,256**	**453,415**
6.1.	Capital Market Transaction Gains/Losses		32,116	10,241
6.2.	Gains/Losses From Derivative Financial Instruments		465,170	138,101
6.3.	Foreign Exchange Gains/Losses		776,970	305,073
VII.	**OTHER OPERATING INCOME**	**(5.4.6.)**	**783,319**	**656,516**
VIII.	**NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)**		**6,025,234**	**4,608,540**
IX.	**EXPECTED LOSS PROVISIONS (-)**	**(5.4.7.)**	**2,615,137**	**1,949,975**
X.	**OTHER PROVISIONS (-)**	**(5.4.8.)**	**57,904**	**27,385**
XI.	**PERSONNEL EXPENSES (-)**		**1,026,615**	**803,290**
XII.	**OTHER OPERATING EXPENSES (-)**		**910,311**	**701,833**
XIII.	**NET OPERATING INCOME/(LOSS) (IX-X-XI)**		**1,415,267**	**1,126,057**
XIV.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**	**-**
XV.	**INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**-**	**-**
XVI.	**INCOME / (LOSS) ON NET MONETARY POSITION**		**-**	**-**
XVII.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)**	**(5.4.9.)**	**1,415,267**	**1,126,057**
XVIII.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(5.4.10)**	**(305,429)**	**(256,245)**
18.1.	Current Tax Provision		(401,181)	(454,141)
18.2.	Deferred Tax Income Effect (+)		194,309	26,837
18.3.	Deferred Tax Expense Effect (-)		290,061	224,733
XIX.	**CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	**(5.4.11.)**	**1,109,838**	**869,812**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1.	Income on Non-Current Assets Held For Sale		-	-
20.2.	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
20.3.	Income on Other Discontinued Operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1.	Expenses From Non-Current Assets Held For Sale		-	-
21.2.	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
21.3.	Expenses From Other Discontinued Operations		-	-
XXII.	**PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)**		**-**	**-**
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1.	Current Tax Provision		-	-
23.2.	Deferred Tax Expense Effect (+)		-	-
23.3.	Deferred Tax Income Effect (-)		-	-
XXIV.	**CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**		**-**	**-**
XXV.	**NET PROFIT/LOSS (XVII+XXII)**	**(5.4.12.)**	**1,109,838**	**869,812**
25.1.	Group's Income/Loss		1,109,838	869,812
25.2.	Minority Interest Income/Loss (-)		-	-
	Earnings Per Share Income/Loss		-	-

In the Official Gazette dated 1 February 2019 and numbered 30673, the notification on the Amendment to the notification on the Financial Statements to be Announced to Public by Banks and the Disclosures and Disclosures Related to these, as well as the Financial Statement formats announced by the Banks were changed. Based on this amendment, the prior year financial statements are restated in order to be comparable with the current period financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2019

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

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

		Audited Current Period 31.12.2019	Audited Prior Period 31.12.2018
I.	**CURRENT PROFIT (LOSS)**	**1,109,838**	**869,812**
II.	**OTHER COMPREHENSIVE INCOME**	**280,882**	**(52,138)**
2.1	**Other Comprehensive Income Not Reclassified Through Profit Or Loss**	**(5,786)**	**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	(7,233)	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	1,447	(3,413)
2.2	**Other Comprehensive Income Reclassified Through Profit Or Loss**	**286,668**	**(65,789)**
2.2.1	Foreign Currency Translation Difference	-	-
2.2.2	Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	393,645	(139,196)
2.2.3	Cash Flow Hedge Income/Loss	(21,235)	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	(85,742)	22,434
III.	**TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)**	**1,390,720**	**817,674**

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2019

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

5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

							Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss								
		Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	or Period Profit or (Loss)	Net Prfit/Loss for the Period	Total Shareholders'Equity Less Minority Shares	Minority Shares)	Total Shareholders' Equity
	Prior Period (01/01/2018 – 31/12/2018)																	
I.	**Prior Period Ending Balance**		**3,097,322**	**22,933**	**-**	**-**	**-**	**(26,947)**	**-**	**-**	**(10,583)**	**(4,582)**	**839,017**	**673,991**	**-**	**4,591,151**	**-**	**4,591,151**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,540**	**-**	**35,540**	**-**	**35,540**
2.1	Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540
III.	**Adjusted Beginning Balance (I+II)**		**3,097,322**	**22,933**	**-**	**-**	**-**	**(26,947)**	**-**	**-**	**(10,583)**	**(4,582)**	**839,017**	**709,531**	**-**	**4,626,691**	**-**	**4,626,691**
IV.	**Total Comprehensive Income (Loss)**		**-**	**-**	**-**	**-**	**-**	**13,651**	**-**	**-**	**(106,567)**	**40,778**	**-**	**-**	**869,812**	**817,674**	**-**	**817,674**
V.	**Capital Increase by Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase by Internal Reserves**		**400,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(400,000)**	**-**	**-**	**-**	**-**	**-**
VII.	**Paid in Capital Inflation Adjustment 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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Dönem Sonu Bakiyesi (III+IV+.....+X+XI)	**(5.2.11.)**	**3,497,322**	**22,933**	**-**	**-**	**-**	**(13,296)**	**-**	**-**	**(117,150)**	**36,196**	**1,107,196**	**35,540**	**869,812**	**5,438,553**	**-**	**5,438,553**
	Current Period (01/01/2019 – 31/12/2019)																	
I.	**Prior Period Ending Balance**		**3,497,322**	**22,933**	**-**	**-**	**-**	**(13,296)**	**-**	**-**	**(117,150)**	**36,196**	**1,107,196**	**35,540**	**869,812**	**5,438,553**	**-**	**5,438,553**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8(*)**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,613**	**(28,613)**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effect Of Corrections		-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Beginning Balance (I+II)**		**3,497,322**	**22,933**	**-**	**-**	**-**	**(13,296)**	**-**	**-**	**(88,537)**	**7,583**	**1,107,196**	**35,540**	**-**	**5,438,553**	**-**	**5,438,553**
IV.	**Total Comprehensive Income (Loss)**		**-**	**-**	**-**	**-**	**-**	**(5,786)**	**-**	**-**	**303,232**	**(16,564)**	**-**	**-**	**1,109,838**	**1,390,720**	**-**	**1,390,720**
V.	**Capital Increase by Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase by Internal Reserves**		**500,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(500,000)**	**-**	**-**	**-**	**-**	**-**
VII.	**Paid in Capital Inflation Adjustment Difference**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds to Share**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instruments**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase / Decrease by Other Changes**		**(1,556)**	**317**	**1,239**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,437)**	**-**	**-**	**(1,437)**	**-**	**(1,437)**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**863,266**	**-**	**(869,812)**	**(6,546)**	**-**	**(6,546)**
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	(6,546)	(6,546)	-	(6,546)
11.2	Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	863,266	-	(863,266)	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+.....+X+XI)	**(5.2.11.)**	**3,995,766**	**23,250**	**1,239**	**-**	**-**	**(19,082)**	**-**	**-**	**214,695**	**(8,981)**	**1,469,025**	**35,540**	**1,109,838**	**6,821,290**	**-**	**6,821,290**

(*) Related classification has been made in order to transition between Accumulated Other Comprehensive Income and Expenses to be reclassified in profit or loss.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CASH FLOW AS OF 31 DECEMBER 2019

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

6. STATEMENT OF CASH FLOWS

		Note	Audited Current Period 01.01.2019-31.12.2019	Audited Prior 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**		**2,919,896**	**2,570,212**
1.1.1	Profit Share Income Received		8,005,455	5,660,024
1.1.2	Profit Share Expense Paid		(3,917,151)	(2,615,318)
1.1.3	Dividends Received		2,841	1,096
1.1.4	Fees And Commissions Received		769,720	553,884
1.1.5	Other Income		2,170,443	1,054,536
1.1.6	Collections From Previously Written Off Loans		431,694	106,667
1.1.7	Payments to Personnel And Service Suppliers		(1,099,923)	(747,241)
1.1.8	Taxes Paid		(726,502)	(403,118)
1.1.9	Others		(2,716,681)	(1,040,318)
1.2	**Changes in Assets And Liabilities From Banking Operations**		**14,804,111**	**1,932,566**
1.2.1	Net (Increase) Decrease Held For Trading Financial Assets		(3,524,324)	(4,710)
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(564,636)	(1,744,784)
1.2.3	Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(12,696,274)	(9,392,623)
1.2.4	Net (Increase) Decrease in Loans		261,964	(2,882,112)
1.2.5	Net (Increase) Decrease in Other Assets		436,221	(57,331)
1.2.6	Net Increase (Decrease) in Bank Deposits		31,065,402	14,012,363
1.2.7	Net Increase (Decrease) in Other Deposits		-	-
1.2.8	Net Increase (Decrease) in Funds Borrowed		(4,746,536)	1,095,017
1.2.9	Net Increase (Decrease) in Due Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities		4,572,294	906,746
I.	**Net Cash Provided From / (Used in) Banking Operations**		**17,724,007**	**4,502,778**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided From / (Used in) Investing Activities**		**(8,553,521)**	**(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		(118,542)	(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		(5,746,318)	(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 Investment Securities		(2,595,429)	-
2.8	Cash Obtained From Sale of Investment Securities		-	-
2.9	Other		(93,232)	(74,270)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided From / (Used in) Financing Activities**		**1,354,442**	**(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		1,423,134	-
3.4	Dividends Paid		(6,546)	(4,894)
3.5	Payments For Finance Leases		(62,146)	-
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents**	**(5.5.4)**	**1,688,034**	**(66,621)**
V.	**Net Increase (Decrease) in Cash And Cash Equivalents**		**12,212,962**	**2,602,076**
VI.	**Cash And Cash Equivalents at The Beginning of The Period**	**(5.5.1)**	**6,680,124**	**4,078,048**
VII.	**Cash And Cash Equivalents at The End of The Period**	**(5.5.1)**	**18,893,086**	**6,680,124**

(*) As of 31.12.2019, it includes the payments related to the leases taken in the financial statements within the scope of " TFRS 16 Leases" which has been implemented since 01.01.2019.

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PROFIT DISTRIBUTION TABLE AS OF 31 DECEMBER 2019

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7. PROFIT DISTRIBUTION TABLE

		Current Period 01.01.2019 - 31.12.2019 (*)	Prior Period 01.01.2018 - 31.12.2018 (*)
I.	**Distribution of Current Period Profit**		
1.1.	Current Period Profit	1,415,267	1,126,057
1.2.	Taxes and Dues Payable (-)	305,429	256,245
1.2.1.	Corporate Tax (Income Tax)	401,181	454,141
1.2.2.	Income Tax Withholding	-	-
1.2.3.	Other Taxes and Dues Payable (**)	(95,752)	(197,896)
A.	**Net Profit for the Period (1.1-1.2) (Not V-I-17-c)**	1,109,838	869,812
1.3.	Prior year's Losses (-)	-	-
1.4.	First Legal Reserves (-)	-	43,490
1.5.	Other Reserves (-)	-	-
B.	**Distributable Net Period Profit [(A-(1.3+1.4+1.5)]**	1,109,838	826,322
1.6.	First Dividend to Shareholders (-)	-	-
1.6.1.	To Owners of Ordinary Shares	-	-
1.6.2.	To Owners of Preferred Stocks	-	-
1.6.3.	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4.	To Profit Sharing Bonds	-	-
1.6.5.	To Owners of the profit and loss Sharing Certificates	-	-
1.7.	Dividend to Personnel (-)	-	-
1.8.	Dividend to Board of Directors (-)	-	6,546
1.9.	Second Dividend to Shareholders (-)	-	-
1.9.1.	To Owners of Ordinary Shares	-	-
1.9.2.	To Owners of Preferred Stocks	-	-
1.9.3.	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4.	To Profit Sharing Bonds	-	-
1.9.5.	To Owners of the profit/loss Sharing Certificates	-	-
1.10.	Second Legal Reserves (-)	-	-
1.11.	Statutory Reserves (-)	-	-
1.12.	Extraordinary Reserves	-	247,260
1.13.	Other Reserves	-	72,180
1.14.	Special Funds	-	-
II.	**Distribution from Reserves**		
2.1.	Distributed Reserves	-	-
2.2.	Second Legal Reserves (-)	-	-
2.3.	Dividends to Shareholders (-)	-	-
2.3.1.	The Owners of Ordinary Shares	-	-
2.3.2.	The Owners of Preferred Stocks	-	-
2.3.3.	The Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4.	The Profit Sharing Bonds	-	-
2.3.5.	The Owners of the profit/loss Sharing Certificates	-	-
2.4.	Share to Personnel (-)	-	-
2.5.	Share to Board of Directors (-)	-	-
III.	**Earnings per Share**		
3.1.	To Owners of Stocks	-	-
3.2.	To Owners of Stocks (%)	-	-
3.3.	To Owners of Preferred Stocks	-	-
3.4.	To Owners of Preferred Stocks (%)	-	-
IV.	**Dividend per Share**		
4.1.	To Owners of Stocks	-	-
4.2.	To Owners of Stocks (%)	-	-
4.3.	To Owners of Preferred Stocks	-	-
4.4.	To Owners of Preferred Stocks (%)	-	-

(*) 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

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

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

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

Additional paragraph for convenience translation

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

1.2. Accounting policies and valuation principles applied in the preparation of 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 Accounting and Financial Reporting Legislation 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 an estimates are reviewed regularly and, when necessary, appropriate corrections are made and the effects of such corrections are reflected on the income statement.

1.3. Changes in accounting estimates, errors and classifications

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

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

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

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 continues to apply the hedge accounting provisions of TAS 39.

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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 Fair Value Through Other Comprehensive Income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

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

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

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

Classification And Measurement of Financial Instruments:

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

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

Explanations on Expected Credit Loss :

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

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

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

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. As of 30 June 2019, minimum probability of default of Basel II is used in the calculation of expected credit loss of the receivables from certain public institutions and securities issued by these institutions and organizations.

Furthermore, placements of CBRT and the other banks have been revised estimation of the average maturity from 1 year to 14 days in the calculation of expected credit loss. As of 31 December 2019, the change in the estimations resulted in a decrease of TL 73,904 in the expected credit loss.

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

• Delayed by more than 30 days as of the reporting date

• Restructuring

• Close Monitoring

• Evaluation of distortion in Rating Note

The definition of the deterioration in the rating is the comparison of the credit rating at the opening date and the rating date at the reporting date by using the Bank's internal rating based credit rating models. If the rating calculated for the loan at the reporting date exceeds the specified threshold values, the rating is deemed as deterioration.

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

1.6 Revenue from TFRS 15 Customer Contracts:

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

1.7 Explanations on IFRS 16 Leases Standard

"TFRS 16 Leases" Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, to be applied in the accounting periods beginning after 31 December 2018. With the TFRS 16 Leases Standard effective from 1 January 2019, the difference between operating lease and leasing is eliminated. After that, the leasing transactions have been started to be shown by the tenants as liabilities in assets and leasing transactions as assets (use right). TFRS 16 Standard eliminates the dual accounting model for leasing of financial leasing transactions and the presentation of operating leases directly on the balance sheet. The current application for the lessor continues similarly.

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As of January 1, 2019, the Bank has applied TFRS 16 Leases standard. The simplified model was preferred in the application of this standard to the financial statements at the date of initial application. In this context, for the leases classified as operating leases in accordance with TAS 17, the Bank reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Bank measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Bank. In addition, the Bank measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments. As of 31 December 2019, the Bank has a net usage rights of 307,782 TL and a discounted rental obligation of 326,178 TL.

		01/01/2019
	Real Estate	**Vehicle**
Operational lease commitments		
Contracts excluded from TFRS 16 (-)	-	-
Total rental liability	498,719	24,154
Discounted lease obligation (1 January 2019)	**298,513**	**21,740**

TL 17,582 of the assets that have been put into use consists of the classification of rent expenses, which are accounted under prepaid expenses before applying TFRS 16, to the right to use assets.

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 exchange rates published by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

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

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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. In accordiance with TFRS 9, derivative instruments are classified as 'hedging derivative financial asset' and 'derivative financial assets/liabilities at fair value profit or loss'. The Bank classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Derivative Financial Instruments Held for Trading" in accordance with TAS 39. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as "held for trading" within the framework of TAS 39 and are reflected in the "Derivative Financial Assets/liabilities at fair value profit or loss" account in the balance sheet. The Bank has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

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

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

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

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank will continue to apply hedge accounting in accordance with TAS 39 in this context. In addition, it performs swap transactions in order to hedge the cash flow risk of fixed-rate financial instruments. In cash flow hedge accounting, the effective portion of the fair value change of the hedging instrument is accounted for under "Hedging Funds" under equity, and the ineffective portion is accounted in the income statement. In the periods in which the cash flows from the hedged item affect profit or loss, the profit / loss of the hedging instrument is also removed from equity and reflected to the income statement.

The Bank performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, 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. While applying the internal rate of return method, the Bank amortizes the fees included in the account of the effective profit rate over the expected life of the financial instrument. If the financial asset is impaired and classified as a non-performing loan, profit accruals and rediscount calculations for these customers are continued within the scope of TFRS 9 Financial Instruments Standard.

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.

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6. Explanations on Fees And Commission Income And Expenses

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

Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

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 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.

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 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.

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7.5 Loans:

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

8. Explanations on Offsetting of Financial Assets And Liabilities

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

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

Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. In this 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 2019, the Bank does not have a sales transaction with the promise of repurchase. (31 December 2018 –TL 188,003).

10. Explanations on Assets Held For Sale And Discontinued Operations And Related Liabilities

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

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

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

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11. Explanations on Goodwill And Other Intangible Assets

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

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

12. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

The Bank is able to sell and lease back the real estates registered to its assets by issuing the rent certificate. At the end of the lease period, the asset is taken back by paying the sale price. For the real estates within this scope, it applies 2% depreciation over the new value starting from the date of the transaction. According to the public oversight authority (POA) dated 17/09/2018 and numbered 64088382-045-E.1648, transactions are recorded.

13. Explanations on Leasing Transactions

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

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

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

As of 1 January 2019 that is the first application date of TFRS 16, the Bank has not reassessed whether the contract has the nature of a lease or does not include a lease as a facilitator application. The Bank elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. This standard has not been applied to the contracts that are not included in the lease process.

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Therefore, there is no need to restate the unconsolidated financial statements of the previous years, these financial statements are presented in accordance with TAS 17 "Leases" and TFRS Comment 4 "Determining Whether an Agreement Contains Leasing".

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Bank's alternative borrowing interest rate.

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

Facilitator Applications

- The Bank applied a single discount rate for the portfolio that has reasonably similar characteristics features and consisted of rents.
- As an alternative to reviewing the impairment, the Bank has applied TAS 37 Provisions, Contingent Liabilities and Contingent Assets before the date of initial application to determine whether leases are disadvantaged in terms of its economy.
- For contracts with rights to extend or terminate lease term, the Bank has used past experience when determining the lease term.
- In accordance with TFRS 16, the Bank has preferred not to use the short-term exceptions from 12 months and 12 months for vehicle rental and exceptions of the underlying assets with low value for the office equipment.
- As an facilitator, the lessee chose not to separate the non-leasing components from the leasing components on the basis of the underlying asset class and instead to account for each lease component and its associated leasing components as a single leasing component.
- The Bank did not apply TFRS 16 Leases Standard for intangible assets leases.

Leases

At the beginning of a contract, the Bank assesses whether the contract has a lease qualification or include a lease transaction. In the event that the contract is transferred for a certain period of time to the right to control the use of the asset defined for a price, this contract of a rental nature or includes a lease transaction. The following conditions are considered when assessing whether a contract has transferred its right to control the use of an asset defined for a specified period of time.

(a) The contract contains an asset defined.
(b) A functional part of the asset is physically separate or represents almost the entire capacity of the asset. The asset is not defined if the lessor has a substantive right to substitute to asset and provides an economic benefit from it.
(c) The right to obtain nearly all of the economic benefits that will be provided from the use of the asset defined.
(d) The right to manage the use of the asset defined.

The right of the use asset

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

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

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

- The total cost of the estimated costs to be incurred by the Bank relating to the restoration of all initial direct costs incurred by the Bank and the restoration of the underlying asset or the restoration of the underlying location or the restoration of the underlying asset by the terms and conditions of the underlying asset is included in the total amount of both the financial statements and the right to use assets, as it does not have an important amount, it is not added to the cost of usage rights.

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

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

The Bank applies depreciation provisions in TAS 16 Property, Plant and Equipment standard while depreciating in the right of use.

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

Lease Obligation

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

Lease payments included in the measurement of the lease liability at the date of the lease's actual start date shall be made for the right of use during the lease term of the underlying asset and consist of the payments which have not been paid at the date of the rental:

(a) Fixed payments less any lease incentives receivables
(b) Variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.
(c) Payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate.

After the effective date of the lease, the Bank measures the lease obligation as follows:

(a) Increase the book value to reflect the interest on the lease obligation.
(b) Reduces the book value to reflect the lease payments made and
(c) Remeasures the book value to reflect revaluations and reconstructions, or to reflect rental payments that are fixed at the revised basis.

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

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

The Bank measures the lease obligation by discounting the revised lease payments on a revised discount rate when any of the following conditions occur:

A change in the rental period. The Bank determines revised rent payments based on revised lease term. The Bank determines the revised discount rate for the remaining portion of the lease term as the alternative borrowing interest rate at the date of Bank's revaluation.

In case of any of the following situations, the Bank measures the lease obligation by discounting the revised lease payments:

a) A change in lease payments as a result of a change in an index or a rate used to determine future lease payments. The Bank reassessed its lease obligation when only a change in its cash flows that reflect the revised lease payments. The Bank determines the revised lease payments that related to the remaining lease term according to the revised contractual payment by using non-revised discount rate. The Bank recognizes the lease restructuring as a separate lease if both of the following conditions are met:
b) The structuring shall extend the scope of the lease by including the right of use of one or more underlying assets and
c) The increase in the rental price by the price alone and by the corresponding adjustments to the price of the respective contract alone to reflect the terms of the contract.

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14. 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.

15. Explanations on Liabilities Relating to Employee Benefits

15.1 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.

15.2 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.

15.3 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.

16. 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.

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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 22% for each quarter over tax base and shall be paid, then the advance taxes paid within the year shall be offset from the corporate tax calculated over the yearly corporate tax return for that year.

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

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

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

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

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

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

Deferred Tax

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

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17. 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.

The Bank has not issued convertible bonds.

18. Explanations on Share Certificates Issued

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

19. 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.

20. Explanations on Government Grants

There are no government grants received by the Bank.

21. 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 13.

22. Explanations on Other Matters

The Bank has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

1. Explanations on Equity Items

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2019 Bank's total capital has been calculated as TL 10,334,918 (31 December 2018: TL 7,463,883), capital adequacy ratio is 19.32% (31 December 2018: 17.68%).

1.1. Components of Total Capital:

	Current Period Amount	*Prior Period Amount*
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,000,000	3,500,000
Share Premium	23,250	22,933
Reserves	1,469,025	1,107,196
Other Comprehensive Income According to TAS	219,108	-
Profit	1,145,378	905,352
Current Period Profit	1,109,838	869,812
Prior Period Profit	35,540	35,540
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	**6,856,761**	**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 (-)	13,394	88,537
Leasehold Improvements On Operational Leases (-)	66,940	54,010
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	124,315	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	19,082	13,296
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	4,234	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 The10% Threshold Of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
Total Deductions From Common Equity Tier I Capital	**227,965**	**295,789**
Total Common Equity Tier I Capital	**6,628,796**	**5,239,692**

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Additional Tier I Capital Before Deductions		
Capital corresponding to privileged shares not included in the core capital and the related issuance premiums	-	-
Borrowing instruments deemed appropriate by the Authority and related issuance premiums	1,189,404	-
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)	-	-
Additional Capital Before Discounts	**1,189,404**	**-**
Deductions From Additional Tier I Capital	**-**	**-**
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions From Additional Tier I Capital	**-**	**-**
Total Additional Tier I Capital	**1,189,404**	**-**
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**7,818,200**	**5,239,692**
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	2,073,398	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)	565,274	460,610
Total Deductions From Tier II Capital	**2,638,672**	**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	**2,638,672**	**2,308,337**
Total Equity (Total Tier I And Tier II Capital)	**10,456,872**	**7,548,029**

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Total Tier I Capital And Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)	5,505	-
Other Items To Be Defined By The BRSA (-)	116,449	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)	10,334,918	7,463,883
Total Risk Weighted Assets	53,504,497	42,206,862
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	12.39	12.41
Tier I Capital Ratio (%)	14.61	12.41
Capital Adequacy Ratio (%)	19.32	17.68
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.50	1.88
Capital Conservation Buffer Ratio (%)	2.50	1.88
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	7.89	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)	565,274	460,610
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	565,274	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	-	-
Debt instruments subjected t o Article 4 (to be implemented between January 1 , 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier I Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temprorary Article 4	-	-

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Information on debt instruments included in the calculation of equity:		
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED
Instrument code (CUSIP, ISIN etc.)	XS1323608635	XS2028862998
Governing Law(s) of the Instrument	Regulation on Equity of Banks	Regulation on Equity of Banks
Special Consideration in the Calculation of Equity		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated / Consolidated	Consolidated / Unconsolidated	Consolidated / Unconsolidated
Instrument Type	Subordinated Sukuk	Subordinated Sukuk
Amount recognized in regulatory capital (as of most recent reporting date)	2,073	1,189
Par Value of Instrument (Million TL)	2,073	1,189
Accounting Classification	3470103	3470003
Original date of Issuance	17/02/2016	16/07/2019
Perpetual or dated	Dated	Dated
Maturity date	10 Years (Maturity Date: 17/02/2026)	5 Years (Maturity Date: 16/07/2024)
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	17/02/2021 - All	16/07/2024 – All
Subsequent call dates	17/02/2021	16/07/2024
Profit Share / Dividends		
Fixed or floating profit share / dividend	Fixed	Fixed
Profit share rate and any related index	7.90%	9.13%
Existence of a dividend stopper	No	No
Fully discretionary, partially iscreationary or mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or Non-convertible		
If convertible, conversion trigger	Cannot be converted to stock	Cannot be converted to stock
If convertible, fully or partially	Cannot be converted to stock	Cannot be converted to stock
If convertible, conversion rate	Cannot be converted to stock	Cannot be converted to stock
If convertible, mandatory or optional conversion	Cannot be converted to stock	Cannot be converted to stock
If convertible, specify instrument type convertible into	Cannot be converted to stock	Cannot be converted to stock
If convertible, specify issuer of instrument it converts to	Cannot be converted to stock	Cannot be converted to stock
Write-down feature		
If write-down, write-down trigger(s)	No derating feature	No derating feature
If write-down, full or partial	No derating feature	No derating feature
If write down, permanent or temporary	No derating feature	No derating feature
If temporary write-down, description of write-up mechanism	No derating feature	No derating feature
Position of subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Participation Accounts	Tier - 1
In compliance with article number 7 and 8 of "Own fund regulation"	None	None
Details of incompliances with article number 7 and 8 "Own fund regulation"	None	None

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

Internal evaluation process is established for continuously evaluating and maintaining the types, componenets 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 od 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, liquidıty 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 and Disclosures related to 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 deptors 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 nationally, 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 daiy 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 the 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 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 Proviions to be Forded". Renewed and restructured loans are monitored in accordance with the methods set out in the relevant legislation.

Foreign trade financing and inter-banks loan transactions are performed by a wide network of correspondents and the countr 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.

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The Bank's top 100 and 200 cash loan customers represents 32% and 38% of the total cash loan portfolio, respectively.

The Bank's top 100 and 200 non-cash loan customers represent 36& and 44% of the total non-cash loan portfolio, respectively.

The Bank's top 100 and 200 cash and non-cash loan customers represent 29% and 35% of the total cash and non-cash loan portfolio, respectively.

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or Central Banks	30,612,396	23,276,679
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	80,031	6,669
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	15,964,226	13,517,315
Conditional and unconditional receivables from corporates	14,756,674	13,540,591
Conditional and unconditional receivables from retail portfolios	9,606,960	9,517,428
Conditional and unconditional receivables secured by mortgages	14,693,282	14,641,742
Collateralized receivables with mortgages	-	-
Past due receivables	325,908	292,985
Receivables defined under high risk category by BRSA	71,775	127,657
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	94,539	92,180
Stock Investments	564,853	472,776
Other receivables	5,590,186	5,521,930
Total	**92,360,830**	**81,007,952**

(*) Includes total risk amounts 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 Bank.

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Risk Classifications	Prior Period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or Central Banks	14,335,998	10,991,863
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	11,557,943	8,793,292
Conditional and unconditional receivables from corporates	12,719,675	12,583,436
Conditional and unconditional receivables from retail portfolios	8,545,598	8,809,967
Conditional and unconditional receivables secured by mortgages	15,069,170	15,366,306
Collateralized receivables with mortgages	-	-
Past due receivables	148,718	119,227
Receivables defined under high risk category by BRSA	137,339	58,704
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	110,567	139,501
Stock Investments	-	-
Other receivables	7,079,316	4,797,221
Total	**69,704,324**	**61,659,517**

(*) Includes total risk amounts 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 Bank.

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2.1. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional receivables from central governments ot Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	30,612,396	-	8,608,241	14,644,904	9,592,411	14,542,010	325,232	71,775	94,539	-	-	78,491,508
European Union Countries	-	-	427,217	4,803	4,617	25,985	1	-	-	-	-	462,623
OECD Countries (**)	-	-	2,283,038	104	305	5,139	187	-	-	-	-	2,288,773
Off-Shore Regions	-	-	596,972	43,215	4,033	91,304	-	-	-	-	-	735,524
USA, Canada	-	-	1,796,239	195	107	1,393	-	-	-	-	-	1,797,934
Other Countries	-	80,031	2,252,519	63,453	5,487	27,451	488	-	-	-	-	2,429,429
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	564,853	-	564,853
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	5,590,186	5,590,186
Total (****)	**30,612,396**	**80,031**	**15,964,226**	**14,756,674**	**9,606,960**	**14,693,282**	**325,908**	**71,775**	**94,539**	**564,853**	**5,590,186**	**92,360,830**

(*) Includes total risk amounts before the effect of credit risk mitigation but after 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.
(****) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

Prior Period (*)	Conditional and unconditional receivables from central governments ot Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	14,330,764	-	7,143,346	12,625,853	8,528,354	14,900,002	148,049	137,339	81,584	-	-	57,895,291
European Union 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 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
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	522,950	-	522,950
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	6,556,366	6,556,366
Total	**14,335,998**	**-**	**11,557,943**	**12,719,674**	**8,545,598**	**15,069,170**	**148,718**	**137,339**	**-**	**522,950**	**6,556,366**	**69,593,756**

(*) Includes total risk amounts before the effect of credit risk mitigation but after 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.
(****) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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2.2. Risk profile by sectors or counterparties

Current Perio	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Stock Investmenst	Other receivables	TL	FC	Total(*)
Agriculture	-	-	-	-	-	-	**119,667**	**156,206**	**225,587**	**5,056**	**57**	-	-	-	-	-	-	**441,927**	**64,646**	**506,573**
Farming and Stockbreeding	-	-	-	-	-	-	106,093	108,362	172,439	4,850	-	-	-	-	-	-	-	338,736	53,008	391,744
Forestry	-	-	-	-	-	-	13,557	46,517	52,633	206	57	-	-	-	-	-	-	101,630	11,340	112,970
Fishery	-	-	-	-	-	-	17	1,327	515	-	-	-	-	-	-	-	-	1,561	298	1,859
Manufacturing	-	-	-	-	-	-	**6,058,671**	**2,702,394**	**3,073,301**	**41,992**	**333**	-	-	-	-	-	-	**10,426,041**	**1,450,650**	**11,876,691**
Mining and Quarrying	-	-	-	-	-	-	760,612	511,372	474,847	7,379	324	-	-	-	-	-	-	1,519,291	235,243	1,754,534
Production	-	-	-	-	-	-	2,709,562	1,931,744	2,353,566	32,577	9	-	-	-	-	-	-	5,945,017	1,082,441	7,027,458
Electricity, Gas and Water	-	-	-	-	-	-	2,588,497	259,278	244,888	2,036	-	-	-	-	-	-	-	2,961,733	132,966	3,094,699
Construction	-	-	-	-	-	-	**3,972,764**	**1,211,622**	**2,358,297**	**137,757**	**37**	-	-	-	-	-	-	**7,234,628**	**445,849**	**7,680,477**
Services	**30,612,396**	-	-	**80,031**	-	**15,964,226**	**3,752,259**	**3,209,367**	**3,763,232**	**124,496**	**228**	-	-	-	**94,539**	**564,853**	-	**15,723,297**	**42,442,330**	**58,165,627**
Wholesale and Retail Trade	-	-	-	-	-	-	2,252,736	2,185,655	2,490,142	62,331	205	-	-	-	-	-	-	6,076,176	914,893	6,991,069
Accommodation and Dining	-	-	-	-	-	-	36,887	87,037	241,753	19,415	-	-	-	-	-	-	-	343,670	41,422	385,092
Transportation and Telecom.	-	-	-	-	-	-	765,109	462,754	284,925	8,028	20	-	-	-	-	-	-	1,426,176	94,660	1,520,836
Financial Institutions	30,612,396	-	-	80,031		15,964,226	47,086	1,358	4,177	339	-	-	-	-	94,539	564,853	-	6,126,549	41,242,455	47,369,005
Real Estate and Rental Services	-	-	-	-	-	-	303,842	98,475	278,747	29,430	-	-	-	-	-	-	-	684,314	26,180	710,494
Professional Services	-	-	-	-	-	-	2,017	239	187	-	-	-	-	-	-	-	-	2,443	-	2,443
Educational Services	-	-	-	-	-	-	64,708	60,495	141,753	699	-	-	-	-	-	-	-	256,249	11,406	267,655
Health and Social Services	-	-	-	-	-	-	279,874	313,355	321,548	4,254	3	-	-	-	-	-	-	807,720	111,314	919,033
Others	-	-	-	-	-	-	**853,313**	**2,327,370**	**5,272,866**	**16,607**	**71,120**	-	-	-	-	-	**5,590,186**	**10,976,788**	**3,154,674**	**14,131,462**
Total	**30,612,396**	-	-	**80,031**	-	**15,964,226**	**14,756,674**	**9,606,960**	**14,693,282**	**325,908**	**71,775**	-	-	-	**94,539**	**564,853**	**5,590,186**	**44,802,681**	**47,558,149**	**92,360,830**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.
(**) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by 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	-	-	-	-	-	-	16	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	**-**	-	-	-	-	-	**2,619,301**	**1,308,575**	**3,178,670**	**33,537**	**13,240**	**-**	**-**	**-**	**-**	**-**	**4,661,653**	**2,491,670**	**7,153,323**
Services	**14,335,998**	**-**	**-**	**-**	**-**	**11,557,943**	**3,402,598**	**3,070,787**	**3,940,959**	**64,328**	**36,570**	**-**	**-**	**-**	**110,567**	**-**	**10,459,392**	**26,060,358**	**36,519,750**
Wholesale and Retail Trade	-	-	-	-	-	-	1,741,363	2,052,541	2,609,256	43,163	33,816	-	-	-	-	-	4,520,753	1,959,386	6,480,139
Accommodation and Dining	-	-	-	-	-	-	102,139	84,121	240,799	5,366	1,168	-	-	-	-	-	209,585	224,008	433,593
Transportation and Telecom.	-	-	-	-	-	-	871,931	457,554	331,670	10,364	343	-	-	-	-	-	730,921	940,941	1,671,862
Financial Institutions	14,335,998	-	-	-	-	11,557,943	3,252	709	3,474	1	-	-	-	-	110,567	-	3,716,381	22,295,563	26,011,944
Real Estate and Rental Services	-	-	-	-	-	-	329,550	101,156	269,928	1,111	302	-	-	-	-	-	381,393	320,654	702,047
Professional Services	-	-	-	-	-	-	37	357	217	-	-	-	-	-	-	-	611	-	611
Educational Services	-	-	-	-	-	-	81,693	55,495	158,899	42	-	-	-	-	-	-	193,728	102,401	296,129
Health and Social Services	-	-	-	-	-	-	272,633	318,854	326,716	4,281	941	-	-	-	-	-	706,020	217,405	923,425
Others	**-**	-	-	-	-	-	**964,382**	**1,678,375**	**4,843,680**	**22,782**	**81,225**	**-**	**-**	**-**	**-**	**7,079,316**	**9,444,110**	**5,225,650**	**14,669,760**
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**	**29,614,932**	**40,089,392**	**69,704,324**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.
(**) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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

Risk Categories (*) – Current Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	425,122	-	-	1,728,966	11,862,713
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	80,031
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,772,354	852,076	5,165,590	55,029	1,128,348
Conditional and unconditional receivables from corporates	2,570,647	692,051	2,894,299	1,269,541	7,302,313
Conditional and unconditional receivables from retail portfolios	1,582,405	747,055	1,121,613	1,587,319	4,407,322
Conditional and unconditional receivables secured by mortgages	961,021	579,140	958,207	1,983,077	10,211,837
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	71,713	62	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	57,729	11,341	21,765	500	3,205
Stock Investments	-	-	-	-	564,853
Other Receivables	-	-	-	-	-
Toplam	**7,440,991**	**2,881,725**	**10,161,474**	**6,624,432**	**35,560,622**

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

Risk Categories (*) – Prior Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	194,001	365,306	155,773	-	5,351,089
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,114,939	1,561,667	923,323	303,169	235,198
Conditional and unconditional receivables from corporates	2,779,392	537,376	1,446,766	1,408,712	6,522,535
Conditional and unconditional receivables from retail portfolios	1,375,118	704,468	1,080,494	1,723,192	3,520,864
Conditional and unconditional receivables secured by mortgages	832,833	568,743	1,188,187	2,224,151	10,255,256
Past due receivables	-	-	-	-	
Receivables defined under high risk category by BRSA	95,104	1,498	1,635	2,745	36,357
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-		-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	-	-	11,227	16,545	82,795
Stock Investments	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	**7,391,387**	**3,739,058**	**4,807,405**	**5,678,514**	**26,004,094**

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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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 assgined 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.

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

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

2.5 Credit risk using the standard approach:

2.5.1. Credit risk exposed and credit risk mitigation effects:

		CCF and CRM		CCF and CRM		RWA and RWA density	
		Receivable before		Receivable post			
	Risk Classes	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	30,187,274	-	33,203,934	-	8,410,209	25
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	80,031	-	80,031	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	14,997,685	1,448,897	14,997,685	441,958	7,805,358	51
7	Receivables from corporate	11,857,112	6,041,797	9,918,926	2,895,423	12,542,142	98
8	Retail receivables	7,473,507	7,335,009	6,834,853	2,127,036	6,528,583	73
9	Receivables secured by residential property	6,576,129	800,583	6,449,840	345,249	2,354,030	35
10	Receivables secured by commercial property	7,139,330	1,343,866	6,841,721	631,961	4,605,711	62
11	Non-performing receivables	325,908	-	309,986	-	162,208	52
12	Receivables in high-risk categories	71,775	-	71,775	-	107,637	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	94,539	-	94,539	-	24,598	26
16	Other receivables	5,590,186	-	5,590,186	-	1,917,833	34
17	Stock investments	564,853	-	564,853	-	564,853	100
18	**Total**	**84,958,329**	**16,970,152**	**84,958,329**	**6,441,627**	**45,023,162**	

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2.5.2. Exposures by asset classes and risk weights:

	Risk Classes / Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	16,383,517	-	-	-	16,820,417	-	-	-	-	33,203,934
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	80,031	-	-	-	-	-	-	-	-	80,031
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	187,259	-	4,674,170	-	7,415,378	-	3,162,836	-	-	15,439,643
7	Receivables from corporate	148,383	-	154,780	-	-	-	12,511,186	-	-	12,814,349
8	Retail receivables	142,071	-	156,874	-	-	8,662,945	-	-	-	8,961,890
9	Receivables secured by residential property	48,758	-	47,908	6,698,423	-	-	-	-	-	6,795,089
10	Receivables secured by commercial property	55,594	-	79,821	-	5,497,040	-	1,841,227	-	-	7,473,682
11	Non-performing receivables	400	-	831	-	293,427	-	15,328	-	-	309,986
12	Receivables in high-risk categories	17	-	-	-	-	-	-	71,758	-	71,775
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	37,135	-	17,988	-	36,832	-	2,584	-	-	94,539
16	Stock investments	-	-	-	-	-	-	564,853	-	-	564,853
17	Other receivables	3,187,638	-	605,894	-	-	-	1,796,654	-	-	5,590,186
18	**Total**	**20,270,803**	**-**	**5,738,266**	**6,698,423**	**30,063,094**	**8,662,945**	**19,894,668**	**71,758**	**-**	**91,399,956**

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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	18,879,518	-	5,298,052	6,921,378	28,379,659	9,600,544	22,249,031	71,775	-	-
Exposures after Credit Risk Mitigation	20,270,803	-	5,738,266	6,698,423	30,063,094	8,662,945	19,894,668	71,758	-	-

Prior 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

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	**158,153**	**30,991**	**48,506**
Farming and Stockbreeding	115,499	24,357	33,613
Forestry	41,860	3,606	11,678
Fishery	794	3,028	3,215
Manufacturing	**1,600,817**	**376,583**	**606,366**
Mining and Quarrying	251,886	56,884	92,242
Production	1,244,865	304,370	489,842
Electricity, Gas and Water	104,066	15,329	24,282
Construction	**1,206,802**	**701,370**	**763,122**
Services	**2,246,279**	**820,221**	**968,652**
Wholesale and Retail Trade	1,454,282	473,620	590,772
Accommodation and Dining	80,853	90,300	84,713
Transportation and Telecommunication	231,402	68,157	85,659
Financial Institutions	341	3,904	3,559
Real Estate and Rental Services.	239,020	140,311	118,887
Professional Services	280	-	81
Educational Services	116,459	3,466	32,405
Health and Social Services	123,642	40,463	52,576
Others	**635,884**	**114,509**	**142,610**
Total	**5,847,935**	**2,043,674**	**2,529,256**

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

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	Loans		Provisions
	Impaired Loans		
Prior 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**

2.8. Movements in value adjustments and provisions

Current Period (*****)	**Opening Balance**	**Provisions for period**	**Provision Reversals (***)**	**Other Adjustments (****)**	**Closing Balance**
Stage 3 Provisions (*)	841,056	2,061,231	(395,761)	(974,156)	1,532,370
Stage 1&2 Provisions (**)	1,092,687	553,906	(167,574)	-	1,479,019

Prior Period (*****)	**Opening Balance**	**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.

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2.9. Risk involved in counter-cyclical capital buffer calculation

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	27,110,378	-	27,110,378
Bahrain	91,183	-	91,183
Albania	35,928	-	35,928
Iraq	17,681	-	17,681
Marshall Islands	16,257	-	16,257
Qatar	9,628	-	9,628
Germany	6,688	-	6,688
Italy	3,213	-	3,213
Hungary	2,992	-	2,992
Saudi Arabia	2,797	-	2,797
Other	23,091	-	23,091

Prior Period

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	35.48%	59.31%	39.54%
Medium Quality	37.61%	22.38%	35.02%
Average	18.16%	12.43%	17.19%
Below Average	8.75%	5.88%	8.26%
Unrated	35.48%	59.31%	39.54%

Note: All portfolio is rated.

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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 "standard method" and the "value at risk method" used in legal reporting are used to measure the exchange rate risk of the bank. Measurements made under the standard method are carried out on a monthly basis and measurements made under the risk-exposed Value Method are carried out on a daily basis.

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 2019, the Bank carries a net foreign currency long position of TL 8,252,773 (31 December 2018 – TL 655,043 long position) comprising of TL 7,932,219 balance sheet short position (31 December 2018 - TL 692,847 long position) and TL 320,554 off balance sheet long position (31 December 2018 – TL 37,804 long position).

The announced current foreign exchange buying rates of the Bank as of 31 December 2019 and the previous five working days are as follows (full TL):

	24/12/2019	25/12/2019	26/12/2019	27/12/2019	30/12/2019	Balance Sheet Valuation Rate
USD	5.94262	5.93509	5.93653	5.94731	5.94564	5.94702
EURO	6.58514	6.58402	6.58364	6.62169	6.65612	6.66909
GBP	7.69001	7.69832	7.70519	7.76096	7.79915	7.81761
CHF	6.05012	6.05164	6.0516	6.08132	6.11495	6.14576
JPY	0.05432	0.05424	0.05418	0.05429	0.05447	0.05475

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	5.84877
EURO	6.49932
GBP	7.66817
CHF	5.94704
JPY	0.05356

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Currency risk of the Bank:

	Euro	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	6,400,386	6,143,746	4,580,207	17,124,339
Banks (****)	3,971,361	288,620	2,715,001	6,974,982
Financial assets at fair value through profit and loss	-	132,718	3,774,336	3,907,054
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	5,035,423	4,628,070	68,567	9,732,060
Loans and finance lease receivables (*)	10,959,138	13,987,774	94,287	25,041,199
Subsidiaries, associates and joint ventures (**)	445,754	-	-	445,754
Financial assets at amortized cost	2,023,806	607,108	-	2,630,914
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	957	-	957
Intangible assets	-	25	-	25
Other assets	847,646	87,235	1,640	936,521
Total assets	**29,683,514**	**25,876,253**	**11,234,038**	**66,793,805**
Liabilities				
Current account and funds collected from Banks via participation accounts	112,377	285,276	146,869	544,522
Current and profit sharing accounts FC (****)	9,245,730	29,553,434	10,740,372	49,539,536
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	178,339	6,430,335	1,251,255	7,859,929
Marketable securities issued	-	-	-	-
Miscellaneous payables	51,129	67,293	610	119,032
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	122,379	312,517	43,117	478,013
Total liabilities	**9,709,954**	**36,648,855**	**12,182,223**	**58,541,032**
Net balance sheet position	19,973,560	(10,772,602)	(948,185)	8,252,773
Net off-balance sheet position	(20,055,53)	11,193,288	930,027	(7,932,219)
Financial derivative assets	371,546	19,860,378	1,463,898	21,695,822
Financial derivative liabilities	20,427,080	8,667,090	533,871	29,628,041
Non-cash loans (***)	1,882,866	2,503,577	576,420	4,962,863
Prior period				
Total assets	16,533,817	21,029,390	5,016,721	42,579,928
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

(*) Includes foreign currency indexed loans amounting to TL 2,662,329 (31 December 2018 – TL 5,425,809) followed as TL on the balance sheet and expected credit loss amounting to TL 608,551
(**) TL 445,754 (31 December 2018 - TL 445,754) of the subsidiaries amounting to TL 544,853 in the balance sheet includes foreign currency subsidiary and subsidiary.
(***) Does not have any effect to the net off-balance sheet position.
(****) Precious metals are included in "Other FC" column.
(*****) Other liabilities at fair value through TL 1,057 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 95,676
(******) Includes provisions for expected losses amounting to TL 2,865 in the balance sheet

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 165,177 (31 December 2018 – TL 12,528)
- Prepaid expenses : TL 1,217 (31 December 2018 - 706 TL)
- Derivative financial liabilities held for trading : TL 164,719 (31 December 2018 – TL 41,936)
- Marketable securities of FC revaluation reverse: (82,154) (31 December 2018 - TL (51,432))
- Derivative financial liabilities held for hedging : TL 129,728 (31 December 2018 - TL 106,352)

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

- Forward foreign currency purchase transactions TL 907,403 (31 December 2018 – TL 538,844)
- Forward foreign currency sale transactions: TL 983,763 (31 December 2018 – TL 788,379)
- Precious metal purchase transactions: TL 15,348 (31 December 2018 – TL 538,980)
- Precious metal sale transactions: TL 322,394 (31 December 2018 – TL 1,561)

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	Prior Period	Current Period	Prior Period
USD	10%	42,069	1,289	50,284	(3,854)
EURO	10%	(8,197)	(2,816)	(8,197)	(2,816)
GOLD	10%	3,545	(62,195)	3,545	(62,195)

4.Explanations related to stock position risk

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.

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

Current Period Equity Securities (shares) investments (*)	Carrying Value	Comparison Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	**38,583**	**-**	**-**
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	**544,853**	**-**	**157,740**
Quoted Securities	53,418	-	157,740
Other	**20,000**	**-**	**-**
Quoted Securities	-	-	-

Prior Period Equity Securities (shares) investments (*)	Carrying Value	Comparison Fair Value	Market Value
Securities Available-for-Sale	**27,548**	**-**	**-**
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	**522,950**	**-**	**80,520**
Quoted Securities	53,416	-	80,520
Other	**25,000**	**-**	**-**
Quoted Securities	-	-	-

(*) Related equity investments are accounted on a cost basis in the accompanying financial statements since the fair value of these investments can not be measured reliably.

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

None.

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

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

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

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

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 partipication 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.

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

5.5. Information on liquidity risk mitigation techniques:

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

5.6. Information on the use of stress tests:

In order to analyze the source of the possible liquidity insufficiencies and whether comformably move exists on existing off-balance sheet and balance sheet positions relavant 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 telated with liquidity risk are repeated at monthly periods. Results are tracked with key risk indicators and monitored by Senior Management.

5.7. General information about the contingency funding plan:

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

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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 mount	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2019								
Funds Collected (*)	76,722,604	5,805,060	2,876,946	89,777	-	85,494,387	-	85,494,387
Other Fundings	699,008	353,968	1,821,819	5,408,168	2,328,110	10,611,073	(1,838,413)	8,772,660
Funds provided under repurchase agreements	-	-	-	-	-	-	-	-
Finance Lease Payable	13,524	23,118	85,987	181,209	22,340	326,178	-	326,178
Total	**77,435,136**	**6,182,146**	**4,784,752**	**5,679,154**	**2,350,450**	**96,431,638**	**(1,838,413)**	**94,593,225**
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**

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 2019								
Letters of Guarantee	5,339,185	141,073	492,414	2,339,451	1,590,962	103,581	-	10,006,666
Bills of Exchange and Bank Acceptances	810	10,792	20,733	19,943	2,757	-	-	55,035
Letters of Credit	501,105	155,156	396,019	306,255	15,474	-	-	1,374,009
Other guarantees	337,440	-	1,633	114,656	8,160	3,703	-	465,592
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
Total	**6,178,540**	**307,021**	**910,799**	**2,780,305**	**1,617,353**	**107,284**	**-**	**11,901,302**
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**

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Contractual maturity analysis of derivative instruments:

31 December 2019	**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	12,077,560	10,566,931	4,609,256	412,627	-	27,666,374
Exit	12,195,664	10,677,764	4,526,288	191,211	-	27,590,927
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	1,162,576	-	1,162,576
Exit	-	-	-	1,289,329	-	1,289,329
Total Cash Inflow	**12,077,560**	**10,566,931**	**4,609,256**	**1,575,203**	**-**	**28,828,950**
Total Cash Outflow	**12,195,664**	**10,677,764**	**4,526,288**	**1,480,540**	**-**	**28,880,256**

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**

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Liquidity coverage ratio

Current Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	24,714,648	21,462,978	22,675,028	19,423,358
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	46,313,166	14,182,057	4,066,738	1,418,206
3	Stable deposits	11,291,580	-	564,579	-
4	Less stable deposits	35,021,586	14,182,057	3,502,159	1,418,206
5	Unsecured wholesale funding, of which:	14,184,533	8,940,750	6,812,216	4,156,714
6	Operational deposits	-	-	-	-
7	Non-operational deposits	13,348,175	8,708,260	5,975,858	3,924,224
8	Unsecured funding	836,358	232,490	836,358	232,490
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	13,204,966	12,239,063	13,204,966	12,239,063
11	Outflows related to derivative exposures and other collateral requirements	12,609,289	12,239,063	12,609,289	12,239,063
12	Outflows related to restructured financial Instruments	595,677	-	595,677	-
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	16,222,620	4,987,076	1,162,427	274,128
16	**TOTAL CASH OUTFLOWS**			25,246,347	18,088,111
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	15,883,591	12,061,329	13,990,336	11,443,387
19	Other cash inflows	12,845,603	6,880,189	12,845,603	6,880,189
20	**TOTAL CASH INFLOWS**	**28,729,194**	**18,941,518**	**26,835,939**	**18,323,576**
				Upper Limit Applied Value	
21	**TOTAL HQLA**			**22,675,028**	**19,423,358**
22	**TOTAL NET CASH OUTFLOWS**			**6,311,587**	**4,522,028**
23	**LIQUIDITY COVERAGE RATIO (%)**			**359.26**	**429.53**

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

The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 30 December 2019:

	Highest	Date	Lowest	Date	Average
TL+FC	395.83	19/07/2019	200.76	16/08/2019	319.35
FC	469.13	19/07/2019	226.06	16/08/2019	372.93

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

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Liquidity risk management and liquidity coverage ratio (continued)

Prior Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	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**
				Upper Limit Applied 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 the calculated liquidity coverage ratio for the last three months based on the monthly simple arithmetic average,

The table below presents highest, lowest and average liquidity coverage ratios for 31 December 2018:

Prior Period:

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

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

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Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (**)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	7,596,177	11,296,909	-	-	-	-	-	18,893,086
Banks (*)	6,987,825	-	-	-	-	-	-	6,987,825
Financial assets at fair value through profit and loss	-	4,690	22,096	1,163,895	2,811,540	9,521	-	4,011,742
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	97,758	3,770,234	8,547,246	17,850	197,379	12,630,467
Loans (**)	-	12,345,375	7,966,284	16,080,327	17,319,647	2,353,114	(1,150,167)	54,914,580
Loans measured at amortised cost	-	-	-	-	2,630,914	-	-	2,630,914
Other assets (***)	100,001	1,473,688	13,048	-	358,097	-	2,425,897	4,370,731
Total assets	**14,684,003**	**25,120,662**	**8,099,186**	**21,014,456**	**31,667,444**	**2,380,485**	**1,473,109**	**104,439,35**
Liabilities								
Current account and funds collected from banks via participation accounts	-	-	-	-	-	-	-	-
Current and profit sharing accounts	481,239	41,068	-	33,356	-	-	-	555,663
Funds provided from other financial institutions	35,180,422	41,019,875	5,805,060	2,843,590	89,777	-	-	84,938,724
Money market borrowings	-	642,434	291,696	1,581,288	4,419,280	2,239,399	-	9,098,838
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-	-
Other Liabilities (****)	276,465	111,714	-	-	-	-	-	388,179
Total Liabilities	**35,938,126**	**42,875,472**	**6,417,401**	**4,576,822**	**4,471,165**	**2,239,399**	**7,920,960**	**104,439,35**
Net liquidity gap	(21,254,123)	(17,754,810)	1,681,785	16,437,634	21,196,279	141,086	(6,447,851)	-
Prior period								
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
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)	-

(*) Expected losses are netted off with provision.
(**) Includes receivables from leasing transactions and presented with netting off with the expected credit loss.
(***) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies and prepaid expenses are included under unallocated assets.
(****) The unallocated other liabilities consists of equity and provisions balances.

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6. Explanations on leverage ratio

Disclosure of leverage ratio template

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

	On-balance sheet assets (*)	***Current Period***	***Prior Period***
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	100,598,884	73,486,996
2	(Assets deducted in determining Tier I Capital)	(209,873)	(250,604)
3	Total on-balance sheet risks (sum of lines 1 and 2)	100,389,011	73,236,392
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative instruments and credit derivatives	288,592	125,968
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	390,743	134,811
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	679,335	260,779
	Securities or commodity financing transactions (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	572,070	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)	572,070	863,204
	Other off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	65,619,596	61,704,440
11	(Adjustments for conversion to credit equivalent amounts)	(42,603,597)	(40,649,139)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	23,015,999	21,055,301
	Capital and total risks		
13	Tier I Capital	7,708,462	5,313,980
14	Total risks (sum of lines 3, 6, 9 and 12)	124,656,415	95,415,676
	Leverage ratio		
15	Leverage ratio	6.18	5.57

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was %6.18 % (31 December 2018 - 5.57%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital increased by 45% due to the profit for the period, balance-sheet risks increased by 37%, and off balance sheet items increased by 9%. Accordingly, the leverage ratio of the current period compared to the previous year shows a increase of 61 basis points.

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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	Prior Period	Current Period	Prior Period
Financial Assets				
Banks	6,990,830	6,419,648	6,990,830	6,419,648
Financial assets at FVTOCI	12,630,467	6,396,065	12,630,467	6,396,065
Financial assets valued at amortised cost	2,630,914	-	2,659,331	-
Loans and lease receivables	55,882,295	46,619,267	49,229,213	45,213,605
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	555,663	252,892	555,663	252,892
Other current and profit sharing accounts	84,938,724	53,733,386	84,938,724	53,733,386
Money market borrowings	-	187,266	-	188,003
Funds provided from other financial institutions	8,772,660	12,044,099	7,296,088	12,118,809
Finance Lease Payable	326,178	-	326,178	-
Other Liabilities	1,285,273	1,434,479	1,285,273	1,434,479

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.

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9. Explanations on hedge accounting practices

TFRS 9 permits to defer application of TFRS 9 hedge accounting principles and permits the companies continue to apply hedge accounting principles of TAS 39 as a policy choice. In this context, the Bank continue to apply TAS 39 policy for the hedge accounting.

The Bank uses cash flow hedge (CFH) accounting as of the balance sheet date.

The contractual amounts of the derivative financial instruments as of December 31, 2019 and the net fair values of the financial instruments are summarized in the table below:

	Current Period			Prior Period		
	Principal*	Asset	Liability	Principal*	Asset	Liability
Derivative Financial Instruments	--	-	-	-	-	-
Cross currency swap transactions (CFH)	1,289,330	-	129,728	1,144,549	-	106,352
Total	1,289,330	-	129,728	1,144,549	-	106,352

(*) Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 1,162,576 (December 31, 2018: TL 1,020,984) the total notional of derivative financial assets amounting to TL 2,451,906 (December 31, 2018: TL 2,165,533) is accounted for in off-balance sheet under “Derivative financial instruments held for risk management” line item.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked;

The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item a re realized,

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

In accordance with TAS, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

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Cash flow hedge:

The Bank, convert Malaysian Ringgit (MYR) 800,000 MYR borrowings to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on borrowings and changes in USD/TL foreign exchange rates on profit share-yielding assets.

In this context, the derivative financial instruments which are determined as hedging instruments are cross currency swaps and the hedged items are funds borrowed and profit share-yielding assets. In the below table, the effect of accounting of CFH is explained:

Current Period					
Type of hedging instrument	Hedged item (asset and liablity) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Assets	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1,162,576	(11,514)

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 1,600.
(**) Subsidiary of the Participation Bank KT Kira Certifikaları A.Ş. Securities issued by the Bank and presented in the "Loans Received" line in the financial statements.

Prior Period					
Type of hedging instrument	Hedged item (asset and liablity) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Assets	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1,020,984	9,721

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to (TL 2,138)
(**) Bank's subsidiary KT Kira Sertifikaları A.Ş. Securities issued by the Bank and presented in the "Loans Received" line in the financial statements.

At the inception date, the Participation Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. Effectiveness tests have been selected according to the methods that are allowed by TAS 39 in reliance to the risk strategies of the Participation Bank. Also, effectiveness tests have been performed at the end of every month and the effectiveness of the risk relationships have been measured.

As of December 31, 2019 cash flow hedge transactions have been determined as effective.

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10. 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.

10.1. Explanations on Risk Management and Risk Weighted Amounts:

10.1.1. GBA – Bank's Risk Management Approach:

What kind of an interaction does the Bank's risk profile has with the management board's risk appetize and how does the business model determine the Bank's risk profile and how it interacts with it (i.e. Key risks regarding the business model and each one of these risks' effect on the explanations);

Kuveyt Turk's business model fundamentally consisted of two main operating areas. These main areas are current accounts in accordance with the non-interest banking rules, collecting funds through profit/loss participation accounts and providing the usage of funds to its cilents through these funds and equity. The business model of the Bank occurs an exposure of some significant risks. These significant risks are evaluated and identified by the Bank's Internal Capital Competence Evaluation Process. Bank's risk strategy for all significant risks is formed in writing. Banks are required to form a structure which is composed of the policies and processes regarding determining the risk appetite and following it's units' compliance because of the regulation regarding the Banks Internal Systems and Internal Capital Competence Evaluation Process, numbered 29057 and published by the Official Gazette on 11 July 2014. In order to comply with this regulation Risk Appetite Policy is published by the Risk Management Leadership and approved by the Board of Directors. In accordance with the Bank's Risk Appetite Policy, risk levels and risk limits of each kind of risks which appeared important are collectively determined to achieve the Bank's goals and to actualize the Bank's strategies by taking the risk capacity of the Bank into consideration. Bank's risk strategy and risk limits are determined by the Board of Directors.

The units which perform the risk measurement and management are carrying out their businesses independently from execution units. Fundamentally, control and management activities devoted to credit, market, liquidity, operational and other significant risk types are occurred. Due to the business model, Risk Management Leadership strategically contribute to the Bank to identify, follow, measure and manage all risks which the Bank may expose. Credit Risk Management and Modelling unit which is one of the units which constitutes the Risk Management Leadership, carries out the risk measurement and management works regarding the credit risks. Market Risk, Operational Risk, Risk and Capital Planning Department which is another unit which carries out its businesses under the Risk Management Leadership, coordinates the Bank's capital planning works and manage risks regarding the market, operations, liquidity and other important risk types.

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Bank has a credit predominant active structure due to its main business model. Reflecting the Bank's business model, total actives, predominantly consisted of dues regarding receivables from leasing and cash loans. The Bank predominantly aims to grow sustainably by funding the real sector's financing and increasing the credit amount by taking the risk-return balance into the consideration. Within the frame of its business model, the main risk type which the Bank exposed/predicts to be exposed damage is credit risk. The significant risks within the scope of Bank's credit risks are as follows;

- Credit Risk states the possibility of loan loss which the Bank may expose due to the the partial or total nonpayment of its credit client on time in accordance with the contract made between the credit client and the Bank.
- Counterparty credit risk refers to the defaut risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings on obligation to both sides.
- Concentration risk covers risks arising from concentration between different types of risk or on an individual risk basis which may result in large losses that could threaten the bank's ability to maintain its core operations or its financial structure or which could cause significant changes in the bank's risk profile.

The bank is exposed to market risk due to its treasury transactions and other financial operatings. However, correspondingly with the risk appetite, the bank takes care to ensure that its market risk-generating assets have high credit rating and liquidity, and it does not carry a speculative foreign exchange position in order to hedge foreign exchange risk.

The bank is exposed to operational risk due to its operatings, processes carried out, human resources, systems and external resources. Operational risks in the bank are managed under the supervision of the Board of Directors within the framework of identifying, evaluating, monitoring and reducing/controlling the risks. The current risk management is considered to be in line with the size of the bank, taking into account the level and importance of the risk.

Explanations on risk reporting processes provided to the board of directors and senior management, in particular the scope and main content of the reporting,

Timely and comprehensive reporting of risks exposed within the scope of Risk management activities and risks arising from transactions carried out with the risk group of the Bank is carried out by the head of Risk Management. The Bank produces regular reports from the risk measurement models it uses and analyzes the reports. Risk measurement and risk monitoring results are reported to the Board of directors or to the Internal Systems Committee and senior management regularly and on time by the Risk Management Presidency.

The reports prepared include the level and development of significant risks and their effects on capital needs, the compliance of assumptions used in risk measurement and evaluation systems, the adequacy of the level of capital that the bank should hold for all important risks, its compliance with legal and internal capital targets and ratios, the need for future capital and changes to be made in, business continuity plans, etc. includes information.

The bank organizes a report on risk measurement, capital and liquidity planning and risk management capabilities under the scope of ICAAP at least once a year and in any case as of the end of the year.

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10.1.2. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2019	Prior Period 31/12/2018	Current Period 31/12/2019
1	Credit risk (excluding counterparty credit risk) (CCR)	44,998,563	36,698,184	3,599,885
2	Standardised approach (SA)	45,023,161	36,757,533	3,601,853
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	198,727	91,242	15,898
5	Standardised approach for counterpary credit risk (SA-CCR)	198,727	91,242	15,898
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	24,598	59,344	1,968
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2,697,263	1,070,340	215,781
17	Standardised approach (SA)	2,697,263	1,070,340	215,781
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	5,585,346	4,287,752	446,828
20	Basic indicator approach	5,585,346	4,287,751	446,828
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**53,504,497**	**42,206,862**	**4,280,360**

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10.1.3. 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					
Assets		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securization Positions	Market Risk	No subject to capital requirements or subject to deducation from capital
Cash and Balances with Central Bank of Turkey	18,893,086	18,893,086	18,893,086	-	-	-	-
Banks	6,990,830	6,990,830	6,990,830	-	-	-	-
Receivables From Money Markets	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	4,011,742	4,011,742	-	-	-	4,011,742	-
Financial Assets at Fair Value Through OCI	12,630,467	12,630,467	12,630,467	-	-	-	-
Financial Assets Measured at Amortised Cost	2,630,914	2,630,914	2,630,914	-	-	-	-
Derivative Financial Assets	183,947	183,947	-	183,947	-	-	-
Expected Loss Provisions (-)	3,014,394	3,014,394	1,532,370	-	-	-	1,482,024
Loans	55,218,449	55,218,449	55,218,449	-	-	-	-
Lease Receivables	2,707,520	2,707,520	2,707,520	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	473,326	473,326	473,326	-	-	-	-
Subsidiaries	544,853	544,853	544,853	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	20,000	20,000	20,000	-	-	-	-
Tangible Assets (Net)	1,034,952	1,034,952	1,034,952	-	-	-	-
Intangible Assets (Net)	133,980	133,980	133,980	-	-	-	-
Investment Properties (Net)	25,146	25,146	25,146	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-
Deferred Tax Asset	358,097	358,097	358,097	-	-	-	-
Other Assets	1,596,430	1,596,430	1,596,430	-	-	-	-
Total Assets	**104,439,345**	**104,439,345**	**103,258,050**	**183,947**	**-**	**4,011,742**	**1,482,024**
Liabilities							
Funds Collected	85,494,387	85,494,387	-	-	-	-	85,494,387
Borrowings	5,391,677	5,391,677	-	-	-	-	5,391,677
Debt to money markets	-	-	-	-	-	-	-
Securities Issued (Net)	-	-	-	-	-	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	424,137	424,137	-	-	-	-	424,137
Lease Payables	326,178	326,178	-	-	-	-	326,178
Provisions	1,090,995	1,090,995	-	-	-	-	1,090,995
Current Tax Liabilities	224,425	224,425	-	-	-	-	224,425
Deferred Tac Liabilities	-	-	-	-	-	-	-
Subordinated Debt Instruments	3,380,983	3,380,983	-	-	-	-	3,380,983
Other Liabilities	1,285,273	1,285,273	-	-	-	-	1,285,273
Equity	6,821,290	6,821,290	-	-	-	-	6,821,290
Total Liabilities	**104,439,345**	**104,439,345**	**-**	**-**	**-**	**-**	**104,439,345**

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10.1.4 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)	104,439,345	103,258,050	-	183,947	4,011,742
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	-	-
3- Total net amount	104,439,345	103,258,050	-	183,947	4,011,742
4- Off-balance sheet amounts	123,655,745	6,441,627	-	520,198	57,709,206
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	**228,095,090**	**109,699,677**	**-**	**704,145**	**61,720,948**

10.2. General qualitative information on credit risk:

10.2.1. 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.

10.2.2. 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.

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10.3. 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.

10.4. 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.

10.5. 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.

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

Current Period		**Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation**		***Provisions / depreciation and impairment***	***Net amount***
		Defaulted	***Non-defaulted***		
1	Loans	2,043,674	55,882,295	1,532,370	56,393,599
2	Debt securities	-	15,274,667	8,872	15,265,795
3	Off-balance sheet exposures(*)	-	17,391,736	421,583	16,970,153
4	**Total**	**2,043,674**	**88,548,698**	**1,962,825**	**88,629,547**

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

Prior Period		**Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation**		***Provisions / depreciation and impairment***	***Net amount***
		Defaulted	***Non-defaulted***		
1	Loans	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:

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	1,179,767	714,130
2	Loans and debt securities that have been defaulted since the last reporting period	2,269,757	879,420
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	974,156	(103,142)
5	Other changes	(431,694)	(310,641)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**2,043,674**	**1,179,767**

10.6. Qualitative disclosures related to the credit quality of assets

10.6.1 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.

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10.6.2. 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.

10.6.3. 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.

10.6.4. 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.

10.6.5. Breakdown of exposures by geographical areas, industry and ageing:

Distribution of cash receivables by sectors is as follows:

Sector	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Individual	8,757,610	7,503,339
Other Services	3,206,504	2,956,888
Education	329,621	349,526
Real Estate and Brokerage	407,407	382,518
Financial Services	9,167,477	5,506,964
Food, Beverage, Tobacco	1,709,041	1,387,365
Government	406,943	55,730
Production	2,293,233	2,010,030
Construction	7,320,658	6,319,400
Public Services (Electricity, Water & Gas)	4,027,816	3,674,016
Mining & Chemistry	2,685,939	2,318,818
Machinery Equipment	400,345	354,933
Automative	1,668,448	1,540,260
Oil, Gas and Oil Products	116,958	133,942
Health	541,191	509,078
Agriculture	190,390	152,941
Textile	3,563,134	3,107,012
Wholesale & Retail	9,455,989	8,126,200
Tourism	421,054	347,300
Transportation & Warehouse	1,256,211	1,062,774
Total	**57,925,969**	**47,799,034**

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

Region	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Akdeniz Region	3,911,807	3,425,548
Dogu Anadolu Region	1,013,398	914,832
Ege Region	3,363,576	2,996,116
Güneydogu Anadolu Region	3,031,352	2,492,121
Iç Anadolu Region	8,692,112	7,737,345
Karadeniz Region	1,634,926	1,415,864
Marmara Region	30,036,782	26,109,922
Foreign	6,242,016	2,707,286
Total	**57,925,969**	**47,799,034**

The maturity distribution of cash receivables is as follows:

Maturity Distribution	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
1-3 years	26,676,750	13,538,987
3-5 years	15,922,812	5,810,681
5 years and more	7,382,686	7,130,585
Up to 1 year	7,290,079	20,738,166
Defaulted	653,642	580,615
Total	**57,925,969**	**47,799,034**

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

Current Period - Sector	Loans Under Follow-Up	Specific Provisions	Write-Offs (*)
Agriculture	**30,991**	**22,316**	**7,879**
Farming and Stockbreeding	24,357	16,068	4,417
Forestry	3,606	3,220	1,315
Fishery	3,028	3,028	2,147
Manufacturing	**376,583**	**304,228**	**265,788**
Mining and Quarrying	56,884	45,765	58,561
Production	304,370	246,080	163,879
Electricity, Gas and Water	15,329	12,383	43,348
Construction	**701,370**	**508,171**	**342,206**
Services	**820,221**	**609,448**	**296,959**
Wholesale and Retail Trade	473,620	352,844	181,178
Accomodation and Dining	90,300	66,295	8,944
Transportation and Telecommunication	68,157	53,894	45,687
Financial Institutions	3,904	3,550	11,464
Real Estate and Rental Services	140,311	98,207	4,965
Professional Services	-	-	3
Educational Services	3,466	2,496	177
Health and Social Services	40,463	32,162	44,541
Other	**114,509**	**88,207**	**61,324**
TOTAL	**2,043,674**	**1,532,370**	**974,156**

(*) Refers to loans that were deleted from assets in 2019.

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Prior Period - 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	-
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	15,485
Construction	**325,507**	**237,015**	**9,106**
Services	**482,450**	**319,976**	**51,643**
Wholesale and Retail Trade	301,443	178,302	37,841
Accomodation and Dining	23,628	11,543	5,098
Transportation and Telecommunication	49,934	34,419	5,520
Financial Institutions	13,584	13,582	-
Real Estate and Rental Services	64,699	62,512	67
Professional Services	2	1	-
Educational Services	109	99	515
Health and Social Services	29,051	19,518	2,602
Other	**99,383**	**58,308**	**12,188**
TOTAL	**1,179,767**	**841,056**	**103,142**

Current Period - Geopraphic Region	Non performing Loans	Provisions	Write-Offs (*)
Marmara Region	1,312,283	947,319	459,910
Güneydogu Anadolu Region	107,121	93,246	161,338
Iç Anadolu Region	276,563	218,935	188,405
Akdeniz Region	139,607	111,878	84,960
Ege Region	115,692	91,200	42,038
Dogu Anadolu Region	45,101	34,514	13,169
Karadeniz Region	47,307	35,278	24,336
Total	**2,043,674**	**1,532,370**	**974,156**

(*) Refers to loans that were deleted from assets in 2019.

Current Period - Geopraphic 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**

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10.6.7. 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	605,647	965,978	339,461	94,868	8,729
Retail Loans	86	51	1,060	32	-
Credit cards	10,144	13,165	3,839	510	104
Other	-	-	-	-	-
Total	**615,877**	**979,194**	**344,360**	**95,410**	**8,833**

Prior 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**

10.6.8. Breakdown of Restructured receivables according to their provisions:

Restruction Status	Current Period - Risk	Prior Period - Risk
Performing	2,275,941	732,523
Non-Performing	65,699	58,870
Total	**2,341,640**	**791,393**

10.7. Credit Risk Mitigation

10.7.1 Qualitative information on Credit Risk Mitigation Techniques

Within the framework of the credit transactions carried out by the bank, all the collateral documents received in the presence of the branch personnel are checked by the branch operations staff and forwarded to the collateral follow-up Directorate through the main banking application. The systematic entries of the guarantees are completed by the personnel of the guarantee follow-up directorate where signature compliance, authorization checks and validity examinations are performed.

10.7.2 Credit risk mitigation techniques:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	41,807,531	12,458,319	2,010,696	2,127,750	1,841,401	-	-
2	Debt securities	15,265,795	-	-	-	-	-	-
3	**Total**	**57,073,326**	**12,458,319**	**2,010,696**	**2,127,750**	**1,841,401**	**-**	**-**
4	Overdue	485,684	25,620	15,922	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	33,438,600	13,519,379	3,276,016	-	-	-	-
2	Debt securities	6,396,065	-	-	-	-	-	-
3	**Total**	**39,834,665**	**13,519,379**	**3,276,016**	**-**	**-**	**-**	**-**
4	Overdue	203,023	135,688	72,099	-	-	-	-

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10.8. Explanations on Counterparty Credit Risk (CCR):

10.8.1. 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.

10.8.2. The method used to allocate the operatioal 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.

10.8.3. 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.

10.8.4. 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.

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

In case of a decrease in the credit rating, there is no additional collateral amount that our bank has to provide.

10.8.6. Counterparty credit risk (CCR) approach analysis:

	Current Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	183,939	351,813	-	1.4	535,752	179,294
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**	-	-	-	-	-	**179,294**

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	Prior Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	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**

10.8.7. Capital requirement for credit valuation adjustment (CVA):

		Current Period		Prior Period	
		EAD post-CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation					
1	(i) VaR component (including the 3×multiplier)	-	-	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3	All portfolios subject to the Standardised CVA capital obligation	535,752	19,433	199,263	13,915
4	**Total subject to the CVA capital obligation**	**535,752**	**19,433**	**199,263**	**13,915**

10.8.8. 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	425,122	-	-	-	-	-	-	-	-	-
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	-	-	307,401	217,182	-	-	-	-	-	170,071
7	Receivables from corporate	-	-	-	-	-	4,139	-	-	-	4,139
8	Retail receivables	-	-	-	-	6,416	-	-	-	-	4,812
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	239	84
10	Receivables secured by commercial property	-	-	-	375	-	-	-	-	-	188
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	**Total**	**425,122**	**-**	**307,401**	**217,557**	**6,416**	**4,139**	**-**	**-**	**239**	**179,294**

* 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.

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	Prior Period - Risk Classes / Risk Weights *	0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	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	-	-	-	-	-	-	-	-	955	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	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	**Total**	**194,001**	**-**	**108,530**	**58,898**	**9,585**	**18,649**	**-**	**-**	**955**	**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.

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11. Securitization Positions

None.

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

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

13. Qualitative explanations on market risk:

13.1. 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 consolided 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

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13.2. 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.

13.3. 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 2018 and 31 December 2019 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:

13.4. Market risk under standardised approach:

		Risk Weighted Amounts
		Current Period
	Outright products	**2,697,263**
1	Profit share risk (general and specific)	2,555,241
2	Equity risk (general and specific)	-
3	Foreign exchange risk	141,829
4	Commodity risk	193
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	**Securitisation**	-
9	**Total**	**2,697,263**

		Risk Weighted Amounts
		Prior 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**

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13.5. Explanations 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, 2018, 2017 and 2016 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 446,828 corresponding to the 8% of TL 5,585,346 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 446,828 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	**31/12/2016 Amount**	**31/12/2017 Amount**	**31/12/2018 Amount**	**Total/ No. of Years of Positive Gross**	**Rate (%)**	**Total**
Gross Income	2,205,206	2,739,187	3,992,162	2,978,852	15	446,828
Value at Operational Risk (Total*12.5)						5,585,346

Prior Period	**31/12/2015 Amount**	**31/12/2016 Amount**	**31/12/2017 Amount**	**Total/ No. of Years of Positive Gross**	**Rate (%)**	**Total**
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

13.6. Profit-share rate risk related to banking book:

13.6.1. 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	(442,560)	(4.28%)
2	TL	(-) 400bp	416,612	4.03%
3	USD	(+) 200bp	127,243	1.23%
4	USD	(-) 200bp	(144,354)	(1.40%)
5	EURO	(+) 200bp	(116,502)	(1.13%)
6	EURO	(-) 200bp	124,232	1.20%
	Total (For Negative Shocks)		**396,490**	**3.84%**
	Total (For Positive Shocks)		**(431,819)**	**(4.18%)**

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Prior 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%)**

13.7. 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.

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 2018 and 31 December 2019 are given in the table below:

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Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	4,011,742	183,947	-	4,195,689
Forward transactions	-	17,994	-	17,994
Swap transactions	-	165,953	-	165,953
Government debt securities	3,941,594	-	-	3,941,594
Other marketable securities	70,148	-	-	70,148
Financial assets at FVOCI	12,630,467	-	-	12,630,467
Equity securities	38,583	-	-	38,583
Government debt securities	12,106,518	-	-	12,106,518
Other marketable securities	485,366	-	-	485,366
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	294,409	-	294,409
Forward transactions	-	14,165	-	14,165
Swap transactions	-	280,244	-	280,244
Financial liabilities for hedging purposes	-	129,728	-	129,728

Prior 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	-	62,981	-	62,981
Forward transactions	-	22,126	-	22,126
Swap transactions	-	40,855	-	40,855
Financial liabilities for hedging purposes	-	106,352	-	106,352

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

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14. Explanations on business segments

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

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

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

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

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Selected balance sheet and income statement items according to segments:

Current Period 1 January 2019-31 December 2019	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	5,054,017	3,542,943	1,646,783	-	10,243,743
Operating expenses (-)	3,854,236	1,505,770	1,711,436	1,757,034	8,828,476
Transfers between segments	2,319,478	(462,292)	(1,857,186)	-	-
Net operating income(loss)	**3,519,259**	**1,574,881**	**(1,921,839)**	**(1,757,034)**	**1,415,267**
Income from associates	-	-	-	-	-
Income (loss) before tax	3,519,259	1,574,881	(1,921,839)	(1,757,034)	1,415,267
Provision for taxation (-)	-	-	-	305,429	305,429
Net income for the period	**3,519,259**	**1,574,881**	**(1,921,839)**	**(2,062,463)**	**1,109,838**
Current Period **31 December 2019**					
Segment assets	19,680,015	35,203,430	45,842,442	-	100,725,887
Associates, subsidiaries and joint ventures	-	-	-	564,853	564,853
Undistributed assets	-	-	-	3,148,605	3,148,605
Total assets	**19,680,015**	**35,203,430**	**45,842,442**	**3,713,458**	**104,439,345**
Segment liabilities	71,408,114	14,083,077	9,526,171	-	95,017,362
Undistributed liabilities	-	-	-	2,600,693	2,600,693
Shareholders' equity	-	-	-	6,821,290	6,821,290
Total liabilities	**71,408,114**	**14,083,077**	**9,526,171**	**9,421,983**	**104,439,345**

Prior Period 1 January 2018 – 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**
Prior 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**
Prior Period **31 December 2018**					
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**

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets:

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	613,156	1,515,040	491,059	1,348,617
The Central Bank of Republic of Turkey	1,155,591	14,498,131	692,050	6,947,252
Other (*)	-	1,111,168	-	957,110
Total	**1,768,747**	**17,124,339**	**1,183,109**	**9,252,979**

(*) As of 31 December 2019, precious metal account amounting to TL 1,111,144 (31 December 2018 - TL 957,110 and money in transit amounting to TL 24 (31 December 2018 – None) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	730,347	3,201,221	677,230	53
Restricted time deposit	425,000	-	-	-
Unrestricted time deposit	244	11,296,910	14,820	6,947,199
Total	**1,155,591**	**14,498,131**	**692,050**	**6,947,252**

1.1.3 Explanations on mandatory provisions :

Banks established in Turkey or operating in Turkey by opening branches T.C. They are subject to the Central Bank's communiqué on mandatory provisions no.2013/15. The amount to be obtained from the total of the domestic liabilities of the banks as a result of the reduction of the items to be deducted as stated in the communiqué and the deposits they accept from Turkey on behalf of their branches abroad constitute their obligations subject to mandatory provision. Mandatory reserves can be kept in the CBRT in Turkish Lira, us and/or Euro and standard gold. As of the date of 31 December 2019, the current rate for Turkish lira reserve requirements according to maturity structure of 1% and in the range of 7 (31 December 2018: %to 1.5% in the range of 8), the required reserve rate for foreign currency deposits according to maturity structure current by 15% and 19% (December 31, 2018: 8% to 12% range), other liabilities to foreign currencies by 5% to 21% range (31 December 2018: 4% to 20% range). The reference values determined by the communiqué into force on 9 August 2019 2019/15 Turkish lira reserve requirements for banks with credit growth rates of between 1 year and 1-year long-term deposits/participation funds (foreign banks deposits/participation funds are excluded), and 3 years for other long term liabilities (foreign banks deposits/participation funds, including all maturities except 2 percent will be applied. For other banks, Turkish lira required reserve ratios in Article 6 of the Communiqué are applied. For banks that meet the conditions set by the Communiqué No: 2019/19, real loan growth required for foreign currency required reserve ratios, up to 1 year deposit / participation fund (excluding foreign banks deposits / participation fund) and 17 year maturity for borrower's funds liabilities. 13 percent for deposit / participation fund (excluding foreign banks deposit / participation fund). For other banks, foreign currency required reserve ratios in Article 6 of the Communiqué are applied.

Banks with real loan growth meeting the conditions set by the CBRT Communique on Required Reserves No. 2019/19 have a 10% Turkish Lira Required Reserve interest rate applied to other banks.

No interest is paid on mandatory provisions held by CBRT in US dollars as of September 19, 2019

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

As of 31 December 2019, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2018 – None).

Positive differences related to marketable derivative financial assets:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	14,949	3,045	29,120	1,799
Swap transactions	3,821	162,132	363	10,729
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	**18,770**	**165,177**	**29,483**	**12,528**

1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	**12,983**	**6,977,847**	**14,736**	**6,404,912**
Domestic	12,886	3,767,297	14,631	3,608,271
Foreign	97	3,210,550	105	2,796,641
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	**12,983**	**6,977,847**	**14,736**	**6,404,912**

1.3.2 Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,024,090	1,160,613	-	-
USA and Canada	1,742,814	1,344,351	-	-
OECD Countries (*)	15,558	13,458	-	-
Off-shore Banking Regions	633	567	-	-
Other	427,552	277,757	-	-
Total	**3,210,647**	**2,796,746**	**-**	**-**

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

	Current period	Prior Period
Debt Securities	**12,458,021**	**6,432,017**
Quoted on stock exchange	12,458,021	6,432,017
Not quoted on stock exchange	-	-
Share certificates	**185,732**	**128,489**
Quoted on stock exchange	94,539	60,764
Not quoted on stock exchange	91,193	67,725
Impairment provision	**(13,286)**	**(164,441)**
Total	**12,630,467**	**6,396,065**

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1.5 Explanations on financial assets measured at amortized cost:

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	**1,868**	**7,206**	**1,034**	**398**
Corporate shareholders	-	7,190	-	398
Real person shareholders	1,868	16	1,034	-
Indirect loans granted to shareholders	**780,512**	**723**	**204,988**	**520**
Loans granted to employees	**19,920**	**619**	**16,311**	**6**
Total	**802,300**	**8,548**	**222,333**	**924**

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

Current Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
			Restructured Loans and Receivables	
		Loans and Receivables Not Subject to Restructuring	Loans and Receivables with Revised Contract Terms	Refinance
Loans	**47,324,143**	**3,556,702**	**2,264,742**	**-**
Export Loans	4,531,667	319,767	-	-
Import Loans	951,591	42,549	-	-
Corporation Loans	20,008,117	2,652,310	2,194,384	-
Consumer Loans	7,548,035	304,840	47,325	-
Credit Cards	948,460	117,001	23,033	-
Loans given to financial sector	8,998,593	-	-	-
Other	4,337,680	120,235	-	-
Other Receivables	**2,697**	**15,292**	**11,199**	**-**
Total	**47,326,840**	**3,571,994**	**2,275,941**	**-**

Prior Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
			Restructured Loans and Receivables	
		Loans and Receivables Not Subject to Restructuring	Loans and Receivables with Revised Contract Terms	Refinance
Loans	**39,786,672**	**3,533,527**	**731,716**	**-**
Export Loans	26,872	506	2	-
Import Loans	1,867,353	81,466	-	-
Corporation 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	3,454,190	145,249	521	-
Other Receivables	**5,432**	**110,414**	**807**	**-**
Total	**39,792,104**	**3,643,941**	**732,523**	**-**

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

	Standard Loans Current Period(*)	Loans under close monitoring Current Period*)	Standard Loans Prior Period	Loans under close monitoring Prior Period
12 Month Expected Credit Losses	482,133	-	437,198	-
Significant Increase in Credit Risk	-	996,886	-	655,489
Total	**482,133**	**996,886**	**437,198**	**655,489**

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 767.

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

		Loans under close monitoring	
Current Period	**Standard Loans**	**Loans and Receivables Not Subject to Restructuring**	**Restructured**
Short term loans	16,073,402	456,639	83,858
Medium and long term loans	31,253,438	3,115,355	2,192,083
Total	**47,326,840**	**3,571,994**	**2,275,941**

		Loans under close monitoring	
Prior Period	**Standard Loans**	**Loans and Receivables Not Subject to Restructuring**	**Restructured**
Short term loans	12,868,630	785,032	56,300
Medium and long term loans	26,923,474	2,858,909	676,223
Total	**39,792,104**	**3,643,941**	**732,523**

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	**75,033**	**7,726,981**	**7,802,014**
Housing Loans	22,116	6,470,571	6,492,687
Vehicle Loans	31,568	963,169	994,737
Consumer Loans	20,214	219,628	239,842
Other	1,135	73,613	74,748
Consumer Loans-FC Indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	**-**	**79,276**	**79,276**
Housing Loans	-	46,824	46,824
Vehicle Loans	-	-	-
Consumer Loans	-	28,626	28,626
Other	-	3,826	3,826
Retail Credit Cards-TL	**456,724**	**73**	**456,797**
With Installment	98,257	73	98,330
Without Installment	358,467	-	358,467
Retail Credit Cards-FC	**-**	**-**	**-**
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	**1,912**	**16,998**	**18,910**
Housing Loans	-	1,410	1,410
Vehicle Loans	596	12,096	12,692
Consumer Loans	1,315	3,492	4,807
Other	1	-	1
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	**11,025**	**60**	**11,085**
With Installment	4,229	60	4,289
Without Installment	6,796	-	6,796
Personnel Credit Cards-FC	**-**	**-**	**-**
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	**544,694**	**7,823,388**	**8,368,082**

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

Prior Period	Short term	Medium and 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	**-**	**-**	**-**
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	**-**	**-**	**-**
Overdraft Account-FC (Real Person)	**-**	**-**	**-**
Total	**429,044**	**6,638,105**	**7,067,149**

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1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	**248,040**	**4,929,680**	**5,177,720**
Business Loans	18,447	1,248,841	1,267,288
Vehicle Loans	194,640	2,385,462	2,580,102
Consumer Loans	34,953	1,295,377	1,330,330
Other	-	-	-
Commercial Installment Loans-FC Indexed	**3,221**	**844,575**	**847,796**
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
Commercial Installment Loans-FC	**1,106**	**155,325**	**156,431**
Business Loans	-	98,790	98,790
Vehicle Loans	1,106	56,535	57,641
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	**620,612**	**-**	**620,612**
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
Corporate Credit Cards-FC	**-**	**-**	**-**
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	**-**	**-**	**-**
Overdraft Account-FC (Legal Entity)	**-**	**-**	**-**
Total	**872,979**	**5,929,580**	**6,802,559**

Prior 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**

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1.5.6. Allocation of loans by customers:

	Current period	Prior period
Public	560,472	75,479
Private	52,614,303	44,093,089
Total	**53,174,775**	**44,168,568**

1.5.7 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	47,120,720	43,830,656
Foreign loans	6,054,055	337,912
Total	**53,174,775**	**44,168,568**

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	178,601	121,040
Loans granted indirectly to subsidiaries and associates	-	-
Total	**178,601**	**121,040**

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

	Current period	Prior period
Loans and receivables with limited collectability	209,492	89,643
Loans and receivables with doubtful collectability	228,439	243,531
Uncollectible loans and receivables	1,094,439	507,882
Total	**1,532,370**	**841,056**

1.5.10 Information on non-performing loans (Net):

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

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period:	**-**	**65,699**	**-**
(Gross Amount Before Specific Provisions)	-	65,699	-
Restructured Loans and Receivables	-	-	-
Prior Period:	**-**	**58,870**	**-**
(Gross Amount Before Specific Provisions)	-	-	-
Restructured Loans and Receivables	-	58,870	-

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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
Ending balance of prior period 31.12.2018	**142,629**	**310,520**	**726,618**
Additions in the current period (+)	806,015	991,658	472,084
Transfers from other categories of non-performing loans (+)	100,972	677,421	1,374,788
Transfers to other categories of non-performing loans (-)	676,683	1,374,976	101,522
Collections in the current period (-)	112,153	129,774	189,767
Write offs (-)(*)	10,373	156,716	807,067
Sold Porfolio (-)	**-**	**-**	**-**
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	**250,407**	**318,133**	**1,475,134**
Specific provisions (-)	209,492	228,439	1,094,439
Net balances on balance sheet	**40,915**	**289,694**	**380,695**

(*) The BRSA published in the official gazette on the date of 27 November 2019 of banks 'Loan classification and allowances the Regulation amending the regulation on principles and procedures for these to be allocated under the principal balance and the corresponding balance in 2019 they will get dull 974,156 follow TL deleted from the records. This process had a decreasing effect on the conversion rate by 1.59% in points.

	Group III	Group IV	Group V
Prior Period	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
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 Porfolio (-)	-	-	-
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**

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

	Group III	Group IV	Group V
Current Period			
Ending balance of the current period	79,247	5,454	61,316
Provision amount (-)	75,386	969	20,865
Net balance at the balance sheet	**3,861**	**4,485**	**40,451**
Prior Period			
Ending balance of the current period	19,793	-	-
Provision amount (-)	2,547	-	-
Net balance at the balance sheet	**17,246**	**-**	**-**

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

	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)	**40,915**	**89,694**	**380,695**
Loans granted to real persons and legal entities (Gross)	250,407	318,133	1,475,134
Specific provision (-)	209,492	228,439	1,094,439
Loans to real persons and legal entities (Net)	**40,915**	**89,694**	**380,695**
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2018	**52,986**	**66,989**	**218,736**
Loans 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)	-	-	-

The Bank has collaterals such as cash, mortgages, pledges, and checks of customer issued 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:

Current Period	Less than 30 days	31-60 days	61-90 Days	More than 91 days	Total
Loans and receivables					
Corporate loans	4,471,573	540,320	343,866	-	5,355,759
Retail loans	153,578	127,256	71,308	-	352,142
Credit cards	123,659	10,880	5,495	-	140,034
Total	**4,748,810**	**678,456**	**420,669**	**-**	**5,847,935**

Prior Period	Less than 30 days	31-60 days	61-90 Days	More than 91 days	Total
Loans and receivables					
Corporate loans	2,835,639	639,881	608,330	-	4,083,850
Retail loans	16,015	129,499	83,459	-	228,973
Credit cards	40,369	14,395	8,877	-	63,641
Total	**2,892,023**	**783,775**	**700,666**	**-**	**4,376,464**

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	**7,824**	**8,150**	**43,927**
Profit share accruals, rediscount and valuation differences	18,748	25,908	207,675
Provision (-)	10,924	17,758	163,748

1.5.10.7. 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 974,156 have been written-off (31 December 2018 – TL 103,142).

1.5.11 Information on the write-off policy:

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

1.6 Information on other financial assets measured at amortised cost:

1.6.1 Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	**2,630,914**	**-**
Quoted on a Stock Exchange	2,630,914	-
Not Quoted	-	-
Impairment Provision (-)	**767**	**-**
Total	**2,630,147**	**-**

1.6.2 Movements of Other Financial Assets Measured at Amortized Cost During The Year

	Current Period	Prior Period
Opening Balance	-	-
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	2,630,914	-
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	**767**	**-**
Ending Balance	**2,630,147**	**-**

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1.7 Information on investment in associates (Net):

1.7.1 The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2018 – TL 4,897), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 33 (31 December 2018 – TL 714), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,936 (31 December 2018 – TL 5,201), Swift shares amounting to TL 390 (31 December 2018 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2018 – TL 15) and VISA Inc.shares amounting to TL 11,254 (31 December 2018 – TL 7,055), are classified as financial assets at fair value through other comprehensive income since the Bank's ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

1.7.2 Information about investments in unconsolidated associates: None (31 December 2018 – None).

1.7.3 Information related to consolidated associates: None (31 December 2018 – None).

1.8 Information on subsidiaries (Net):

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/Tukey	99.99	99.99
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Tukey	75.00	97.61
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Tukey	100.00	100.00
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Tukey	100.00	100.00
KT Bank AG (*)	Frankfurt/Germany	100.00	100.00
Architecht Bilişim Sistemleri ve Pazarlama Tic A.Ş (**)	Istanbul/Tukey	100.00	100.00
KT Sukuk Company Limited (***)	George Town/Cayman Islands	100.00	100.00
KT Portföy Yönetimi A.Ş.	Istanbul/Tukey	100.00	100.00

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

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
31,076	30,107	-	-	-	2,711	(4,710)	-
152,842	149,095	1,638	-	-	2,688	(3,094)	-
25,926	638	-	-	-	139	284	-
4,944,185	292	-	-	-	113	72	-
-	-	-	-	-	-	-	-
67,352	36,747	3,633	-	-	13,018	9,886	-
2,141,802	1	-	-	-	-	-	-
14,977	13,518	211	-	-	6,734	431	-

(*) As of 31 December 2019, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.
(**) These figures are shown per Turkish Commercial Law financial statements as at 31 December 2019.
(***) KT Sukuk Company Limited is established in Cayman Islands on 31 July 2015, for the need of a second subordinated loan at the Bank. According to relevant article of TFRS 10, it is described as a subsidiary.

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Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	**522,950**	**377,647**
Movements during the year	21,903	145,303
Purchases	5,002	152,061
Transfers from subsidiaries (*)	16,901	(5,000)
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	(5,000)
Revaluation increase (**)	-	3,242
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	**544,853**	**522,950**
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) On 2 April 2019, the Bank acquired 50% of the shares of KT Portföy Yönetimi A.Ş., which was transferred to KFH Capital Investment Company on July 20, 2018 for a consideration of TL 16,901. As a result of this transaction, all balance of KT Portföy Yönetimi A.Ş. has been transferred to the subsidiaries line. (December 31, 2018 - The Bank has transferred 50% shares of KT Portföy Yönetimi A.Ş. (Subsidiary) with a capital of TL 10,000 to KFH Capital Investment Company on July 20, 2018 for a consideration of TL 16,901).
(**) It expresses reversel of impairment loss.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	445,754	445,754
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	53,516
Total	**521,173**	**499,270**

Subsidiaries that are quoted on the stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,416
Quoted in Foreign Stock Exchange	-	-
Total	53,418	53,416

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of December 31, 2019 is EUR 85,935,747 and the capital adequacy ratio is %25.7.

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	2,613,177	75,341	16,557	27,514	14,497

(*) These figures are shown per Turkish Trade Law financial statements as of 31 December 2019.
(**) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish the Pension Company in line with main shares. Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş, and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

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1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases:

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	1,227,784	886,869	1,674,227	1,307,276
1 to 4 years	1,572,914	1,445,267	910,320	854,221
More than 4 years	384,461	375,384	297,345	289,202
Total	**3,185,159**	**2,707,520**	**2,881,892**	**2,450,699**

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	3,185,159	2,881,892
Unearned finance lease income (-)	(477,639)	(431,193)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	**2,707,520**	**2,450,699**

1.10.3 Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 48,391 are included in the non-performing loans in the balance sheet (31 December 2018 – TL 9,493).

1.11 Information on derivative financial assets for hedging purposes: As of 31 December 2019, the Bank does not have any derivative financial assets. (31 December 2018 – None).

1.12. Explanations on Tangible Assets

	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2018					
Cost	235,328	247,127	47,229	439,442	969,126
Accumulated Depreciation (-)	22,323	3,616	1,121	253,178	280,238
Net Book Value	213,005	243,511	46,108	186,264	688,888
Current Period: 31 December 2019					-
Net book value at beginning of period	213,005	243,511	46,108	186,264	688,888
Additions	6,696	429,060	9,118	102,728	547,602
Disposals (-)	48	15,684	194	1,534	17,460
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment Losses (-)	-	-	-	-	-
Depreciation Expense (-)	7,677	98,347	10,002	68,052	184,078
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of period	241,976	660,503	56,153	540,636	1,499,268
Accumulated depreciation at the end of period (-)	30,000	101,963	11,123	321,230	464,316
Closing net book value	**211,976**	**558,540**	**45,030**	**219,406**	**1,034,952**

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	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
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
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 Losses (-)	-	-	-	-	-
Depreciation Expense (-)	(10,252)	804	333	70,718	61,603
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
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**

(*) 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	Prior Period
Cost	305,548	278,635
Accumulated Amortization	(171,568)	(141,656)
Total (net)	**133,980**	**136,979**

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

	Current Period	Prior Period
Opening balance	136,979	119,012
Additions	96,231	96,918
Disposals (-), net	59,679	22,648
Depreciation amount (-)	39,551	56,303
Closing net book value	**133,980**	**136,979**

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

1.14. Explanations on investment property:

	Current Period	Prior Period
Opening balance	25,305	25,419
Additions	1,143	44
Disposals (-), net	-	-
Depreciation amount (-)	1,302	158
Closing net book value	**25,146**	**25,305**

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1.15 Information on deferred tax asset

As of 31 December 2019, deferred tax is offset as TL 358,097 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 December 2019 is TL 399,960 (31 December 2018 – TL 362,096) and deferred tax liability is TL 41,863 (31 December 2018 – TL 15,456 TL).

	Current period	Prior period
Reserve for employee benefits	41,047	31,297
Retirement pay liability	23,220	17,412
Deferred income	56,469	55,507
Impairment provision for subsidiaries, fixed assets and assets held for sale	2,523	2,395
Rediscounts for derivative instruments held for trading (net)	52,909	30,080
TFRS 9 Provisions	214,057	192,935
Precious metals valuation difference	1,454	2,031
Other	8,281	30,439
Deferred tax asset	**399,960**	**362,096**
The difference between the registered value of tangible assets and tax value	(9,665)	(7,293)
Revaluation difference of financial assets at fair value through profit or loss	(28,833)	(3,691)
Other	(3,365)	(4,472)
Deferred tax liability	**(41,863)**	**(15,456)**
Deferred tax asset, (net)	**358,097**	**346,640**

Table of deferred tax asset movement:

	31 December 2019	31 December 2018
As of January 1	346,640	138,710
Deferred tax (expense)/income	95,752	197,896
Deferred tax accounted under other comprehensive income	(84,295)	19,021
TFRS 9 opening effect	-	(8,987)
Other	-	-
Deferred tax asset	**358,097**	**346,640**

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	Prior Period
Opening balance	270,382	117,006
Additions	270,818	203,974
Transfer from tangible assets	-	1,208
Disposals (-), net	65,597	11,636
Transfer to tangible assets	-	40,170
Depreciation amount (-)	2,277	-
Impairment losses provision (-)	-	-
Closing net book value	**473,326**	**270,382**

1.17 Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 1,596,430 (31 December 2018 – TL 2,799,934). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and notes related to liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	**7,951,114**	-	-	-	-	-	-	-	**7,951,114**
II. Real persons profit sharing accounts TL	-	7,232,001	1,223,102	725,113	-	610,209	911,230	22,190	**20,723,845**
III. Other current accounts-TL	**4,400,375**	-	-	-	-	-	-	-	**4,400,375**
Public sector	200,309	-	-	-	-	-	-	-	200,309
Commercial sector	4,156,300	-	-	-	-	-	-	-	4,156,300
Other institutions	32,529	-	-	-	-	-	-	-	32,529
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	11,237	-	-	-	-	-	-	-	**11,237**
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,913	-	-	-	-	-	-	-	10,913
Participation banks	324	-	-	-	-	-	-	-	324
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	**592,927**	**1,309,698**	**103,271**	-	**268,254**	**60,845**	-	**2,334,995**
Public sector	-	373	68	611	-	3,046	-	-	4,098
Commercial sector	-	546,923	1,208,358	79,737	-	257,856	59,133	-	2,152,007
Other institutions	-	44,940	100,133	22,873	-	7,312	457	-	175,715
Commercial and other institutions	-	691	1,121	50	-	40	1,255	-	3,157
Banks and participation banks	-	-	18	-	-	-	-	-	18
V. Real persons current accounts-FC	**12,392,536**	-	-	-	-	-	-	-	**12,392,536**
VI. Real persons profit sharing accounts-FC	-	**5,790,160**	**9,694,129**	**1,359,816**	-	**981,912**	**1,161,743**	**1,803**	**18,989,563**
VII. Other current accounts-FC	**5,160,335**	-	-	-	-	-	-	-	**5,160,335**
Commercial residents in Turkey	4,583,135	-	-	-	-	-	-	-	4,583,135
Commercial residents in Abroad	226,632	-	-	-	-	-	-	-	226,632
Banks and participation banks	**350,568**	-	-	-	-	-	-	-	**350,568**
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	350,223	-	-	-	-	-	-	-	350,223
Participation banks	345	-	-	-	-	-	-	-	345
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	**593,613**	**2,412,726**	**56,824**	-	**54,950**	**50,417**	-	**3,168,530**
Public sector	-	10	-	-	-	-	-	-	10
Commercial sector	-	520,606	2,112,944	53,458	-	45,383	50,331	-	2,782,722
Other institutions	-	41,158	141,142	3,357	-	9,170	-	-	194,827
Commercial and other institutions	-	31,831	84,336	9	-	397	-	-	116,573
Banks and participation banks	-	8	74,304	-	-	-	86	-	74,398
IX. Precious metal funds	**5,757,301**	**2,444,094**	**1,846,409**	**207,182**	-	**113,344**	**4,703**	**61**	**10,373,094**
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	**35,661,661**	**6,652,795**	**6,486,064**	**2,452,206**	-	**2,028,669**	**2,188,938**	**24,054**	**85,494,387**

There are no 7 day notification accounts of the Bank.

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Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	**4,753,832**	-	-	-	-	-	-	-	**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 accounts of the Bank.

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	**Prior period**	**Current period**	**Prior period**
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	17,752,145	10,848,810	10,782,495	6,836,543
FC accounts	16,294,727	8,572,475	24,484,448	15,911,931
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 150 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

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

The headquarters of the Bank is in Turkey.

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

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

	Current Period	**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	9,044	5,677
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	13,191	974	20,764	1,362
Swap transactions	116,499	163,745	281	40,574
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	**129,690**	**164,719**	**21,045**	**41,936**

2.3. Information on funds borrowed:

2.3.1 Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	923,177	4,354,444	2,038,900	6,657,758
From Foreign Banks, Institutions and Funds	-	114,056	-	1,446,231
Total	**923,177**	**4,468,500**	**2,038,900**	**8,103,989**

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	923,177	1,469,612	2,038,900	4,254,863
Medium and Long-Term	-	2,998,888	-	3,849,126
Total	**923,177**	**4,468,500**	**2,038,900**	**8,103,989**

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

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

2.4 Information on other liabilities and miscellaneous payables:

As of 31 December 2019, other liabilities amount to TL 897,094 (31 December 2018 – TL 1,172,585), sundry creditors amount to TL 388,179 (31 December 2018 - TL 261,894), both of them do not exceed 10% of the balance sheet total.

2.5 Information on finance lease payables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	124,506	87,233	-	-
1 to 4 years	263,799	141,347	-	-
More than 4 years	139,376	97,598	-	-
Total	**527,681**	**326,178**	**-**	**-**

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

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

None (31 December 2018 – None).

2.5.1.1. Information on Financial Lease Obligations

None (31 December 2018 – 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		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	129,728	-	106,352
Hedge of net investment in foreign operations	-	-	-	-
Total	**-**	**129,728**	**-**	**106,352**

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 2019, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 5 (31 December 2018 – TL 4,654) and TL 192 for leasing receivables (31 December 2018 – TL 1,266) is offset against loans and receivables.

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2.7.2 Information on other provisions:

	Current Period	Prior Period
Non-Cash Loans That Are Not Converted Into Cash	422,274	240,373
Special Provisions for non-cash loans	127,145	145,911
General Provisions for non-cash loans	150,934	129,152
Provision for Profits will be Allocated to Partipation Accounts	2,332	1,778
Other (*)	86,271	50,040
Total	**788,956**	**567,254**

(*) The other part of the main period amounting to TL 27,573 (December 31, 2018 - TL 13,780) is TL 6,500 (31 December 2018 - TL 6,500) for the expense of TL 51,035 (31 December 2018 - TL 29,760) is the amount for impairment loss.

2.7.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 115,461 (31 December 2018 – TL 86,381), vacation pay liability amounting to TL 712 (31 December 2018 – TL 585), performance premium amounting to TL 109,912 (31 December 2018 – TL 86,617), retirement bonuses on payment of TL 63,437 (31 December 2018 – TL 44,014), committee fee amounting to TL 12,231 (31 December 2018 – TL 10,869) and other fees amounting to TL 196 (31 December 2018 – TL 175).

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 6,379.86 (full amount) (31 December 2018 – TL 5,434.42 (full amount)) 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	Prior Period
Discount rate (%)	12.10	16.30
Interest rate (%)	8.00	12.00
Salary increase rate (%)	25.00	13.00

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

	Current Period	Prior Period
Balance at the beginning of the period	86,381	83,942
Provisions recognized during the period	30,613	23,362
Paid during the period	(7,319)	(17,064)
Actuarial loss	5,786	(3,859)
Balances at the end of the period	**115,461**	**86,381**

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2.8 Explanations on tax liability:

2.8.1 Explanations on current tax liability:

2.8.1.1 Information on tax provisions: TL 224,425 (31 December 2018-TL 175,685)

2.8.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	39,489	21,252
Taxation of immovable property	1,796	1,569
Banking Insurance Transaction Tax (BITT)	29,327	32,461
Foreign Exchange Transaction Tax	4,532	-
Value Added Tax Payable	2,663	1,904
Income tax deducted from wages	12,624	9,675
Other	4,058	1,130
Total	**94,489**	**67,991**

2.8.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Insurance Premiums-Employee	7,430	5,640
Social Insurance Premiums-Employer	8,000	6,075
Unemployment insurance-Employee	532	404
Unemployment insurance-Employer	1,263	952
Other	-	-
Total	**16,940**	**13,071**

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

2.8.1.4 Information on deferred tax liability: None (31 December 2018 - None).

2.9 Information on payables related to assets held for sale:

None (31 December 2018 – None).

2.10 Information on subordinated loans:

	Current Period		Prior Period	
	TP	YP	TP	YP
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	3,380,983	-	1,901,210
Toplam	**-**	**3,380,983**	**-**	**1,901,210**

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2.11 Information on shareholders' equity:

2.11.1 Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,000,000	3,500,000
Preferrence shares	-	-
Repurchased shares amount (*)	(4,234)	(2,678)
Total	**3,995,766**	**3,497,322**

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

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

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

Date for Increase	Increased Amount	Internal Sources	Retained Earnings for Increased
03-Nis-19	500,000	-	500,000

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

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 2018- None)

2.11.7 Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	136,954	82,154	(37,105)	(51,432)
Foreign Exchange Difference	-	-	-	-
Total	**136,954**	**82,154**	**(37,105)**	**(51,432)**

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

2.12 Information on minority shares:

None (31 December 2018 – None).

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

3.1. Explanations on off-balance sheet accounts:

3.1.1 Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 31 December 2019 amounts to TL 2,656,398 (31 December 2018 – TL 1,858,018); payment commitments for cheque books amounts to TL 1,305,235 (31 December 2018 – TL 1,136,474).

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

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

As of 31 December 2019, the Bank has guarantees and surety ships constituting of TL 10,006,666 (31 December 2018 – TL 10,389,398) of letters of guarantee; TL 55,035 (31 December 2018 – TL 74,098) of acceptances and TL 1,374,009 (31 December 2018 – TL 1,079,876) of letters of credit. Also, banks has other acceptances amounting to TL 465,592 (31 December 2018 – TL 324,718).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 3.1.2.1

3.1.3 Total amount of non-cash loans:

	Current period	**Prior period**
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	11,901,302	11,868,090
Total	**11,901,302**	**11,868,090**

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3.1.4. Sectorial risk concentration of non-cash loans:

	Current Period			
	TP	%	YP	%
Agriculture	**68,479**	**0.99**	**51,421**	**1.04**
Farming and stockbreeding	38,634	0.56	35,958	0.72
Forestry	29,622	0.43	15,463	0.31
Fishery	223	0.00	-	-
Manufacturing	**1,270,772**	**18.31**	**1,171,799**	**23.61**
Mining and quarrying	297,536	4.29	328,922	6.63
Production	658,204	9.49	809,325	16.31
Electricity, Gas, Water	315,032	4.54	33,552	0.68
Construction	**2,694,124**	**38.83**	**1,231,633**	**24.82**
Services	**2,174,574**	**31.34**	**1,624,067**	**32.72**
Wholesale and Retail Trade	1,137,190	16.39	733,830	14.79
Hotel, Food and Beverage Services	117,951	1.70	19,622	0.40
Transportation and Telecom.	482,266	6.95	529,429	10.67
Financial Institutions	19,270	0.28	248,354	5.00
Real Estate and Renting Services	22,379	0.32	9,874	0.20
Self-Employment Type Services	267	0.00	-	-
Educational Services	37,913	0.55	2,523	0.05
Health and Social Services	357,338	5.15	80,435	1.62
Other	**730,490**	**10.53**	**883,943**	**17.81**
Total	**6,938,439**	**100.00**	**4,962,863**	**100.00**

	Prior Period			
	TP	%	YP	%
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**

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

Current Period	**Group I**		**Group II**	
	TP	**YP**	**TP**	**YP**
Letters of Guarantee	6,301,493	3,382,925	290,549	31,699
Bills of Exchange and Bank Acceptances	8,296	46,489	250	-
Letters of Credit	7,481	1,327,653	3,086	35,789
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	326,920	138,308	364	-
Toplam	**6,644,190**	**4,895,375**	**294,249**	**67,488**

Prior Period	**Group I**		**Group II**	
	TP	**YP**	**TP**	**YP**
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	-
Toplam	**6,184,965**	**5,407,447**	**231,668**	**44,010**

3.2. Financial derivative instruments:

	Trading Derivatives
	Current Period
Foreign Currency Related Derivative	
Foreign Currency Related Derivative Transactions (I):	**55,226,604**
Currency Forwards-Purchases, sales	**1,754,813**
Currency Swaps-Purchases, sales	**53,471,791**
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)	**30,696**
A.Total Trading Derivatives (I+II+III)	**55,257,300**
	-
Hedging Derivatives	**-**
Fair value hedges	**-**
Cash flow hedges	**2,451,906**
Foreign currency investment hedges	**-**
B. Total Hedging Derivatives	**2,451,906**
Total Derivatives Transactions (A+B)	**57,709,206**

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	Trading Derivatives
	Prior 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**

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 2019, the Bank has commitments to buy TL 8,040,623, USD 3,247,425,000, EUR 44,093,000, GBP 500,000 and MYR 800,000,000 in return of selling commitments of TL 235,975, USD 1,361,961,000, EUR 3,031,269,000, GBP 515,000 and RUB 25,360,000 (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 800,000,000 MYR in return of selling commitments of TL 304,995, USD 399,261,000, EUR 1,545,406,000 and GBP 89,000).

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.

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

Fitch Rating's Ekim 2018	Notes
Long-Term Issuer Default Rating	B+
Short-Term Issuer Default Rating	B
Local Currency Long-Term Issuer Default Rating	BB-
Local Currency Short-Term Issuer Default Rating	B
Support Rating	4

4. Explanations and notes related to the statement of income

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	**5,264,646**	**747,837**	**4,637,242**	**416,666**
Short term loans	1,466,189	120,151	1,405,131	63,591
Medium and long-term loans	3,763,974	627,302	3,204,900	353,075
Profit share on non-performing loans	34,483	384	27,211	-
Premiums received from resource utilization support fund	-	-	-	-

4.1.2 Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	300	-	-	-
Foreign Banks	78,818	169,191	21,392	146,934
Branches and head office abroad	-	1,245	-	746
Total	**79,118**	**170,436**	**21,392**	**147,680**

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4.1.3 Information on profit share income from securities portfolio:

The Bank has received TL 800,637 of profit share income from securitites. (1 January – 31 December 2018 - TL 416,738).

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

	Current Period	Prior Period
Profit share income received from associates and subsidiaries	8	189

4.2 Information on profit share expenses:

	Current period		Pirior period	
	TL	FC	TL	FC
Banks	**16,893**	**22,934**	**9,620**	**33,946**
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	16,893	9,997	5,128	10,449
Foreign banks	-	12,937	4,492	23,497
Branches and head office abroad	-	-	-	-
Other Institutions	312,931	519,231	249,419	525,717
Total	**329,824**	**542,165**	**259,039**	**559,663**

4.2.1 Profit share expense given to associates and subsidiaries:

	Current period	Pirior period
Profit share expenses given to associates and subsidiaries	436,910	472,655

4.2.2 Profit share expense paid to securities issued:

None (1 January – 31 December 2018: None).

4.3 Information on dividend income:

	Cari Dönem	Önceki Dönem
Held for Trading Financial Assets	-	-
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other	2,841	1,273
Total	**2,841**	**1,273**

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4.4 Distribution of profit share on funds based on maturity of funds:

Current period	Profit Sharing Accounts							
Account name	**Up to 1 month**	**Up to 3 month**	**Up to 6 month**	**Up to 9 month**	**Up to 1 year**	**Above 1 year**	**Accumulated profit sharing accounts**	**Total**
TL								
Collected funds from banks through current and profit share accounts	-	219	-	-	-	-	-	219
Real person's non-trading profit sharing account	825,585	1,288,963	75,265	-	46,544	54,866	2,676	2,293,899
Public sector profit sharing account	29	107	44	-	8	-	-	188
Commercial sector profit sharing account	58,721	145,072	14,944	-	2,063	1,719	-	222,519
Other institutions profit sharing account	6,951	13,437	1,748	-	409	194	-	22,739
Total	**891,286**	**1,447,798**	**92,001**	**-**	**49,024**	**56,779**	**2,676**	**2,539,564**
FC								
Banks	60	2,352	-	-	-	-	-	2,412
Real person's non-trading profit sharing account	113,282	194,735	28,191	-	17,894	17,748	61	371,911
Public sector profit sharing account	-	14	-	-	-	-	-	14
Commercial sector profit sharing account	10,126	61,996	2,902	-	299	269	-	75,592
Other institutions profit sharing account	876	9,161	88	-	135	-	-	10,260
Precious metal accounts	18,747	17,513	2,005	-	933	-	-	39,198
Total	**143,091**	**285,771**	**33,186**	**-**	**19,261**	**18,017**	**61**	**499,387**
Grand Total	**1,034,377**	**1,733,569**	**125,187**	**-**	**68,285**	**74,796**	**2,737**	**3,038,951**

Prior period	Profit Sharing Accounts							
Account name	**Up to 1 month**	**Up to 3 month**	**Up to 6 month**	**Up to 9 month**	**Up to 1 year**	**Above 1 year**	**Accumulated profit sharing accounts**	**Total**
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	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
Real person's non-trading profit sharing account	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**

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4.5 Information on trading income/loss (Net):

	Current period	Pirior period
Net	**1,274,256**	**453,415**
Income	**37,444,639**	**36,379,181**
Gain on capital market transactions	46,127	21,918
Gain on derivative financial instruments	2,782,732	1,904,099
Foreign exchange profit	34,615,780	34,453,164
Losses (-)	**(36,170,383)**	**(35,925,766)**
Losses on capital market transactions	(14,011)	(11,677)
Losses on derivative financial instruments	(2,317,562)	(1,765,998)
Foreign exchange losses	(33,838,810)	(34,148,091)

4.6 Information on other operating income:

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

	Current Period	Prior Period
Reversal of prior period provisions	702,646	537,782
Income from sale of assets	70,497	38,166
Revenues from real estates sold under the lease certificate.	-	71,861
Income from the real estate sales' gains by rent certificates	3,050	2,587
Other Income	7,126	6,120
Total	**783,319**	**656,516**

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

	Current Period(*)	Prior Period
Expected Credit Loss	**2,615,137**	**1,949,975**
12 month expected credit loss (Stage 1)	166,017	591,962
Significant increase in credit risk (Stage 2)	387,889	699,199
Non-performing loans (Stage 3)	2,061,231	658,814
Marketable Securities Impairment Expense	**611**	**1,042**
Financial Assets at Fair Value through Profit or Loss	611	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 (**)	**57,293**	**26,343**
Total	**2,673,041**	**1,977,360**

(*) Includes the provisions in the "Other Provision Expenses" line in the Income Statement.
(**) Includes free provisions that can be allocated from profit to be distributed to participation accounts according to provisions regulation.

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4.8 Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	1,003,321	787,200
Provision for retirement pay liability	23,294	16,090
Depreciation expenses of tangible assets	184,078	61,603
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	39,551	56,303
Depreciation expenses of assets held for sale	-	-
Other operating expenses	**355,280**	**364,315**
Rent expenses	2,318	133,416
Maintenance expenses	94,239	42,690
Advertisement expenses	45,280	31,863
Communication expenses	51,485	39,908
Heating, electricity and water expenses	26,717	18,354
Cleaning expenses	6,765	5,737
Vehicle expenses	9,901	8,184
Stationery expenses	9,481	8,810
Other expenses	109,094	75,353
Losses on sales of assets	1,125	3,829
Deposit insurance fund expenses	179,892	102,283
Other	150,385	113,500
Total	**1,936,926**	**1,505,123**

(*) Includes the provisions in the" Personnel Expenses "line in the Income Statement.

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

Income before tax amounting to TL 1,415,267 increased by 25,68% as compared to the prior period (1 January - 31 December 2018 – TL 1,126,057). Income before tax includes TL 3,495,911 (1 January - 31 December 2018 – TL 3,147,790) net profit share income and TL 468,907 (1 January - 31 December 2018 – TL 349,546) net fees and commission income. Other operating expense amount is TL 910,311 (1 January - 31 December 2018 – TL 701,833).

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 401,181 (1 January-31 December 2018 - TL 454,141), deferred tax income of TL 194,309 (1 January-31 December 2018 - TL 26,837) and TL 290,061 (1 January-31 December 2018 - TL 224,733) deferred tax expense is recognized.

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 2019, net profit share income is TL 3,495,911 (1 January-31 December 2018 – TL 3,147,790), net fees and commission income is TL 468,907 (1 January-31 December 2018 – TL 349,546).

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 2018 – None).

4.12.3 Profit/Loss attributable to minority interest:

None (1 January - 31 December 2018 – None).

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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 2019, other fees and commissions received is TL 625,196 (1 January - 31 December 2018 – TL 426,031), TL 197,886 of this amount is related with credit card fees and commissions (1 January - 31 December 2018 – TL 123,244) and TL 142,735 of this amount is related with POS machine commissions (1 January – 31 December 2018 – TL 91,787).

As of 31 December 2019, other fees and commissions given is TL 300,791 (1 January - 31 December 2018 – TL 199,917), TL 167,123 (1 January - 31 December 2018 – TL 107,446) of this amount is related with POS clearing commissions and installation expenses, TL 26,590 (1 January - 31 December 2018 – TL 18,792) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and Disclosures Related to 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 6,546 to members of Board of Directors. In the General Assembly meeting held in 29 March 2019 it has been decided that TL 44,145 would be transferred to legal reserves, TL 247,260 would be transferred to extraordinary reserve, TL 72,180 would be transferred to other reserves and TL 500,000 would be transferred to paid up capital.

6. Explanations and Disclosures Related to Statement of Cash Flows

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	**6,680,124**
Cash in TL/foreign currency, others	882,566
Demand deposits at banks	5,797,558
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	**6,680,124**

	Prior 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**

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

	Current Period
Cash	**18,893,086**
Cash in TL/foreign currency, others	18,893,086
Demand deposits at banks (up to 3 months)	-
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	**18,893,086**

	Prior 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 equivalent	**6,680,124**

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

None (31 December 2018 – None).

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

"Other items" amounting to TL (2,716,681) (1 January-31 December 2018: TL (1,040,318)) 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 4,572,294 (1 January-31 December 2018: TL 906,746) 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 261,964 (1 January-31 December 2018: TL (2,882,112)) 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 1,688,034 as of 31 December 2019 (31 December 2018 – TL (66,621)). 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.

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

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

Current period:

Risk group of the 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	121,040	19,092	1,034	398	204,988	520
Balance at end of period	178,601	18,527	1,868	7,206	780,512	723
Profit share and commission income	-	8	145	-	10,066	1,531

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

Prior period:

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

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

7.2 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 Period	Current period	Current period
Current and profit sharing accounts						
Balance at beginning of period	62,800	33,887	35,032	60,187	255,239	417,813
Balance at end of period	181,714	62,800	151,321	35,032	390,698	255,239
Profit share expense	5,943	2,087	2,281	3,682	38,300	30,709

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 541

7.3 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 or Loss						
Balance at beginning of period	259,035	40,710	287,483	-	-	-
Balance at end of period	75,460	259,035	528,933	287,483	-	-
Total Profit / Loss	265	991	(35)	-	-	-
Hedging Transactions	-	-	-	-	-	-
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Borrowings						
Balance at beginning of period	5,646,443	7,063,526	802,108	2,175,759	-	-
Balance at end of period	8,324,759	5,646,443	68,696	802,108	-	-
Profit share expense	430,967	470,568	41,221	84,426	-	-

7.5 Information on remunerations provided to top management:

As of 1 January - 31 December 2019, the Bank has paid TL 38,220 to top management (1 January - 31 December 2018 TL 29,823).

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 (*)	430	4,120			
			Country		
Foreign representative offices				Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign bank	1	108	Germany	3,582,256	74,954,179
Off-shore branches	1	3	Bahrain	7,323,517	
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 7,323,517 Turkish lira as of 31 December 2019.

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

In 2019, 16 new domestic branches (2018-17 branches) were opened and 1 domestic branch was closed (2018-1 branch).

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

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 400,000 thousand on 15 January 2020 and a maturity of 91 days with a cost of 9.12%

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. issued sukuk on January 29, 2020 with a nominal value of TL 75,000 thousand and a maturity of 91 days with a cost of 8.38%.

The bank is a subsidiary of Neova Sigorta Anonim Şirketi under the board of directors decision dated October 10, 2019; Turkapital Holding B.S.C.C.53% of First Takaful Insurance Company K.S.C.35% of KFH Takaful Insurance Company (K.S.C.C.) signed share transfer agreements for the transfer of 5% Shares as of February 5, 2020. Share transfer transactions will be carried out after the completion of the permit processes before the relevant public institutions.

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SECTION SIX

OTHER EXPLANATIONS

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

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

1. **Explanations review report:**

The unconsolidated financial statements have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' review report dated 12 February 2020 is presented preceding the financial statements.

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

KUVEYT TÜRK KATILIM BANKASI A.Ş.

INDEPENDENT AUDITOR'S REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2019

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S AUDIT REPORT ORIGINALLY ISSUED IN TURKISH)

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

REPORT ON CONSOLIDATED FINANCIAL INFORMATION

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

A) Audit of consolidated Financial Statements

1) Opinion

We have audited the accompanying consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş (the "Bank") and its subsidiaries (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2) Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued 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 Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with 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 Matter

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

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Key Audit Matter	How the matter is addressed in our audit
Financial impact of TFRS 9 "Financial Instruments" standard and recognition of impairment of financial assets and related important disclosures	
As disclosed in footnote 1.5 of Section 3; the Group measured expected credit losses for financial assets by TFRS 9 "Financial Instruments Standards" in financial statements. The rationale reasons for selecting TFRS 9 impairment of financial assets as key audit matter are as follows; ▪ Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The applications TFRS 9 introduced are complex and comprehensive ▪ The classification of financial instruments based on the Group's business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized together with the adoption of TFRS 9 ▪ Estimations and assumptions used for expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9.	Our additional audit procedures in addition to our current audit procedures: ▪ Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group's past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group's business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group's historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses' calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modelling process ▪ Auditing of disclosures related to TFRS 9.

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Derivative Financial Instruments	
As disclosed footnote 1.2 and 2.2 of section 5; Derivative financial instruments including foreign exchange contracts, currency and profit share rate swaps and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Group management, fair value calculations of the selected derivative financial instruments control by another organization's valuation experts connected to the same audit network as our organization and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.

4) Other Matter

The consolidated financial statements of the Group as at 31 December 2018 were audited by another audit firm, which expressed an unqualified opinion in their reports issued on 7 March 2019.

5) Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

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

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

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 BRSA Independent Audit Regulation and ISAs 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 BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentations.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entries or business activities within the Group to express an opinion on the consolidated financial statemenst. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe the matters in our auditor's report unless law or regulation precludes public disclosures 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.

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B) Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") ; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2019 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Emre Çelik.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Emre Çelik, SMMM
Associate Partner

February 28, 2020
Istanbul, Turkey

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THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2019

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL
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Web page : www.kuveytturk.com.tr
E-mail address : kuveytturk@kuveytturk.com.tr

The consolidated Year-End Financial Report prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REVIEW REPORT

The following are our subsidiaries, subsidiaries and jointly controlled subsidiaries whose financial statements are consolidated in the framework of this annual consolidated financial report.

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

The consolidated financial statements for the year-end period and related disclosures and footnotes that are subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira.

Hamad Abdulmohsen AL-MARZOUQ Chairman of the Board of Directors	Ahmad S A A AL KHARJI Chairman of the Audit Committee	Nadir ALPASLAN Member of the Audit Committee

Mohamad AL-MIDANI Member of the Audit Committee	Ufuk UYAN CEO	Ahmet KARACA Chief Financial Officer	İsmail Hakkı YEŞİLYURT Budget and Management Reporting

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

Name-Surname/Position: İsmail Hakkı YEŞİLYURT/ Budget and Management Reporting

Telephone: 0212 354 12 84

Facsimile: 0212 354 11 03

SECTION ONE

GENERAL INFORMATION

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

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

The parent bank and consolidated financial partnerships are together called "the group".

2. Parent Bank 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 2019, 62.24% of the Parent Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD	10/10/2002	19/10/2010	24/12/2019	Doctorate	-
Nadir ALPASLAN	Member of BOD and Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	0.01%
Fawaz KH E AL SALEH	Member of BOD	20/10/2006			Bachelor	-
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015			Bachelor	-
Mohamad Al-MİDANİ	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S A A AL KHARJİ (*)	Member of BOD and Audit Committee	26/03/2014	24/09/2014		Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	0.06%
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006			Master	0.00%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.00%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.02%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005			Doctorate	0.01%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.00%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.01%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.00%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.01%

* He was appointed as the Chairman of the Audit Committee with the decision taken at the meeting of the Board of Auditors dated 26/01/2020.

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.12% of the Parent Bank's share capital (31 December 2018 – 0.11%).

4. Information on qualified parent bank

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,489,651	%62.24	2,489,651	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	748,771	%18.72	748,771	-
Total	**3,238,422**	**%80.96**	**3,238,422**	**-**

As of 31 December 2019, 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 Parent Bank's services and field of operations

The Parent Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank's core business is operating in accordance with the principles of interest-free banking as a participation parent bank by collecting funds through current and profit/loss sharing accounts and lending such funds to its customers.

As of 31 December 2019, the Group is operating through 436 domestic branches (31 December 2018 – 419) with 6,091 employees (31 December 2018 – 5,981). Summary of some of the Bank's operations described in the Articles of Association are as follows:

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

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheet (Statement of Financial Position)
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VI. Consolidated Statement of Cash Flows
VII. Profit Distribution Table of the Parent Bank

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

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

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

			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
	ASSETS	**Note**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**4,808,663**	**38,565,666**	**43,374,329**	**3,352,422**	**20,404,674**	**23,757,096**
1.1.	**Cash and Cash Equivalents**		**1,781,528**	**24,948,531**	**26,730,059**	**1,158,339**	**16,249,232**	**17,407,571**
1.1.1.	Cash and Balances with Central Bank	(5.1.1.)	1,768,747	17,447,545	19,216,292	1,183,109	9,428,812	10,611,921
1.1.2.	Banks	(5.1.3.)	12,921	7,503,851	7,516,772	12,858	6,884,069	6,896,927
1.1.3.	Money Markets		-	-	-	-	-	-
1.1.4.	Expected Credit Loss (-)		140	2,865	3,005	37,628	63,649	101,277
1.2.	**Financial Assets at Fair Value Through Profit or Loss**		**109,958**	**3,891,546**	**4,001,504**	**27,913**	**75,181**	**103,094**
1.2.1.	Government Debt Securities		77,977	3,863,617	3,941,594	18,327	11,770	30,097
1.2.2.	Equity Instruments		-	-	-	-	-	-
1.2.3.	Other Financial Assets		31,981	27,929	59,910	9,586	63,411	72,997
1.3.	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(5.1.4.)**	**2,898,407**	**9,562,353**	**12,460,760**	**2,136,687**	**4,067,733**	**6,204,420**
1.3.1.	Government Debt Securities		2,792,631	9,313,887	12,106,518	2,065,421	3,804,519	5,869,940
1.3.2.	Equity Instruments		11,237	27,346	38,583	10,502	17,046	27,548
1.3.3.	Other Financial Assets		94,539	221,120	315,659	60,764	246,168	306,932
1.4.	**Derivative Financial Assets**	**(5.1.2.)**	**18,770**	**163,236**	**182,006**	**29,483**	**12,528**	**42,011**
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss		18,770	163,236	182,006	29,483	12,528	42,011
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II.	**FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)**	**(5.1.5.)**	**32,535,710**	**27,246,766**	**59,782,476**	**31,029,723**	**15,944,851**	**46,974,574**
2.1.	**Loans**		**33,532,383**	**23,726,265**	**57,258,648**	**31,238,479**	**15,220,572**	**46,459,051**
2.2.	**Leasing Receivables**	**(5.1.10.)**	**1,406,165**	**1,301,355**	**2,707,520**	**1,439,955**	**1,010,744**	**2,450,699**
2.3.	**Other Financial Assets Measured At Amortized Cost**	**(5.1.6.)**	**-**	**2,859,381**	**2,859,381**	**-**	**37,156**	**37,156**
2.3.1.	Government Debt Securities		-	2,725,997	2,725,997	-	37,156	37,156
2.3.2.	Other Financial Assets		-	133,384	133,384	-	-	-
2.4.	**Expected Credit Loss (-)**		**2,402,838**	**640,235**	**3,043,073**	**1,648,711**	**323,621**	**1,972,332**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)**		**473,326**	**-**	**473,326**	**270,382**	**-**	**270,382**
3.1.	Held For Sale		473,326	-	473,326	270,382	-	270,382
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**64,061**	**-**	**64,061**	**52,200**	**-**	**52,200**
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.	**Investment in Subsidiaries (Net)**	**(5.1.8.)**	**23,680**	**-**	**23,680**	**23,680**	**-**	**23,680**
4.2.1.	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
4.3.	**Investment in Joint Ventures (Net)**	**(5.1.9.)**	**40,381**	**-**	**40,381**	**28,520**	**-**	**28,520**
4.3.1.	Joint Ventures Valued Based on Equity Method		40,381	-	40,381	28,520	-	28,520
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**		**797,960**	**36,141**	**834,101**	**449,287**	**7,900**	**457,187**
VI.	**INTANGIBLE ASSETS (Net)**		**134,064**	**64,696**	**198,760**	**136,932**	**63,833**	**200,765**
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		134,064	64,696	198,760	136,932	63,833	200,765
VII.	**INVESTMENT PROPERTIES (Net)**		**37,646**	**-**	**37,646**	**29,671**	**-**	**29,671**
VIII.	**CURRENT TAX ASSETS**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSETS**	**(5.1.15.)**	**358,279**	**43,503**	**401,782**	**346,640**	**34,043**	**380,683**
X.	**OTHER ASSETS**	**(5.1.17.)**	**744,570**	**954,099**	**1,698,669**	**904,064**	**1,986,364**	**2,890,428**
	TOTAL ASSETS		**39,954,279**	**66,910,871**	**106,865,150**	**36,571,321**	**38,441,665**	**75,012,986**

In the Official Gazette dated 1 February 2019 and numbered 30673, the notification on the Amendment to the notification on the Financial Statements to be Announced to Public by Banks and the Disclosures and Disclosures Related to these, as well as the Financial Statement formats announced by the Banks were changed. Based on this amendment, the prior year financial statements are restated in order to be comparable with the current period financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

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

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

			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
	LIABILITIES	**Note**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FUNDS COLLECTED**	**(5.2.1.)**	**35,401,409**	**52,848,363**	**88,249,772**	**22,516,520**	**32,713,498**	**55,230,018**
II.	**FUNDS BORROWED**	**(5.2.3.)**	**160,847**	**286,378**	**447,225**	**93,394**	**1,901,902**	**1,995,296**
III.	**MONEY MARKETS**		**-**	**-**	**-**	**188,003**	**-**	**188,003**
IV.	**SECURITIES ISSUED (Net)**		**735,743**	**3,906,422**	**4,642,165**	**1,634,934**	**6,157,936**	**7,792,870**
V.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		**-**	**-**	**-**	**-**	**-**	**-**
VI.	**DERIVATIVE FINANCIAL LIABILITIES**		**129,690**	**294,447**	**424,137**	**21,045**	**149,118**	**170,163**
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss		129,690	164,719	294,409	21,045	42,766	63,811
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	129,728	129,728	-	106,352	106,352
VII.	**LEASE PAYABLES**	**(5.2.6.)**	**315,732**	**35,223**	**350,955**	**-**	**-**	**-**
VIII.	**PROVISIONS**	**(5.2.8.)**	**855,190**	**244,064**	**1,099,254**	**615,727**	**184,795**	**800,522**
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves For Employee Benefits		302,114	706	302,820	228,540	538	229,078
8.3.	Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4.	Other Provisions		553,076	243,358	796,434	387,187	184,257	571,444
IX.	**CURRENT TAX LIABILITIES**	**(5.2.9.1.)**	**224,769**	**1,452**	**226,221**	**175,716**	**1,936**	**177,652**
X.	**DEFERRED TAX LIABILITIES**		**-**	**-**	**-**	**-**	**-**	**-**
XI.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**(5.2.10.)**	**-**	**-**	**-**	**-**	**-**	**-**
11.1.	Held For Sale		-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-
XII.	**SUBORDINATED DEBT INSTRUMENTS**	**(5.2.11.)**	**-**	**3,380,983**	**3,380,983**	**-**	**1,901,210**	**1,901,210**
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	3,380,983	3,380,983	-	1,901,210	1,901,210
XIII.	**OTHER LIABILITIES**	**(5.2.5.)**	**988,695**	**268,807**	**1,257,502**	**1,183,827**	**153,891**	**1,337,718**
XIV.	**SHAREHOLDERS` EQUITY**	**(5.2.12.)**	**6,834,774**	**(47,838)**	**6,786,936**	**5,582,198**	**(162,664)**	**5,419,534**
14.1.	Paid-in Capital		3,995,766	-	3,995,766	3,497,322	-	3,497,322
14.2.	Capital Reserves		25,764	-	25,764	24,208	-	24,208
14.2.1.	Share Premiums		24,525	-	24,525	24,208	-	24,208
14.2.2.	Share Cancellation Profits		1,239	-	1,239	-	-	-
14.2.3.	Other Capital Reserves		-	-	-	-	-	-
14.3.	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(19,082)	-	(19,082)	(13,296)	-	(13,296)
14.4.	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		176,294	78,477	254,771	18,702	(51,432)	(32,730)
14.5.	Profit Reserves		1,472,776	-	1,472,776	1,110,535	-	1,110,535
14.5.1.	Legal Reserves		231,728	-	231,728	187,583	-	187,583
14.5.2.	Statutory Reserves		-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		1,170,797	-	1,170,797	923,536	-	923,536
14.5.4.	Other Profit Reserves		70,251	-	70,251	(584)	-	(584)
14.6.	Profit or Loss		1,154,795	(126,315)	1,028,480	919,615	(111,232)	808,383
14.6.1.	Prior Years' Profits or Losses		22,075	(111,232)	(89,157)	106,742	(107,902)	(1,160)
14.6.2.	Current Period Net Profit or Loss		1,132,720	(15,083)	1,117,637	812,873	(3,330)	809,543
14.7.	Minority Shares	(5.2.13.)	28,461	-	28,461	25,112	-	25,112
	TOTAL LIABILITIES AND EQUITY		**45,646,849**	**61,218,301**	**106,865,150**	**32,011,364**	**43,001,622**	**75,012,986**

In the Official Gazette dated 1 February 2019 and numbered 30673, the notification on the Amendment to the notification on the Financial Statements to be Announced to Public by Banks and the Disclosures and Disclosures Related to these, as well as the Financial Statement formats announced by the Banks were changed. Based on this amendment, the prior year financial statements are restated in order to be comparable with the current period financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2019

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

2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
		Note	TL	FC	Total	TL	FC	Total
A.	**COMMITMENTS AND CONTINGENCIES (I+II+III)**		**67,365,973**	**56,290,702**	**123,656,675**	**57,546,517**	**29,212,634**	**86,759,151**
I.	**GUARANTEES AND WARRANTIES**	**(5.3.1.)**	**6,938,439**	**4,963,915**	**11,902,354**	**6,416,633**	**5,459,447**	**11,876,080**
1.1.	Letters of Guarantee		6,592,042	3,415,529	10,007,571	6,206,886	4,184,393	10,391,279
1.1.1.	Guarantees Subject to State Tender Law		218,286	62,740	281,026	217,252	174,971	392,223
1.1.2.	Guarantees Given For Foreign Trade Operations		375,091	79,315	454,406	371,535	167,020	538,555
1.1.3.	Other Letters of Guarantee		5,998,665	3,273,474	9,272,139	5,618,099	3,842,402	9,460,501
1.2.	Bank Loans		8,546	46,489	55,035	17,516	56,582	74,098
1.2.1.	Import Letter of Acceptances		8,546	46,489	55,035	17,516	56,582	74,098
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		10,567	1,363,442	1,374,009	11,512	1,068,364	1,079,876
1.3.1.	Documentary Letters of Credit		86	371,829	371,915	367	215,062	215,429
1.3.2.	Other Letters of Credit		10,481	991,613	1,002,094	11,145	853,302	864,447
1.4.	Guaranteed Refinancing		-	147	147	-	1,791	1,791
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Other Guarantees		327,284	138,308	465,592	180,719	143,999	324,718
1.7.	Other Warrantees		-	-	-	-	4,318	4,318
II.	**COMMITMENTS**	**(5.3.1.)**	**52,151,025**	**1,893,989**	**54,045,014**	**50,194,084**	**1,305,169**	**51,499,253**
2.1.	Irrevocable Commitments		4,795,885	1,893,989	6,689,874	3,572,418	1,305,169	4,877,587
2.1.1.	Forward Asset Purchase and Sales Commitments		455,887	1,890,943	2,346,830	345,756	1,295,480	1,641,236
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3.	Loan Granting Commitments		358,094	-	358,094	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		1,305,235	-	1,305,235	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		2,656,398	-	2,656,398	1,858,018	-	1,858,018
2.1.9.	Commitments For Credit Cards and Banking Services Promotions		2,514	-	2,514	-	-	-
2.1.10.	Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11.	Payables For Short Sale Commitments		-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments		17,757	3,046	20,803	17,757	9,689	27,446
2.2.	Revocable Commitments		47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.1.	Revocable Loan Granting Commitments		47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**8,276,509**	**49,432,798**	**57,709,307**	**935,800**	**22,448,018**	**23,383,818**
3.1	Derivative Financial Instruments Held For Risk Management		-	2,451,906	2,451,906	-	2,165,533	2,165,533
3.1.1	Fair Value Hedges		-	-	-	-	-	-
3.1.2	Cash Flow Hedges		-	2,451,906	2,451,906	-	2,165,533	2,165,533
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held For Trading Transactions		8,276,509	46,980,791	55,257,300	935,800	20,282,485	21,218,285
3.2.1	Forward Foreign Currency Buy/Sell Transactions		512,110	1,242,703	1,754,813	652,622	1,755,501	2,408,123
3.2.1.1	Forward Foreign Currency Buy Transactions		276,131	603,627	879,758	347,631	862,093	1,209,724
3.2.1.2	Forward Foreign Currency Sell Transactions		235,979	639,076	875,055	304,991	893,408	1,198,399
3.2.2	Other Forward Buy/Sell Transactions		7,764,399	45,738,088	53,502,487	283,178	18,526,984	18,810,162
3.3	Other		-	101	101	-	-	-
B.	**CUSTODY AND PLEDGES SECURITIES (IV+V+VI)**		**381,449,255**	**165,631,022**	**547,080,277**	**316,497,679**	**142,487,425**	**458,985,104**
IV.	**ITEMS HELD IN CUSTODY**		**11,299,056**	**14,947,964**	**26,247,020**	**10,816,866**	**5,644,771**	**16,461,637**
4.1.	Customers' Securities Held		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		2,891,875	424,980	3,316,855	2,159,381	156,528	2,315,909
4.3.	Checks Received for Collection		6,828,688	869,224	7,697,912	7,157,340	906,367	8,063,707
4.4.	Commercial Notes Received for Collection		1,578,493	280,131	1,858,624	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		-	13,373,629	13,373,629	-	4,339,208	4,339,208
V.	**PLEDGED ITEMS**		**370,138,560**	**150,613,354**	**520,751,914**	**305,669,174**	**136,780,695**	**442,449,869**
5.1.	Marketable Securities		194,245	111,336	305,581	185,945	99,786	285,731
5.2.	Guarantee Notes		101,727	2,402,814	2,504,541	101,681	2,133,522	2,235,203
5.3.	Commodity		8,938,138	701,641	9,639,779	6,094,405	633,381	6,727,786
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		124,206,037	2,983,314	127,189,351	112,015,122	2,715,023	114,730,145
5.6.	Other Pledged Items		236,698,413	144,414,249	381,112,662	187,272,021	131,198,983	318,471,004
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED GUARANTEES AND WARRANTEES**		**11,639**	**69,704**	**81,343**	**11,639**	**61,959**	**73,598**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**448,815,228**	**221,921,724**	**670,736,952**	**374,044,196**	**171,700,059**	**545,744,255**

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT (STATEMENT OF PROFIT/LOSS) AND OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2019

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

3. CONSOLIDATED INCOME STATEMENT

		Notes	Audited Current Period 01.01.2019-31.12.2019	Audited Prior Period 01.01.2018-31.12.2018
I.	**PROFIT SHARE INCOME**	**(5.4.1.)**	**7,558,226**	**6,043,165**
1.1.	Profit Share on Loans		6,077,584	5,091,408
1.2.	Profit Share on Reserve Deposits		86,722	92,411
1.3.	Profit Share on Banks		257,954	172,954
1.4.	Profit Share on Money Market Placements		-	-
1.5.	Profit Share on Marketable Securities Portfolio		810,359	418,770
1.5.1.	Fair Value Through Profit or Loss		66,463	27,920
1.5.2.	Fair Value Through Other Comprehensive Income		665,164	390,850
1.5.3.	Measured at Amortised Cost		78,732	-
1.6.	Finance Lease Income		259,612	229,320
1.7.	Other Profit Share Income		65,995	38,302
II.	**PROFIT SHARE EXPENSE**		**3,991,466**	**2,857,709**
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	3,050,658	2,000,908
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	272,103	260,715
2.3.	Profit Share Expense on Money Market Borrowings		2,514	35,789
2.4.	Expense on Securities Issued		604,045	560,283
2.5.	Profit Share Expense on Lease		62,146	14
2.6.	Other Profit Share Expense		-	-
III.	**NET PROFIT SHARE INCOME (I - II)**		**3,566,760**	**3,185,456**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**490,868**	**367,871**
4.1.	Fees And Commissions Received		800,292	571,696
4.1.1.	Non-Cash Loans		175,096	145,665
4.1.2.	Other		625,196	426,031
4.2.	Fees And Commissions Paid		309,424	203,825
4.2.1.	Non-Cash Loans		8,633	27
4.2.2.	Other	(5.4.13.)	300,791	203,798
V.	**DIVIDEND INCOME**	**(5.4.3.)**	**2,841**	**1,273**
VI.	**NET TRADING INCOME / LOSS**	**(5.4.5.)**	**1,324,855**	**539,144**
6.1.	Capital Market Transaction Gains/Losses		32,116	10,241
6.2.	Gains/Losses From Derivative Financial Instruments		464,803	136,774
6.3.	Foreign Exchange Gains/Losses		827,936	392,129
VII.	**OTHER OPERATING INCOME**	**(5.4.6.)**	**789,578**	**540,934**
VIII.	**NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)**		**6,174,902**	**4,634,678**
IX.	**EXPECTED LOSS PROVISIONS (-)**	**(5.4.7.)**	**2,640,410**	**1,949,975**
X.	**OTHER PROVISIONS (-)**	**(5.4.8.)**	**59,711**	**29,589**
XI.	**PERSONNEL EXPENSES (-)**		**1,086,890**	**842,182**
XII.	**OTHER OPERATING EXPENSES (-)**		**979,920**	**766,241**
XIII.	**NET OPERATING INCOME/(LOSS) (IX-X-XI)**		**1,407,971**	**1,046,691**
XIV.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**	**-**
XV.	**INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**13,727**	**7,715**
XVI.	**INCOME / (LOSS) ON NET MONETARY POSITION**		**-**	**-**
XVII.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)**	**(5.4.9.)**	**1,421,698**	**1,054,406**
XVIII.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(5.4.10)**	**(300,733)**	**(243,699)**
18.1.	Current Tax Provision		(401,579)	(454,233)
18.2.	Deferred Tax Income Effect (+)		205,627	46,249
18.3.	Deferred Tax Expense Effect (-)		306,473	256,783
XIX.	**CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	**(5.4.11.)**	**1,120,965**	**810,707**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1.	Income on Non-Current Assets Held For Sale		-	-
20.2.	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
20.3.	Income on Other Discontinued Operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1.	Expenses From Non-Current Assets Held For Sale		-	-
21.2.	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
21.3.	Expenses From Other Discontinued Operations		-	-
XXII.	**PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)**		**-**	**-**
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1.	Current Tax Provision		-	-
23.2.	Deferred Tax Expense Effect (+)		-	-
23.3.	Deferred Tax Income Effect (-)		-	-
XXIV.	**CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**		**-**	**-**
XXV.	**NET PROFIT/LOSS (XVII+XXII)**	**(5.4.12.)**	**1,120,965**	**810,707**
25.1.	Group's Income/Loss		1,117,637	809,543
25.2.	Minority Interest Income/Loss (-)		3,328	1,164
	Earnings Per Share Income/Loss		-	-

In the Official Gazette dated 1 February 2019 and numbered 30673, the notification on the Amendment to the notification on the Financial Statements to be Announced to Public by Banks and the Disclosures and Disclosures Related to these, as well as the Financial Statement formats announced by the Banks were changed. Based on this amendment, the prior year financial statements are restated in order to be comparable with the current period financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT (STATEMENT OF PROFIT/LOSS) AND OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2019

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

4. CONSOLIDATED STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

		Audited Current Period 31.12.2019	Audited Prior Period 31.12.2018
I.	**CURRENT PROFIT (LOSS)**	**1,120,965**	**810,707**
II.	**OTHER COMPREHENSIVE INCOME**	**281,715**	**(31,385)**
2.1	**Other Comprehensive Income Not Reclassified Through Profit Or Loss**	**(5,786)**	**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	(7,233)	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	1,447	(3,413)
2.2	**Other Comprehensive Income Reclassified Through Profit Or Loss**	**287,501**	**(45,036)**
2.2.1	Foreign Currency Translation Difference	52,280	89,577
2.2.2	Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	389,097	(142,495)
2.2.3	Cash Flow Hedge Income/Loss	(21,235)	50,973
2.2.4	Foreign Net Investment Hedge Income/Loss	(51,447)	(86,930)
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6	Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss	(81,194)	43,839
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**1,402,680**	**779,322**

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2019

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

5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

							Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss								
		Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Net Prfit/Loss for the Period	Total Shareholders'Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
	Prior Period (01/01/2018 – 31/12/2018)																	
I.	**Prior Period Ending Balance**		**3,097,322**	**24,208**	**-**	**-**	**-**	**(26,947)**	**-**	**83,655**	**(10,583)**	**(60,766)**	**843,581**	**637,291**	**-**	**4,587,761**	**23,054**	**4,610,815**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,540**	**-**	**35,540**	**-**	**35,540**
2.1	Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540
III.	**Adjusted Beginning Balance (I+II)**		**3,097,322**	**24,208**	**-**	**-**	**-**	**(26,947)**	**-**	**83,655**	**(10,583)**	**(60,766)**	**843,581**	**672,831**	**-**	**4,623,301**	**23,054**	**4,646,355**
IV.	**Total Comprehensive Income (Loss)**		**-**	**-**	**-**	**-**	**-**	**13,651**	**-**	**89,577**	**(106,567)**	**(28,046)**	**-**	**-**	**809,543**	**778,158**	**1,164**	**779,322**
V.	**Capital Increase by Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase by Internal Reserves**		**400,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(400,000)**	**-**	**-**	**-**	**-**	**-**
VII.	**Paid in Capital Inflation Adjustment Difference**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds to Share**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instruments**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase / Decrease by Other Changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,143)**	**-**	**-**	**(2,143)**	**894**	**(1,249)**
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Dönem Sonu Bakiyesi (III+IV+……+X+XI)	**(5.2.12.)**	**3,497,322**	**24,208**	**-**	**-**	**-**	**(13,296)**	**-**	**173,232**	**(117,150)**	**(88,812)**	**1,110,535**	**(1,160)**	**809,543**	**5,394,422**	**25,112**	**5,419,534**
	Current Period (01/01/2019 – 31/12/2019)																	
I.	**Prior Period Ending Balance**		**3,497,322**	**24,208**	**-**	**-**	**-**	**(13,296)**	**-**	**173,232**	**(117,150)**	**(88,812)**	**1,110,535**	**(1,160)**	**809,543**	**5,394,422**	**25,112**	**5,419,534**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8(*)**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,613**	**(28,613)**	**-**	**(27,728)**	**-**	**(27,728)**	**-**	**(27,728)**
2.1	Effect Of Corrections		-	-	-	-	-	-	-	-	28,613	(28,613)	-	(27,728)	-	(27,728)	-	(27,728)
2.2	Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Beginning Balance (I+II)**		**3,497,322**	**24,208**	**-**	**-**	**-**	**(13,296)**	**-**	**173,232**	**(88,537)**	**(117,425)**	**1,110,535**	**(28,888)**	**809,543**	**5,366,694**	**25,112**	**5,391,806**
IV.	**Total Comprehensive Income (Loss)**		**-**	**-**	**-**	**-**	**-**	**(5,786)**	**-**	**52,280**	**303,232**	**(68,011)**	**-**	**-**	**1,117,637**	**1,399,352**	**3,328**	**1,402,680**
V.	**Capital Increase by Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase by Internal Reserves**		**500,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(500,000)**	**-**	**-**	**-**	**-**	**-**
VII.	**Paid in Capital Inflation Adjustment Difference**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds to Share**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instruments**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase / Decrease by Other Changes**		**(1,556)**	**317**	**1,239**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,025)**	**(60,269)**	**60,269**	**(1,025)**	**21**	**(1,004)**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**863,266**	**-**	**(869,812)**	**(6,546)**	**-**	**(6,546)**
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	(6,546)	(6,546)	-	(6,546)
11.2	Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	863,266	-	(863,266)	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+……+X+XI)	**(5.2.12.)**	**3,995,766**	**24,525**	**1,239**	**-**	**-**	**(19,082)**	**-**	**225,512**	**214,695**	**(185,436)**	**1,472,776**	**(89,157)**	**1,117,637**	**6,758,475**	**28,461**	**6,786,936**

(*) Related classification has been made in order to transition between Accumulated Other Comprehensive Income and Expenses to be reclassified in profit or loss.
(**) As explained in note 5.1.8.2, KT Asset Management A.P. April July 20, 2018, ceding 50% of its stake to KFH Capital Investment Company at a price of 16,901 TRY refers to the reclaiming of the company on April 2, 2019.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CASH FLOW AS OF 31 DECEMBER 2019

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

6. CONSOLIDATED STATEMENT OF CASH FLOWS

		Note	Audited Current Period 01.01.2019-31.12.2019	Audited Prior 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**		**2,976,982**	**2,478,564**
1.1.1	Profit Share Income Received		8,094,748	5,705,346
1.1.2	Profit Share Expense Paid		(3,890,585)	(2,666,854)
1.1.3	Dividends Received		2,841	1,096
1.1.4	Fees And Commissions Received		800,292	576,090
1.1.5	Other Income		2,241,117	1,024,683
1.1.6	Collections From Previously Written Off Loans		431,694	106,667
1.1.7	Payments to Personnel And Service Suppliers		(1,160,542)	(781,850)
1.1.8	Taxes Paid		(726,594)	(403,181)
1.1.9	Others		(2,815,989)	(1,083,433)
1.2	**Changes in Assets And Liabilities From Banking Operations**		**18,646,946**	**2,183,958**
1.2.1	Net (Increase) Decrease Held For Trading Financial Assets		(3,798,286)	89,843
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(613,299)	101,518
1.2.3	Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(13,629,788)	(9,455,894)
1.2.4	Net (Increase) Decrease in Loans		294,016	(2,846,285)
1.2.5	Net (Increase) Decrease in Other Assets		286,471	252,892
1.2.6	Net Increase (Decrease) in Bank Deposits		32,726,855	14,548,317
1.2.7	Net Increase (Decrease) in Other Deposits		(830)	-
1.2.8	Net Increase (Decrease) in Funds Borrowed		(1,528,194)	(1,408,194)
1.2.9	Net Increase (Decrease) in Due Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities		4,910,001	901,761
I.	**Net Cash Provided From / (Used in) Banking Operations**		**21,623,928**	**4,662,522**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided From / (Used in) Investing Activities**		**(8,810,000)**	**(1,762,343)**
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		-	16,901
2.3	Fixed Assets Purchases		(151,283)	(65,736)
2.4	Fixed Assets Sales		-	-
2.5	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(5,768,251)	(4,043,117)
2.6	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	2,424,997
2.7	Cash Paid For Purchase of Investment Securities		(2,786,740)	-
2.8	Cash Obtained From Sale of Investment Securities		-	-
2.9	Other		(103,726)	(95,388)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided From / (Used in) Financing Activities**		**(2,009,245)**	**404,171**
3.1	Cash Obtained From Funds Borrowed And Securities Issued		6,366,492	4,744,065
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued		(9,723,301)	(4,335,000)
3.3	Capital Increase		1.423.134	-
3.4	Dividends Paid		(6,546)	(4,894)
3.5	Payments For Finance Leases		(69,024)	-
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents**	**(5.6.4)**	**1,701,154**	**(66,621)**
V.	**Net Increase (Decrease) in Cash And Cash Equivalents**		**12,505,837**	**3,237,729**
VI.	**Cash And Cash Equivalents at The Beginning of The Period**	**(5.6.1)**	**6,710,455**	**3,472,726**
VII.	**Cash And Cash Equivalents at The End of The Period**	**(5.6.1)**	**19,216,292**	**6,710,455**

(*) As of 30.09.2019, it includes the payments related to the leases taken in the financial statements within the scope of " TFRS 16 Leases" which has been implemented since 01.01.2019.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
PROFIT DISTRIBUTION TABLE OF PARENT BANK AS OF 31 DECEMBER 2019

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

7. PROFIT DISTRIBUTION TABLE OF PARENT BANK

		Current Period 01.01.2019 - 31.12.2019 (*)	Prior Period 01.01.2018 - 31.12.2018 (*)
I.	**Distribution of Current Period Profit**		
1.1.	Current Period Profit	1,415,267	1,126,057
1.2.	Taxes and Dues Payable (-)	305,429	256,245
1.2.1.	Corporate Tax (Income Tax)	401,181	454,141
1.2.2.	Income Tax Withholding	-	-
1.2.3.	Other Taxes and Dues Payable (**)	(95,752)	(197,896)
A.	**Net Profit for the Period (1.1-1.2) (Not V-I-17-c)**	1,109,838	869,812
1.3.	Prior year's Losses (-)	-	-
1.4.	First Legal Reserves (-)	-	43,490
1.5.	Other Reserves (-)	-	-
B.	**Distributable Net Period Profit [(A-(1.3+1.4+1.5)]**	1,109,838	826,322
1.6.	First Dividend to Shareholders (-)	-	-
1.6.1.	To Owners of Ordinary Shares	-	-
1.6.2.	To Owners of Preferred Stocks	-	-
1.6.3.	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4.	To Profit Sharing Bonds	-	-
1.6.5.	To Owners of the profit and loss Sharing Certificates	-	-
1.7.	Dividend to Personnel (-)	-	-
1.8.	Dividend to Board of Directors (-)	-	6,546
1.9.	Second Dividend to Shareholders (-)	-	-
1.9.1.	To Owners of Ordinary Shares	-	-
1.9.2.	To Owners of Preferred Stocks	-	-
1.9.3.	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4.	To Profit Sharing Bonds	-	-
1.9.5.	To Owners of the profit/loss Sharing Certificates	-	-
1.10.	Second Legal Reserves (-)	-	-
1.11.	Statutory Reserves (-)	-	-
1.12.	Extraordinary Reserves	-	247,260
1.13.	Other Reserves	-	72,180
1.14.	Special Funds	-	-
II.	**Distribution from Reserves**		
2.1.	Distributed Reserves	-	-
2.2.	Second Legal Reserves (-)	-	-
2.3.	Dividends to Shareholders (-)	-	-
2.3.1.	The Owners of Ordinary Shares	-	-
2.3.2.	The Owners of Preferred Stocks	-	-
2.3.3.	The Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4.	The Profit Sharing Bonds	-	-
2.3.5.	The Owners of the profit/loss Sharing Certificates	-	-
2.4.	Share to Personnel (-)	-	-
2.5.	Share to Board of Directors (-)	-	-
III.	**Earnings per Share**		
3.1.	To Owners of Stocks	-	-
3.2.	To Owners of Stocks (%)	-	-
3.3.	To Owners of Preferred Stocks	-	-
3.4.	To Owners of Preferred Stocks (%)	-	-
IV.	**Dividend per Share**		
4.1.	To Owners of Stocks	-	-
4.2.	To Owners of Stocks (%)	-	-
4.3.	To Owners of Preferred Stocks	-	-
4.4.	To Owners of Preferred Stocks (%)	-	-

(*) 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

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

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

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

Additional paragraph for convenience translation

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

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

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

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

1.3. Changes in accounting estimates, errors and classifications

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

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

1.5. 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 Parent Bank continues to apply the hedge accounting provisions of TAS 39.

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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 Fair Value Through Other Comprehensive Income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

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

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

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

Classification And Measurement of Financial Instruments:

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

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

Explanations on Expected Credit Loss:

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

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

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

The Parent 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. As of 30 June 2019, minimum probability of default of Basel II is used in the calculation of expected credit loss of the receivables from certain public institutions and securities issued by these institutions and organizations.

Furthermore, placements of CBRT and the other banks have been revised estimation of the average maturity from 1 year to 14 days in the calculation of expected credit loss. The change in the estimations resulted in a decrease of TL 73,904 in the expected credit loss.

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

• Delayed by more than 30 days as of the reporting date

• Restructuring

• Close Monitoring

• Evaluation of distortion in Rating Note

The definition of the deterioration in the rating is the comparison of the credit rating at the opening date and the rating date at the reporting date by using the Parent Bank's internal rating based credit rating models. If the rating calculated for the loan at the reporting date exceeds the specified threshold values, the rating is deemed as deterioration.

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

1.6 Revenue from TFRS 15 Customer Contracts:

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

1.7 Explanations on IFRS 16 Leases Standard

"TFRS 16 Leases" Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, to be applied in the accounting periods beginning after 31 December 2018. With the TFRS 16 Leases Standard effective from 1 January 2019, the difference between operating lease and leasing is eliminated. After that, the leasing transactions have been started to be shown by the tenants as liabilities in assets and leasing transactions as assets (use right). TFRS 16 Standard eliminates the dual accounting model for leasing of financial leasing transactions and the presentation of operating leases directly on the balance sheet. The current application for the lessor continues similarly.

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As of January 1, 2019, the Parent Bank has applied TFRS 16 Leases standard. The simplified model was preferred in the application of this standard to the financial statements at the date of initial application. In this context, for the leases classified as operating leases in accordance with TAS 17, the Parent Bank reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Parent Bank measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Parent Bank. In addition, the Parent Bank measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments.

		01/01/2019
	Real Estate	**Vehicle**
Operational lease commitments		
Contracts excluded from TFRS 16 (-)	-	-
Total rental liability	498,719	24,154
Discounted lease obligation (1 January 2019)	**298,513**	**21,740**

TL 17,582 of the assets that have been put into use consists of the classification of rent expenses, which are accounted under prepaid expenses before applying TFRS 16, to the right to use assets.

2. Explanations on Strategy of Using Financial Instruments And Foreign Currency Transactions

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

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

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

3. Investments in Associates And Subsidiaries

Consolidated and Separate Financial Statements" ("TAS 27") and then deducted by provisions for impairment losses.

The titles of the entities covered by the consolidation, the locations of the main centers, the subjects of activities and the share rates of the group are as follows:

Title	Adress (City/Country)	**Main Operation**	**31 Decmber 19**	**31 December 18**	**Consolidation method**
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	50.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Financial Instution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/Turkey	Financial Instution	50.00%	50.00%	Accounted for by equity method

(*) KT Sukuk Company Limited, which was established on July 31, 2015 in the Cayman Island for issuance of the Bank's second subordinated loan, is excluded.

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

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Consolidation basis of subsidiaries:

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

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

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

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

4. Explanations on Forward Transactions And Option Contracts And Derivative Instruments

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. In accordiance with TFRS 9, derivative instruments are classified as 'hedging derivative financial asset' and 'derivative financial assets/liabilities at fair value profit or loss'. The Group classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Derivative Financial Instruments Held for Trading" in accordance with TAS 39. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as "held for trading" within the framework of TAS 39 and are reflected in the "Derivative Financial Assets/liabilities at fair value profit or loss" account in the balance sheet. The Group has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

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

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

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

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank will continue to apply hedge accounting in accordance with TAS 39 in this context. In addition, it performs swap transactions in order to hedge the cash flow risk of fixed-rate financial instruments. In cash flow hedge accounting, the effective portion of the fair value change of the hedging instrument is accounted for under "Hedging Funds" under equity, and the ineffective portion is accounted in the income statement. In the periods in which the cash flows from the hedged item affect profit or loss, the profit / loss of the hedging instrument is also removed from equity and reflected to the income statement.

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

While discontinuing cash flow hedge accounting, the cumulative gains/losses recognised in shareholders' equity and presented under hedging reserves are continued to be kept in 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. While applying the internal rate of return method, the Bank amortizes the fees included in the account of the effective profit rate over the expected life of the financial instrument. If the financial asset is impaired and classified as a non-performing loan, profit accruals and rediscount calculations for these customers are continued within the scope of TFRS 9 Financial Instruments Standard.

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

6. Explanations on Fees And Commission Income And Expenses

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

Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

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

7. Explanations on Financial Assets

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

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

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7.1 Financial assets at fair value through profit or loss:

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

7.2 Financial assets at fair value through other comprehensive income:

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

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

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

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

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.

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7.4 Derivative financial assets:

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

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

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

7.5 Loans:

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

8. Explanations on Offsetting of Financial Assets And Liabilities

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

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

Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. In this 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 2019, the Parent Bank does not have a sales transaction with the promise of repurchase. (31 December 2018 –TL 188,003).

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10. Explanations on Assets Held For Sale And Discontinued Operations And Related Liabilities

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

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

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

11. Explanations on Goodwill And Other Intangible Assets

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

The other intangible assets of the Group comprise mainly computer software. The useful lives of such assets acquired prior to 2004 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years. The amortization period of the licenses is determined on the basis of the duration of the license agreements.

There is no goodwill related to associates and subsidiaries in Group records.

12. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

The Parent Bank is able to sell and lease back the real estates registered to its assets by issuing the rent certificate. At the end of the lease period, the asset is taken back by paying the sale price. For the real estates within this scope, it applies 2% depreciation over the new value starting from the date of the transaction. According to the public oversight authority (POA) dated 17/09/2018 and numbered 64088382-045-E.1648, transactions are recorded.

13. Explanations on Leasing Transactions

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

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

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

As of 1 January 2019 that is the first application date of TFRS 16, the Group has not reassessed whether the contract has the nature of a lease or does not include a lease as a facilitator application. The Group elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. This standard has not been applied to the contracts that are not included in the lease process.

Therefore, there is no need to restate the consolidated financial statements of the previous years, these financial statements are presented in accordance with TAS 17 “Leases” and TFRS Comment 4 “Determining Whether an Agreement Contains Leasing”.

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Bank’s alternative borrowing interest rate.

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

<u>Facilitator Applications</u>

- The Group applied a single discount rate for the portfolio that has reasonably similar characteristics features and consisted of rents.
- As an alternative to reviewing the impairment, the Group has applied TAS 37 Provisions, Contingent Liabilities and Contingent Assets before the date of initial application to determine whether leases are disadvantaged in terms of its economy.
- For contracts with rights to extend or terminate lease term, the Bank has used past experience when determining the lease term.
- In accordance with TFRS 16, the Group has preferred not to use the short-term exceptions from 12 months and 12 months for vehicle rental and exceptions of the underlying assets with low value for the office equipment.
- As an facilitator, the lessee chose not to separate the non-leasing components from the leasing components on the basis of the underlying asset class and instead to account for each lease component and its associated leasing components as a single leasing component.
- The Group did not apply TFRS 16 Leases Standard for intangible assets leases.

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Leases

At the beginning of a contract, the Group assesses whether the contract has a lease qualification or include a lease transaction. In the event that the contract is transferred for a certain period of time to the right to control the use of the asset defined for a price, this contract of a rental nature or includes a lease transaction. The following conditions are considered when assessing whether a contract has transferred its right to control the use of an asset defined for a specified period of time.

(a) The contract contains an asset defined.
(b) A functional part of the asset is physically separate or represents almost the entire capacity of the asset. The asset is not defined if the lessor has a substantive right to substitute to asset and provides an economic benefit from it.
(c) The right to obtain nearly all of the economic benefits that will be provided from the use of the asset defined.
(d) The right to manage the use of the asset defined.

The right of the use asset

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

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

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

- The total cost of the estimated costs to be incurred by the Group relating to the restoration of all initial direct costs incurred by the Group and the restoration of the underlying asset or the restoration of the underlying location or the restoration of the underlying asset by the terms and conditions of the underlying asset is included in the total amount of both the financial statements and the right to use assets, as it does not have an important amount, it is not added to the cost of usage rights.

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

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

The Group applies depreciation provisions in TAS 16 Property, Plant and Equipment standard while depreciating in the right of use.

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

Lease Obligation

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

Lease payments included in the measurement of the lease liability at the date of the lease's actual start date shall be made for the right of use during the lease term of the underlying asset and consist of the payments which have not been paid at the date of the rental:

(a) Fixed payments less any lease incentives receivables
(b) Variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.
(c) Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the effective date of the lease, the Group measures the lease obligation as follows:

(a) Increase the book value to reflect the interest on the lease obligation.
(b) Reduces the book value to reflect the lease payments made and
(c) Remeasures the book value to reflect revaluations and reconstructions, or to reflect rental payments that are fixed at the revised basis.

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

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

The Group measures the lease obligation by discounting the revised lease payments on a revised discount rate when any of the following conditions occur:

A change in the rental period. The Group determines revised rent payments based on revised lease term. The Group determines the revised discount rate for the remaining portion of the lease term as the alternative borrowing interest rate at the date of Group's revaluation.

In case of any of the following situations, the Group measures the lease obligation by discounting the revised lease payments:

a) A change in lease payments as a result of a change in an index or a rate used to determine future lease payments. The Group reassessed its lease obligation when only a change in its cash flows that reflect the revised lease payments. The Group determines the revised lease payments that related to the remaining lease term according to the revised contractual payment by using non-revised discount rate. The Group recognizes the lease restructuring as a separate lease if both of the following conditions are met:
b) The structuring shall extend the scope of the lease by including the right of use of one or more underlying assets and
c) The increase in the rental price by the price alone and by the corresponding adjustments to the price of the respective contract alone to reflect the terms of the contract.

14. 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.

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15. Explanations on Liabilities Relating to Employee Benefits

15.1 Defined benefit plans:

In accordance with existing social legislation, the Group is required to make severance pay to each employee who has completed over one year of service with the 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.
Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

15.2 Defined contribution plans:

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

15.3 Short term benefits to employees:

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

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

16. 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 22% 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.

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

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

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

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

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

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

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

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17. 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 Parent Bank does not apply hedging techniques on related borrowings.

The Group has not issued convertible bonds.

18. Explanations on Share Certificates Issued

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

19. 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.

20. Explanations on Government Grants

There are no government grants received by the Group.

21. Explanations on Segment Reporting

The Group 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 14.

22. Explanations on Other Matters

The Group has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

1. Explanations on Consolidated Equity Items

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2019 Group's total capital has been calculated as TL 10,254,705 (31 December 2018: TL 7,389,107), capital adequacy ratio is 18.57% (31 December 2018: 17.22%).

1.1. Components of Consolidated Total Capital:

	Current Period Amount	*Prior Period Amount*
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,000,000	3,500,000
Share Premium	24,525	24,208
Reserves	1,472,776	1,110,535
Other Comprehensive Income According to TAS	268,165	-
Profit	1,028,480	808,383
Current Period Profit	1,117,637	809,543
Prior Period Profit	(89,157)	(1,160)
Minority Shares	-	-
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	28,461	25,112
Common Equity Tier I Capital Before Deductions	**6,822,407**	**5,468,238**
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	13,394	40,313
Leasehold Improvements On Operational Leases	66,940	54,010
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	189,095	193,471
Net Deferred Tax Asset/Liability	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	7,583
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	-
Net Amount Of Defined Benefit Plans	19,082	13,296
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital	4,234	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 The10% Threshold Of Tier I Capital	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital	-	-
Mortgage Servicing Rights Not Deducted	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences	-	-
Other Items To Be Defined By The BRSA	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals	-	-
Total Deductions From Common Equity Tier I Capital	**292,745**	**311,351**
Total Common Equity Tier I Capital	**6,529,662**	**5,156,887**

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Additional Tier I Capital Before Deductions		
Capital corresponding to privileged shares not included in the core capital and the related issuance premiums	-	-
Borrowing instruments deemed appropriate by the Authority and related issuance premiums	1,189,404	-
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)	-	-
Additional Capital Before Discounts	**1,189,404**	**-**
Deductions From Additional Tier I Capital	**-**	**-**
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions From Additional Tier I Capital	**-**	**-**
Total Additional Tier I Capital	**1,189,404**	**-**
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**7,719,066**	**5,156,887**
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	2,073,399	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)	584,194	468,639
Total Deductions From Tier II Capital	**2,657,593**	**2,316,366**
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	**2,657,593**	**2,316,366**
Total Equity (Total Tier I And Tier II Capital)	**10,376,659**	**7,473,253**

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Total Tier I Capital And Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)	5,505	-
Other Items To Be Defined By The BRSA (-)	116,449	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)	10,254,705	7,389,107
Total Risk Weighted Assets	55,097,567	42,921,666
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	11.81	12.01
Tier I Capital Ratio (%)	13.97	12.01
Capital Adequacy Ratio (%)	18.57	17.22
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.50	1.88
Capital Conservation Buffer Ratio (%)	2.50	1.88
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	7.35	6.01
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)	584,194	468,639
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	584,194	468,639
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Debt instruments subjected t o Article 4 (to be implemented between January 1 , 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier I Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temprorary Article 4	-	-

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Information on debt instruments included in the calculation of equity:		
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED
Instrument code (CUSIP, ISIN etc.)	XS1323608635	XS2028862998
Governing Law(s) of the Instrument	Regulation on Equity of Banks	Regulation on Equity of Banks
Special Consideration in the Calculation of Equity		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated / Consolidated	Consolidated / Unconsolidated	Consolidated / Unconsolidated
Instrument Type	Subordinated Sukuk	Subordinated Sukuk
Amount recognized in regulatory capital (as of most recent reporting date)	2,073	1,189
Par Value of Instrument (Million TL)	2,073	1,189
Accounting Classification	3470103	3470003
Original date of Issuance	17/02/2016	16/07/2019
Perpetual or dated	Dated	Dated
Maturity date	10 Years (Maturity Date: 17/02/2026)	5 Years (Maturity Date: 16/07/2024)
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	17/02/2021 - All	16/07/2024 – All
Subsequent call dates	17/02/2021	16/07/2024
Profit Share / Dividends		
Fixed or floating profit share / dividend	Fixed	Fixed
Profit share rate and any related index	7.90%	9.13%
Existence of a dividend stopper	No	No
Fully discretionary, partially iscreationary or mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or Non-convertible		
If convertible, conversion trigger	Cannot be converted to stock	Cannot be converted to stock
If convertible, fully or partially	Cannot be converted to stock	Cannot be converted to stock
If convertible, conversion rate	Cannot be converted to stock	Cannot be converted to stock
If convertible, mandatory or optional conversion	Cannot be converted to stock	Cannot be converted to stock
If convertible, specify instrument type convertible into	Cannot be converted to stock	Cannot be converted to stock
If convertible, specify issuer of instrument it converts to	Cannot be converted to stock	Cannot be converted to stock
Write-down feature		
If write-down, write-down trigger(s)	No derating feature	No derating feature
If write-down, full or partial	No derating feature	No derating feature
If write down, permanent or temporary	No derating feature	No derating feature
If temporary write-down, description of write-up mechanism	No derating feature	No derating feature
Position of subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Participation Accounts	Tier - 1
In compliance with article number 7 and 8 of "Own fund regulation"	None	None
Details of incompliances with article number 7 and 8 "Own fund regulation"	None	None

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

Internal evaluation process is established for continuously evaluating and maintaining the types, componenets 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 od adequate capital in order to cover these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Parent Banks' growth strategy, assets-liabilities structure, funding sources, liquidıty position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Banks' risk profile and risk appetite.

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

2. Explanations and Disclosures related to Consolidated Credit Risk

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

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

The credit risk which the Group is subjected to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits on the basis of countries and regions. Within this scope, the total risk which the Group had taken in the foreign country or region, the total of the credit risk taken by the banks residing abroad and/or their branches in Turkey, the total risks of the credits generated to the people residing abroad or with foreign nationally, 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 Group can take within its equities are also performed daily. The risk limits relevant to the transactions performed daiy 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 the 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 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 Proviions to be Forded". Renewed and restructured loans are monitored in accordance with the methods set out in the relevant legislation.

Foreign trade financing and inter-banks loan transactions are performed by a wide network of correspondents and the countr 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.

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The Parent Bank's top 100 and 200 cash loan customers represents 32% and 38% of the total cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 non-cash loan customers represent 36% and 44% of the total non-cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 cash and non-cash loan customers represent 29% and 35% of the total cash and non-cash loan portfolio, respectively.

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or Central Banks	31,013,638	23,685,798
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	213,413	17,784
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	16,228,371	13,873,750
Conditional and unconditional receivables from corporates	16,604,167	15,066,822
Conditional and unconditional receivables from retail portfolios	9,606,960	9,517,428
Conditional and unconditional receivables secured by mortgages	14,693,282	14,641,742
Collateralized receivables with mortgages	366,696	296,723
Past due receivables	71,775	139,120
Receivables defined under high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	94,539	92,180
Stock Investments	64,061	262,824
Other receivables	5,629,588	5,255,941
Total	**94,586,490**	**82,850,112**

(*) Includes total risk amounts 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 Bank.

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Risk Classifications	Prior Period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or Central Banks	14,541,105	11,099,179
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	11,778,118	8,846,417
Conditional and unconditional receivables from corporates	13,781,704	13,510,514
Conditional and unconditional receivables from retail portfolios	8,545,598	8,809,967
Conditional and unconditional receivables secured by mortgages	15,069,170	15,366,306
Past due receivables	148,718	119,924
Receivables defined under high risk category by BRSA	142,541	59,865
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	110,567	78,440
Stock Investments	-	-
Other receivables	6,548,071	4,638,583
Total	**70,665,592**	**62,529,195**

(*) Includes total risk amounts 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 Bank.

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2.1. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional receivables from central governments ot Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	31,013,638	-	8,608,241	14,644,904	9,592,411	14,542,010	366,020	71,775	94,539	-	-	78,933,538
European Union Countries	-	-	824,744	1,852,296	4,617	25,985	1	-	-	-	-	2,707,643
OECD Countries (**)	-	-	2,283,038	104	305	5,139	187	-	-	-	-	2,288,773
Off-Shore Regions	-	-	596,972	43,215	4,033	91,304	-	-	-	-	-	735,524
USA, Canada	-	-	1,796,239	195	107	1,393	-	-		-	-	1,797,934
Other Countries	-	213,413	2,119,137	63,453	5,487	27,451	488	-	-	-	-	2,429,429
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	64,061	-	64,061
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	5,629,588	5,629,588
Total	**31,013,638**	**213,413**	**16,228,371**	**16,604,167**	**9,606,960**	**14,693,282**	**366,696**	**71,775**	**94,539**	**64,061**	**5,629,588**	**94,586,490**

(*) Includes total risk amounts before the effect of credit risk mitigation but after 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.
(****) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

Prior Period (*)	Conditional and unconditional receivables from central governments ot Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	14,535,871	-	6,950,787	12,625,853	8,528,354	14,900,002	148,049	137,339	81,584	-	-	57,907,839
European Union Countries	-	-	1,032,719	1,063,763	7,514	28,575	-	5,202	-	-	-	2,137,773
OECD Countries (**)	-	-	1,454,388	1,067	183	6,246	-	-	-	-	-	1,461,884
Off-Shore Regions	-	-	63,003	25,733	4,044	75,875	-	-	-	-	-	168,655
USA, Canada	-	-	1,414,111	200	70	1,639	-	-	-	-	-	1,416,020
Other Countries	5,234	-	863,110	65,088	5,433	56,833	669	-	28,983	-	-	1,025,350
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	522,950	-	522,950
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	6,025,121	6,025,121
Total	**14,541,105**	**-**	**11,778,118**	**13,781,704**	**8,545,598**	**15,069,170**	**148,718**	**142,541**	**110,567**	**522,950**	**6,025,121**	**70,665,592**

(*) Includes total risk amounts before the effect of credit risk mitigation but after 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.
(****) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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2.2. Risk profile by sectors or counterparties

Current Perio	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Stock Investmenst	Other receivables	TL	FC	Total(*)
Agriculture	**-**	-	-	-	-	-	**119,667**	**156,206**	**225,587**	**5,056**	**57**	**-**	**-**	**-**	**-**	**-**	**-**	**441,927**	**64,646**	**506,573**
Farming and Stockbreeding	-	-	-	-	-	-	106,093	108,362	172,439	4,850	-	-	-	-	-	-	-	338,736	53,008	391,744
Forestry	-	-	-	-	-	-	13,557	46,517	52,633	206	57	-	-	-	-	-	-	101,630	11,340	112,970
Fishery	-	-	-	-	-	-	17	1,327	515	-	-	-	-	-	-	-	-	1,561	298	1,859
Manufacturing	**-**	-	-	-	-	-	**6,058,671**	**2,702,394**	**3,073,301**	**41,992**	**333**	**-**	**-**	**-**	**-**	**-**	**-**	**10,426,041**	**1,450,650**	**11,876,691**
Mining and Quarrying	-	-	-	-	-	-	760,612	511,372	474,847	7,379	324	-	-	-	-	-	-	1,519,291	235,243	1,754,534
Production	-	-	-	-	-	-	2,709,562	1,931,744	2,353,566	32,577	9	-	-	-	-	-	-	5,945,017	1,082,441	7,027,458
Electricity, Gas and Water	-	-	-	-	-	-	2,588,497	259,278	244,888	2,036	-	-	-	-	-	-	-	2,961,733	132,966	3,094,699
Construction	**-**	-	-	-	-	-	**3,972,764**	**1,211,622**	**2,358,297**	**137,757**	**37**	**-**	**-**	**-**	**-**	**-**	**-**	**7,234,628**	**445,849**	**7,680,477**
Services	**31,013,638**	-	-	**213,413**	-	**16,228,371**	**5,599,752**	**3,209,367**	**3,763,232**	**165,284**	**228**	**-**	**-**	**-**	**94,539**	**64,061**	**-**	**15,222,505**	**45,129,380**	**60,351,885**
Wholesale and Retail Trade	-	-	-	-	-	-	2,252,736	2,185,655	2,490,142	62,331	205	-	-	-	-	-	-	6,076,176	914,893	6,991,069
Accommodation and Dining	-	-	-	-	-	-	36,887	87,037	241,753	19,415	-	-	-	-	-	-	-	343,670	41,422	385,092
Transportation and Telecom.	-	-	-	-	-	-	765,109	462,754	284,925	48,816	20	-	-	-	-	-	-	1,426,176	135,448	1,561,624
Financial Institutions	31,013,638	-	-	213,413	-	16,228,371	1,894,579	1,358	4,177	339	-	-	-	-	94,539	64,061	-	5,625,757	43,888,717	49,514,475
Real Estate and Rental Services	-	-	-	-	-	-	303,842	98,475	278,747	29,430	-	-	-	-	-	-	-	684,314	26,180	710,494
Professional Services	-	-	-	-	-	-	2,017	239	187	-	-	-	-	-	-	-	-	2,443	-	2,443
Educational Services	-	-	-	-	-	-	64,708	60,495	141,753	699	-	-	-	-	-	-	-	256,249	11,406	267,655
Health and Social Services	-	-	-	-	-	-	279,874	313,355	321,548	4,254	3	-	-	-	-	-	-	807,720	111,314	919,033
Others	**-**	-	-	-	-	-	**853,313**	**2,327,371**	**5,272,865**	**16,607**	**71,120**	**-**	**-**	**-**	**-**	**-**	**5,629,588**	**10,976,788**	**3,194,076**	**14,170,864**
Total	**31,013,638**	**-**	**-**	**213,413**	**-**	**16,228,371**	**16,604,167**	**9,606,960**	**14,693,282**	**366,696**	**71,775**	**-**	**-**	**-**	**94,539**	**64,061**	**5,629,588**	**44,301,889**	**50,284,601**	**94,586,490**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.
(**) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by 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	-	-	-	-	-	-	16	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	-	-	-	-	-	-	**2,619,301**	**1,308,575**	**3,178,670**	**33,537**	**13,240**	-	-	-	-	-	**4,661,653**	**2,491,670**	**7,153,323**
Services	**14,541,105**	-	-	-	-	**11,778,118**	**4,464,627**	**3,070,787**	**3,940,959**	**64,328**	**36,570**	-	-	-	**110,567**	-	**10,598,950**	**27,408,111**	**38,007,061**
Wholesale and Retail Trade	-	-	-	-	-	-	1,741,363	2,052,541	2,609,256	43,163	33,816	-	-	-	-	-	4,520,753	1,959,386	6,480,139
Accommodation and Dining	-	-	-	-	-	-	102,139	84,121	240,799	5,366	1,168	-	-	-	-	-	209,585	224,008	433,593
Transportation and Telecom.	-	-	-	-	-	-	871,931	457,554	331,670	10,364	343	-	-	-	-	-	730,921	940,941	1,671,862
Financial Institutions	14,541,105	-	-	-	-	11,778,118	1,065,281	709	3,474	1	-	-	-	-	110,567	-	3,855,940	23,643,315	27,499,255
Real Estate and Rental Services	-	-	-	-	-	-	329,550	101,156	269,928	1,111	302	-	-	-	-	-	381,393	320,654	702,047
Professional Services	-	-	-	-	-	-	37	357	217	-	-	-	-	-	-	-	611	-	611
Educational Services	-	-	-	-	-	-	81,693	55,495	158,899	42	-	-	-	-	-	-	193,728	102,401	296,129
Health and Social Services	-	-	-	-	-	-	272,633	318,854	326,716	4,281	941	-	-	-	-	-	706,020	217,405	923,425
Others	-	-	-	-	-	-	**964,382**	**1,678,375**	**4,843,680**	**22,782**	**86,427**	-	-	-	-	**6,548,071**	**8,912,865**	**5,230,852**	**14,143,717**
Total	**14,541,105**	-	-	-	-	**11,778,118**	**13,781,704**	**8,545,598**	**15,069,170**	**148,718**	**142,541**	-	-	-	**110,567**	**6,548,071**	**29,223,245**	**41,442,347**	**70,665,592**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.
(**) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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

Risk Categories (*) – Current Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	425,122	-	-	1,728,966	12,263,955
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	213,413
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,772,354	852,076	5,165,590	55,029	1,392,493
Conditional and unconditional receivables from corporates	2,570,647	692,051	2,894,299	1,269,541	9,149,806
Conditional and unconditional receivables from retail portfolios	1,582,405	747,055	1,121,613	1,587,319	4,407,322
Conditional and unconditional receivables secured by mortgages	961,021	579,140	958,207	1,983,077	10,211,837
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	71,713	62	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	57,729	11,341	21,765	500	3,204
Stock Investments	-	-	-	-	64,061
Other Receivables	-	-	-	-	-
Total	**7,440,991**	**2,881,725**	**10,161,474**	**6,624,432**	**37,706,091**

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

Risk Categories (*) – Prior Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	194,001	365,306	155,773	-	5,351,089
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,048,784	1,561,667	792,936	303,169	174,186
Conditional and unconditional receivables from corporates	3,841,421	537,376	1,446,766	1,408,712	6,522,535
Conditional and unconditional receivables from retail portfolios	1,375,118	704,468	1,080,494	1,723,192	3,520,864
Conditional and unconditional receivables secured by mortgages	832,833	568,743	1,188,187	2,224,151	10,255,256
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	100,306	1,498	1,635	2,745	36,357
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-		-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	-	-	11,227	16,545	82,795
Stock Investments	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	**8,392,463**	**3,739,058**	**4,677,018**	**5,678,514**	**25,943,082**

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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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 assgined 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.

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

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

2.5 Credit risk using the standard approach:

2.5.1. Credit risk exposed and credit risk mitigation effects:

		CCF and CRM		CCF and CRM		RWA and RWA density	
		Receivable before		Receivable post			
	Risk Classes	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	30,588,516	-	33,605,176	-	8,457,751	25
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	213,413	-	213,413	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	15,261,831	1,448,896	15,261,831	441,957	7,861,568	50
7	Receivables from corporate	13,704,605	6,041,797	11,766,419	2,895,423	14,389,635	98
8	Retail receivables	7,473,507	7,335,009	6,834,853	2,127,037	6,528,583	73
9	Receivables secured by residential property	6,576,129	800,583	6,449,840	345,249	2,354,030	35
10	Receivables secured by commercial property	7,139,330	1,343,866	6,841,721	631,961	4,605,711	62
11	Non-performing receivables	366,696	-	350,774	-	202,996	58
12	Receivables in high-risk categories	71,775	-	71,775	-	107,637	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	94,539	-	94,539	-	24,598	26
16	Other receivables	5,629,588	-	5,629,588	-	1,940,186	34
17	Stock investments	64,061	-	64,061	-	64,061	100
18	**Total**	**87,183,990**	**16,970,151**	**87,183,990**	**6,441,627**	**46,536,756**	

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2.5.2. Exposures by asset classes and risk weights:

	Risk Classes / Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	16,689,674	-	-	-	16,915,502	-	-	-	-	33,605,176
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	213,413	-	-	-	-	-	-	-	-	213,413
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	14,639	-	5,066,500	-	7,548,760	-	3,073,889	-	-	15,703,788
7	Receivables from corporate	148,383	-	154,780	-	-	-	14,358,679	-	-	14,661,842
8	Retail receivables	142,071	-	156,874	-	-	8,662,945	-	-	-	8,961,890
9	Receivables secured by residential property	48,758	-	47,908	6,698,423	-	-	-	-	-	6,795,089
10	Receivables secured by commercial property	55,594	-	79,821	-	5,497,040	-	1,841,227	-	-	7,473,682
11	Non-performing receivables	400	-	831	-	293,427	-	56,116	-	-	350,774
12	Receivables in high-risk categories	17	-	-	-	-	-	-	71,758	-	71,775
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	37,135	-	17,988	-	36,832	-	2,584	-	-	94,539
16	Stock investments	-	-	-	-	-	-	64,061	-	-	64,061
17	Other receivables	3,204,687	-	605,894	-	-	-	1,819,007	-	-	5,629,588
18	**Total**	**20,554,771**	**-**	**6,130,596**	**6,698,423**	**30,291,561**	**8,662,945**	**21,215,563**	**71,758**	**-**	**93,625,617**

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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	19,163,486	-	5,690,382	6,921,378	28,608,126	9,600,544	23,569,926	71,775	-	121,954
Exposures after Credit Risk Mitigation	20,554,771	-	6,130,596	6,698,423	30,291,561	8,662,945	21,215,563	71,758	-	121,954

Prior Period Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Exposures before Credit Risk Mitigation	12,856,658	-	3,712,318	6,701,775	17,331,237	8,536,013	20,997,905	142,541	-	84,146
Exposures after Credit Risk Mitigation	14,641,358	-	3,992,095	6,488,528	18,028,010	7,457,743	19,562,748	107,965	-	84,146

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	**158,153**	**30,991**	**48,506**
Farming and Stockbreeding	115,499	24,357	33,613
Forestry	41,860	3,606	11,678
Fishery	794	3,028	3,215
Manufacturing	**1,600,817**	**376,583**	**606,644**
Mining and Quarrying	251,886	56,884	92,242
Production	1,244,865	304,370	490,120
Electricity, Gas and Water	104,066	15,329	24,282
Construction	**1,206,802**	**701,370**	**763,122**
Services	**2,246,279**	**867,584**	**991,513**
Wholesale and Retail Trade	1,454,282	477,745	591,906
Accommodation and Dining	80,853	90,430	86,779
Transportation and Telecommunication	231,402	68,157	86,107
Financial Institutions	341	3,904	3,566
Real Estate and Rental Services.	239,020	183,419	138,008
Professional Services	280	-	81
Educational Services	116,459	3,466	32,405
Health and Social Services	123,642	40,463	52,661
Others	**635,884**	**133,153**	**144,690**
Total	**5,847,935**	**2,109,681**	**2,554,475**

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

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	Loans		Provisions
	Impaired Loans		
Prior 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**	**105,456**	**140,605**
Total	**4,565,508**	**1,185,840**	**1,497,416**

2.8. Movements in value adjustments and provisions

Current Period (*****)	**Opening Balance (After TFRS9)**	**Provisions for period**	**Provision Reversals (***)**	**Other Adjustments (****)**	**Closing Balance**
Stage 3 Provisions (*)	841,927	2,085,698	(395,880)	(974,156)	1,557,589
Stage 1&2 Provisions (**)	1,099,680	554,712	(168,908)	-	1,485,484

Prior Period (*****)	**Opening Balance**	**Provisions for period**	**Provision Reversals (***)**	**Other Adjustments (****)**	**Closing Balance**
Stage 3 Provisions (*)	489,571	658,814	(203,316)	(103,142)	841,927
Stage 1&2 Provisions (**)	330,083	1,291,161	(521,564)	-	1,099,680

(*) 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.

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2.9. Risk involved in counter-cyclical capital buffer calculation

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	27,110,378	-	27,110,378
Germany	1,894,969	-	1,894,969
Bahrain	91,183	-	91,183
Albania	35,928	-	35,928
Iraq	17,681	-	17,681
Marshall Islands	16,257	-	16,257
Qatar	9,628	-	9,628
Italy	3,213	-	3,213
Hungary	2,992	-	2,992
Saudi Arabia	2,797	-	2,797
Other	23,091	-	23,091

Prior Period

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

2.10. Information of Cash and Noncash Loans according to Parent 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 2019.

	Cash Loans	Non-Cash Loans	Total
High Quality	35.48%	59.31%	39.54%
Medium Quality	37.61%	22.38%	35.02%
Average	18.16%	12.43%	17.19%
Below Average	8.75%	5.88%	8.26%

Note: All portfolio is rated.

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3. Explanations on consolidated currency risk

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. The "standard method" and the "value at risk method" used in legal reporting are used to measure the exchange rate risk of the bank.

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

As of 31 December 2019, the Group carries a net foreign currency long position of TL 8,342,300 (31 December 2018 – TL 716,838 long position) comprising of TL 7,931,895 balance sheet short position (31 December 2018 - TL 661,104 short position) and TL 410,405 off balance sheet long position (31 December 2018 – TL 55,734 long position).

The announced current foreign exchange buying rates of the Parent Bank as of 31 December 2019 and the previous five working days are as follows (full TL):

	24/12/2019	25/12/2019	26/12/2019	27/12/2019	30/12/2019	Balance Sheet Valuation Rate
USD	5.94262	5.93509	5.93653	5.94731	5.94564	5.94702
EURO	6.58514	6.58402	6.58364	6.62169	6.65612	6.66909
GBP	7.69001	7.69832	7.70519	7.76096	7.79915	7.81761
CHF	6.05012	6.05164	6.0516	6.08132	6.11495	6.14576
JPY	0.05432	0.05424	0.05418	0.05429	0.05447	0.05475

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

	Monthly average FC purchase rate
USD	5.84877
EURO	6.49932
GBP	7.66817
CHF	5.94704
JPY	0.05356

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Consolidated Currency risk of the Group:

	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	6,723,592	6,143,746	4,580,207	17,447,545
Banks (****)	4,455,707	327,005	2,718,274	7,500,986
Financial assets at fair value through profit and loss	-	117,210	3,774,336	3,891,546
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	5,035,423	4,458,363	68,567	9,562,353
Loans and finance lease receivables (*)	12,967,653	13,987,774	94,287	27,049,714
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Financial assets at amortized cost	2,210,574	648,807	-	2,859,381
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	35,184	957	-	36,141
Intangible assets	64,671	25	-	64,696
Other assets	907,374	87,235	1,640	996,249
Total assets	**32,400,178**	**25,771,122**	**11,237,311**	**69,408,611**
Liabilities				
Current account and funds collected from Banks via participation accounts	5,616	245,376	143,666	394,658
Current and profit sharing accounts FC (****)	12,089,925	29,619,334	10,744,446	52,453,705
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	203,116	3,430,771	68,697	3,702,584
Marketable securities issued	-	2,723,864	1,182,558	3,906,422
Miscellaneous payables	51,129	67,293	610	119,032
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	134,276	312,517	43,117	489,910
Total liabilities	**12,484,062**	**36,399,155**	**12,183,094**	**61,066,311**
Net balance sheet position	19,916,116	(10,628,033)	(945,783)	8,342,300
Net off-balance sheet position	(20,055,210)	11,193,288	930,027	(7,931,895)
Financial derivative assets	371,647	19,860,378	1,463,898	21,695,923
Financial derivative liabilities	20,426,857	8,667,090	533,871	29,627,818
Non-cash loans (***)	1,883,918	2,503,577	576,420	4,963,915
Prior period				
Total assets	17,941,072	20,890,334	5,022,834	43,854,240
Total liabilities	8,865,568	27,755,833	6,516,001	43,137,402
Net balance sheet position	9,075,504	(6,865,499)	(1,493,167)	716,838
Net off-balance sheet position	(9,061,656)	6,923,802	1,476,750	(661,104)
Financial derivative assets	418,581	9,417,560	1,705,056	11,541,197
Financial derivative liabilities	9,480,237	2,493,758	228,306	12,202,301
Non-cash loans (***)	1,728,487	3,064,977	665,983	5,459,447

(*) Includes foreign currency indexed loans amounting to TL 2,662,329 (31 December 2018 – TL 5,425,809).
(**) Does not have any effect to the net off-balance sheet position.
(***) Precious metals are included in "Other FC" column.
(****) Other liabilities at fair value through TL 1,057 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 95,676
(*****) Includes provisions for expected losses amounting to TL 2,865 in the balance sheet
(******) Includes deferred tax assets amounting to TL 43,503 in the balance sheet.

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 163,236 (31 December 2018 – TL 12,528)
- Prepaid expenses : TL 1,217 (31 December 2018 - 706 TL)
- Derivative financial liabilities held for trading : TL 164,719 (31 December 2018 – TL 42,766)
- Marketable securities of FC revaluation reverse: 82,154 (31 December 2018 - TL (51,432))
- Derivative financial liabilities held for hedging : TL 129,728 (31 December 2018 - TL 106,352)

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

- Forward foreign currency purchase transactions TL 907,180 (31 December 2018 – TL 538,844)
- Forward foreign currency sale transactions: TL 983,763 (31 December 2018 – TL 788,379)
- Precious metal purchase transactions: TL 15,348 (31 December 2018 – TL 538,980)
- Precious metal sale transactions: TL 322,394 (31 December 2018 – TL 1,561)

Currency risk sensitivity

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

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

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	56,526	5,830	56,526	5,830
EURO	10%	(13,909)	1,385	(13,909)	1,385
GOLD	10%	3,545	(62,195)	3,545	(62,195)

4.Explanations related to stock position risk

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

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

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

Current Period Equity Securities (shares) investments (*)	Carrying Value	Comparison Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	**38,583**	**-**	**-**
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	**23,680**	**-**	**-**
Quoted Securities	-	-	-
Other	**40,381**	**-**	**-**
Quoted Securities	-	-	-

Prior Period Equity Securities (shares) investments (*)	Carrying Value	Comparison Fair Value	Market Value
Securities Available-for-Sale	**27,548**	**-**	**-**
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	**23,680**	**-**	**-**
Quoted Securities	-	-	-
Other	**28,520**	**-**	**-**
Quoted Securities	-	-	-

(*) Related equity investments are accounted on a cost basis in the accompanying financial statements since the fair value of these investments can not be measured reliably.

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

None.

5. Consolidated liquidity risk management and liquidity coverage ratio

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

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

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

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

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

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

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

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

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

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

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

Group spread to the base of current and partipication 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.

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

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

5.5. Information on liquidity risk mitigation techniques:

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

5.6. Information on the use of stress tests:

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

5.7. General information about the contingency funding plan:

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

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5.8 Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Group's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that 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 mount	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2019								
Funds Collected (*)	78,060,065	5,880,531	3,542,282	766,894	-	88,249,772	-	88,249,772
Other Fundings	644,712	271,750	1,685,305	3,126,653	-	5,728,420	(1,900,212)	3,828,208
Debts from lease transaction	13,524	23,118	85,987	205,986	22,340	350,955	-	350,955
Securities issued	54,296	82,218	136,514	2,281,515	2,328,110	4,882,653	(240,488)	4,642,165
Funds from repo transaction	-	-	-	-	-	-	-	-
Total	**78,772,597**	**6,257,617**	**5,450,088**	**6,381,048**	**2,350,450**	**99,211,800**	**(2,140,700)**	**97,071,100**
31 December 2018								
Funds Collected (*)	49,161,442	4,219,221	1,623,929	225,426	-	55,230,018	-	55,230,018
Other Fundings	14,633	649,749	1,411,517	747,878	2,212,652	5,036,429	(1,139,923)	3,896,506
Debts from lease transaction	-	-	-	-	-	-	-	-
Securities issued	902,322	604,764	2,892,671	4,245,755	2,212,653	10,858,165	(3,065,295)	7,792,870
Funds from repo transaction	188,990	-	-	-	-	188,990	(987)	188,003
Total	**50,267,387**	**5,473,734**	**5,928,117**	**5,219,059**	**4,425,305**	**71,313,602**	**(4,206,205)**	**67,107,397**

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 2019								
Letters of Guarantee	5,340,090	141,073	492,414	2,339,451	1,590,962	103,581	-	10,007,571
Bills of Exchange and Bank Acceptances	810	10,792	20,733	19,943	2,757	-	-	55,035
Letters of Credit	501,105	155,156	396,019	306,255	15,474	-	-	1,374,009
Other guarantees	337,440	-	1,633	114,656	8,160	3,703	-	465,592
Pre-financings given as guarantee	147	-	-	-	-	-	-	147
Total	**6,179,592**	**307,021**	**910,799**	**2,780,305**	**1,617,353**	**107,284**	**-**	**11,902,354**
31 December 2018								
Letters of Guarantee	5,688,077	81,800	441,412	2,453,996	1,605,546	120,448	-	10,391,279
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	203,053	-	1,630	109,403	11,773	3,177	-	329,036
Pre-financings given as guarantee	1,791	-	-	-	-	-	-	1,791
Total	**6,322,803**	**240,022**	**683,194**	**2,831,374**	**1,674,984**	**123,703**	**-**	**11,876,080**

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Contractual maturity analysis of derivative instruments:

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	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	12,077,560	10,566,931	4,609,256	412,627	-	27,666,374
Exit	12,195,664	10,677,764	4,526,288	191,211	-	27,590,927
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	1,162,576	-	1,162,576
Exit	-	-	-	1,289,329	-	1,289,329
Total Cash Inflow	**12,077,560**	**10,566,931**	**4,609,256**	**1,575,203**	**-**	**28,828,950**
Total Cash Outflow	**12,195,664**	**10,677,764**	**4,526,288**	**1,480,540**	**-**	**28,880,256**

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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**

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Liquidity coverage ratio

	Current Period	Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	25,272,325	22,026,474	25,124,149	21,878,298
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	46,310,797	14,182,034	4,066,501	1,418,203
3	Stable deposits	11,291,580	-	564,579	-
4	Less stable deposits	35,019,217	14,182,034	3,501,922	1,418,203
5	Unsecured wholesale funding, of which:	16,772,002	11,695,643	9,399,904	6,911,683
6	Operational deposits	-	-	-	-
7	Non-operational deposits	13,256,946	8,617,440	5,884,848	3,833,480
8	Unsecured funding	3,515,056	3,078,203	3,515,056	3,078,203
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	12,550,258	12,180,971	12,550,258	12,180,971
11	Outflows related to derivative exposures and other collateral requirements	12,550,258	12,180,971	12,550,258	12,180,971
12	Outflows related to restructured financial Instruments	-	-	-	-
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	16,207,218	4,972,052	1,161,643	273,377
16	**TOTAL CASH OUTFLOWS**			27,178,306	20,784,234
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	18,201,958	12,419,370	15,337,019	11,801,428
19	Other cash inflows	12,642,247	6,676,898	12,642,247	6,676,898
20	**TOTAL CASH INFLOWS**	**30,844,205**	**19,096,268**	**27,979,266**	**18,478,326**
				Upper Limit Applied Value	
21	**TOTAL HQLA**			25,124,149	21,878,298
22	**TOTAL NET CASH OUTFLOWS**			6,794,577	5,196,059
23	**LIQUIDITY COVERAGE RATIO (%)**			369.77	421.06

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

The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 31 December 2019:

	Highest	Date	Lowest	Date	Average
TL+FC	406.63	21/10/2019	240.00	28/03/2019	321.01
FC	484.90	21/10/2019	266.24	28/03/2019	359.10

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

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Liquidity risk management and liquidity coverage ratio (continued)

	Prior Period	Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	10,394,138	8,699,045	10,374,738	8,679,645
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	38,600,632	21,425,122	3,352,582	2,142,512
3	Stable deposits	10,149,608	-	507,480	-
4	Less stable deposits	28,451,024	21,425,122	2,845,102	2,142,512
5	Unsecured wholesale funding, of which:	9,995,941	6,163,550	5,077,535	3,003,000
6	Operational deposits	-	-	-	-
7	Non-operational deposits	9,100,310	5,942,922	4,181,904	2,782,372
8	Unsecured funding	895,631	220,628	895,631	220,628
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	7,835,747	7,301,791	7,835,747	7,301,791
11	Outflows related to derivative exposures and other collateral requirements	7,835,747	7,301,791	7,835,747	7,301,791
12	Outflows related to restructured financial Instruments	-	-	-	-
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	15,193,785	5,675,561	1,005,900	301,914
16	**TOTAL CASH OUTFLOWS**			17,271,764	12,749,217
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	14,305,334	10,806,549	12,243,659	10,285,976
19	Other cash inflows	8,176,724	7,740,988	8,176,724	7,740,988
20	**TOTAL CASH INFLOWS**	**22,482,058**	**18,547,537**	**20,420,383**	**18,026,964**
				Upper Limit Applied Value	
21	**TOTAL HQLA**			10,374,738	8,679,645
22	**TOTAL NET CASH OUTFLOWS**			4,317,941	3,187,304
23	**LIQUIDITY COVERAGE RATIO (%)**			240.27	272.32

(*) The average of the calculated liquidity coverage ratio for the last three months based on the monthly simple arithmetic average,

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

Prior Period:

	Highest	Date	Lowest	Date	Average
TL+FC	321.02	22/07/2018	208.32	29/04/2018	251.84
FC	424.74	22/07/2018	254.06	21/10/2018	327.42

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

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Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (***)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	7,919,383	11,296,909	-	-	-	-	-	19,216,292
Banks (*)	7,350,687	3	163,077	-	-	-	-	7,513,767
Financial assets at fair value through profit and loss	-	32,425	42	1,163,895	2,795,621	9,521	-	4,001,504
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	97,758	3,770,234	8,377,539	17,850	197,379	12,460,760
Loans (**)	-	12,226,141	8,067,543	16,440,882	18,454,898	2,883,798	(1,150,167)	56,923,095
Loans measured at amortised cost	-	-	-	-	2,859,381	-	-	2,859,381
Other assets (***)	270,904	1,473,688	13,048	-	401,782	-	1,730,929	3,890,351
Total assets	**15,540,974**	**25,029,166**	**8,341,468**	**21,375,011**	**32,889,221**	**2,911,169**	**778,141**	**106,865,150**
Liabilities								
Current account and funds collected from banks via participation accounts	398,194	7,719	-	-	-	-	-	405,913
Current and profit sharing accounts	36,632,138	41,022,014	5,880,531	3,542,282	766,894	-	-	87,843,859
Funds provided from other financial institutions	-	158,561	31,466	369,208	1,380,529	2,239,399	-	4,179,163
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	299,646	250,882	1,182,558	2,909,079	-	-	4,642,165
Miscellaneous payables	276,465	111,714	-	-	-	-	-	388,179
Other Liabilities (****)	-	1,029,136	331,789	148,110	1,971	-	7,894,865	9,405,871
Total Liabilities	**37,306,797**	**42,628,790**	**6,494,668**	**5,242,158**	**5,058,473**	**2,239,399**	**7,894,865**	**106,865,150**
Net liquidity gap	(21,765,823)	(17,599,624	1,846,800	16,132,853	27,830,748	671,770	(7,116,724)	-
Prior period								
Total assets	10,636,395	20,639,885	6,873,283	14,550,996	19,114,397	3,147,587	50,443	75,012,986
Total liabilities	22,914,733	28,307,032	5,435,921	6,147,094	4,181,734	1,901,210	6,125,262	75,012,986
Net liquidity gap	(12,278,338)	(7,667,147)	1,437,362	8,403,902	14,932,663	1,246,377	(6,074,819)	-

(*) Expected losses are netted off with provision.
(**) Includes receivables from leasing transactions and presented with netting off with the expected credit loss.
(***) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies and prepaid expenses are included under unallocated assets.
(****) The unallocated other liabilities consists of equity and provisions balances.

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6. Explanations on consolidated leverage ratio

6.1 Disclosure of leverage ratio template

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

	On-balance sheet assets (*)	***Current Period***	***Prior Period***
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	102,900,864	74,347,784
2	(Assets deducted in determining Tier I Capital)	(273,001)	(297,605)
3	Total on-balance sheet risks (sum of lines 1 and 2)	102,627,863	74,050,179
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative instruments and credit derivatives	288,592	125,968
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	390,743	134,811
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	679,335	260,779
	Securities or commodity financing transactions (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	572,070	924,333
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	572,070	924,333
	Other off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	65,620,425	61,755,452
11	(Adjustments for conversion to credit equivalent amounts)	(42,603,597)	(40,649,139)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	23,016,828	21,106,313
	Capital and total risks		
13	Tier I Capital	7,582,549	5,322,366
14	Total risks (sum of lines 3, 6, 9 and 12)	126,896,096	96,341,604
	Leverage ratio		
15	Leverage ratio	5.98	5.53

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Gropu's consolidated balance sheet date was 5.98% (31 December 2018 - 5.53%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital increased by 42% due to the profit for the period, balance-sheet risks increased by 39%, and off balance sheet items increased by 9%. Accordingly, the leverage ratio of the current period compared to the previous year shows a increase of 45 basis points.

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Banks	7,516,772	6,896,927	7,516,772	6,896,927
Financial assets at FVTOCI	12,460,760	6,204,420	12,460,760	6,204,420
Financial assets valued at amortised cost	2,859,381	37,156	2,887,798	37,156
Loans and lease receivables	57,856,487	47,723,910	51,203,405	46,316,457
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	405,913	252,892	405,913	252,892
Other current and profit sharing accounts	87,843,859	54,977,126	87,843,859	54,977,126
Money market borrowings	-	188,003	-	188,003
Funds provided from other financial institutions	3,828,208	3,896,506	2,512,293	3,895,868
Finance Lease Payable	4,642,165	7,792,870	4,604,571	8,222,941
Securities issued	1,257,502	1,337,718	1,257,502	1,337,718
Other Liabilities	350,955	-	350,955	-

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

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

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

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9. Explanations on hedge accounting practices

TFRS 9 permits to defer application of TFRS 9 hedge accounting principles and permits the companies continue to apply hedge accounting principles of TAS 39 as a policy choice. In this context, the Parent Bank continue to apply TAS 39 policy for the hedge accounting.

The parent bank uses cash flow hedging ("CFH") and net investment hedging accounting as of the balance sheet date.

The contractual amounts of the derivative financial instruments as of December 31, 2019 and the net fair values of the financial instruments are summarized in the table below:

	Current Period			Prior Period		
	Principal*	Asset	Liability	Principal*	Asset	Liability
Derivative Financial Instruments	--	-	-	-	-	-
Cross currency swap transactions (CFH)	1,289,330	-	129,728	1,144,549	-	106,352
Total	1,289,330	-	129,728	1,144,549	-	106,352

(*) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 1,162,576 (December 31, 2018: TL 1,020,984) the total notional of derivative financial assets amounting to TL 2,451,906 (December 31, 2018: TL 2,165,533) is accounted for in off-balance sheet under "Derivative financial instruments held for risk management" line item.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked;

The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item a re realized,

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

In accordance with TAS, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

Net investment hedge:

The Group applies a net investment hedge strategy to hedge its foreign currency risk due to its net investment of EUR 81,653,991 (Full Amount) of its subsidiary KT Bank AG. The same portion of the Group's foreign currency denominated participation funds is designated as hedging instrument. The effective portion of the exchange rate changes of the foreign currency participation funds in this scope is accounted for under hedging funds account under equity.

Hedging funds account under equity and other comprehensive income regarding net investment hedges have been accounted TL (176,445) and TL (51,447), respectively in the current period.

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Cash flow hedge:

The Bank, convert Malaysian Ringgit (MYR) 800,000 MYR borrowings to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on borrowings and changes in USD/TL foreign exchange rates on profit share-yielding assets.

In this context, the derivative financial instruments which are determined as hedging instruments are cross currency swaps and the hedged items are funds borrowed and profit share-yielding assets. In the below table, the effect of accounting of CFH is explained:

Current Period					
Type of hedging instrument	Hedged item (asset and liablity) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Assets	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1,162,576	(11,514)

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 2,533.
(**) Subsidiary of the Participation Bank KT Kira Certifikaları A.Ş. Securities issued by the Bank and presented in the "Loans Received" line in the financial statements.

Prior Period					
Type of hedging instrument	Hedged item (asset and liablity) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Assets	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1,020,984	9,721

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL (2,138)
(**) Bank's subsidiary KT Kira Sertifikaları A.Ş. Securities issued by the Bank and presented in the "Loans Received" line in the financial statements.

At the inception date, the Participation Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. Effectiveness tests have been selected according to the methods that are allowed by TAS 39 in reliance to the risk strategies of the Participation Bank. Also, effectiveness tests have been performed at the end of every month and the effectiveness of the risk relationships have been measured.

As of December 31, 2019 cash flow hedge transactions have been determined as effective.

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10. Explanations On Consolidated Risk Management

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

10.1. Explanations on Risk Management and Risk Weighted Amounts:

10.1.1. GBA – Bank's Risk Management Approach:

What kind of an interaction does the Parent Bank's risk profile has with the management board's risk appetize and how does the business model determine the Parent Bank's risk profile and how it interacts with it (i.e. Key risks regarding the business model and each one of these risks' effect on the explanations);

Parent Bank's business model fundamentally consisted of two main operating areas. These main areas are current accounts in accordance with the non-interest banking rules, collecting funds through profit/loss participation accounts and providing the usage of funds to its cilents through these funds and equity. The business model of the Parent Bank occurs an exposure of some significant risks. These significant risks are evaluated and identified by the Parent Bank's Internal Capital Competence Evaluation Process. Parent Bank's risk strategy for all significant risks is formed in writing. Parent Banks are required to form a structure which is composed of the policies and processes regarding determining the risk appetite and following it's units' compliance because of the regulation regarding the Parent Banks Internal Systems and Internal Capital Competence Evaluation Process, numbered 29057 and published by the Official Gazette on 11 July 2014. In order to comply with this regulation Risk Appetite Policy is published by the Risk Management Leadership and approved by the Board of Directors. In accordance with the Parent Bank's Risk Appetite Policy, risk levels and risk limits of each kind of risks which appeared important are collectively determined to achieve the Parent Bank's goals and to actualize the Parent Bank's strategies by taking the risk capacity of the Parent Bank into consideration. Parent Bank's risk strategy and risk limits are determined by the Board of Directors.

The units which perform the risk measurement and management are carrying out their businesses independently from execution units. Fundamentally, control and management activities devoted to credit, market, liquidity, operational and other significant risk types are occurred. Due to the business model, Risk Management Leadership strategically contribute to the Parent Bank to identify, follow, measure and manage all risks which the Parent Bank may expose. Credit Risk Management and Modelling unit which is one of the units which constitutes the Risk Management Leadership, carries out the risk measurement and management works regarding the credit risks. Market Risk, Operational Risk, Risk and Capital Planning Department which is another unit which carries out its businesses under the Risk Management Leadership, coordinates the Parent Bank's capital planning works and manage risks regarding the market, operations, liquidity and other important risk types.

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Parent Bank has a credit predominant active structure due to its main business model. Reflecting the Bank's business model, total actives, predominantly consisted of dues regarding receivables from leasing and cash loans. The Parent Bank predominantly aims to grow sustainably by funding the real sector's financing and increasing the credit amount by taking the risk-return balance into the consideration. Within the frame of its business model, the main risk type which the Parent Bank exposed/predicts to be exposed damage is credit risk. The significant risks within the scope of Parent Bank's credit risks are as follows;

- Credit Risk states the possibility of loan loss which the Parent Bank may expose due to the the partial or total nonpayment of its credit client on time in accordance with the contract made between the credit client and the Bank.
- Counterparty credit risk refers to the defaut risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings on obligation to both sides.
- Concentration risk covers risks arising from concentration between different types of risk or on an individual risk basis which may result in large losses that could threaten the parent bank's ability to maintain its core operations or its financial structure or which could cause significant changes in the parent bank's risk profile.

The parent bank is exposed to market risk due to its treasury transactions and other financial operatings. However, correspondingly with the risk appetite, the bank takes care to ensure that its market risk-generating assets have high credit rating and liquidity, and it does not carry a speculative foreign exchange position in order to hedge foreign exchange risk.

The parent bank is exposed to operational risk due to its operatings, processes carried out, human resources, systems and external resources. Operational risks in the bank are managed under the supervision of the Board of Directors within the framework of identifying, evaluating, monitoring and reducing/controlling the risks. The current risk management is considered to be in line with the size of the bank, taking into account the level and importance of the risk.

Explanations on risk reporting processes provided to the board of directors and senior management, in particular the scope and main content of the reporting,

Timely and comprehensive reporting of risks exposed within the scope of Risk management activities and risks arising from transactions carried out with the risk group of the Parent Bank is carried out by the head of Risk Management. The Parent Bank produces regular reports from the risk measurement models it uses and analyzes the reports. Risk measurement and risk monitoring results are reported to the Board of directors or to the Internal Systems Committee and senior management regularly and on time by the Risk Management Presidency.

The reports prepared include the level and development of significant risks and their effects on capital needs, the compliance of assumptions used in risk measurement and evaluation systems, the adequacy of the level of capital that the parent bank should hold for all important risks, its compliance with legal and internal capital targets and ratios, the need for future capital and changes to be made in, business continuity plans, etc. includes information.

The parent bank organizes a report on risk measurement, capital and liquidity planning and risk management capabilities under the scope of ICAAP at least once a year and in any case as of the end of the year.

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10.1.2. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2019	Prior Period 31/12/2018	Current Period 31/12/2019
1	Credit risk (excluding counterparty credit risk) (CCR)	46,512,157	37,342,067	3,720,973
2	Standardised approach (SA)	46,536,755	37,401,412	3,722,940
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	198,727	89,725	15,898
5	Standardised approach for counterpary credit risk (SA-CCR)	198,727	89,725	15,898
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	24,598	59,345	1,968
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2,694,440	1,076,251	215,555
17	Standardised approach (SA)	2,694,440	1,076,251	215,555
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	5,667,645	4,354,278	453,412
20	Basic indicator approach	5,667,645	4,354,278	453,412
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**55,097,567**	**42,921,666**	**4,407,806**

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10.1.3. Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation:

Current Period Assets	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	Securization Positions	Market Risk	No subject to capital requirements or subject to deducation from capital
Cash and Balances with Central Bank of Turkey	19,216,292	19,216,292	19,216,292	-	-	-	-
Banks	7,516,772	7,516,772	7,516,772	-	-	-	-
Receivables From Money Markets	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	4,001,504	4,001,504	-	-	-	4,001,504	-
Financial Assets at Fair Value Through OCI	12,460,760	12,460,760	12,460,760	-	-	-	-
Financial Assets Measured at Amortised Cost	2,859,381	2,859,381	2,859,381	-	-	-	-
Derivative Financial Assets	182,006	182,006	-	182,006	-	-	-
Expected Loss Provisions (-)	3,046,078	3,046,078	1,557,589	-	-	-	1,488,489
Loans	57,258,648	57,258,648	57,258,648	-	-	-	-
Lease Receivables	2,707,520	2,707,520	2,707,520	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	473,326	473,326	473,326	-	-	-	-
Subsidiaries	23,680	23,680	23,680	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	40,381	40,381	40,381	-	-	-	-
Tangible Assets (Net)	834,101	834,101	834,101	-	-	-	-
Intangible Assets (Net)	198,760	198,760	198,760	-	-	-	-
Investment Properties (Net)	37,646	37,646	37,646	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-
Deferred Tax Asset	401,782	401,782	401,782	-	-	-	-
Other Assets	1,698,669	1,698,669	1,698,669	-	-	-	-
Total Assets	**106,865,150**	**106,865,150**	**105,727,718**	**182,006**	**-**	**4,001,504**	**1,488,489**
Liabilities							
Funds Collected	88,249,772	88,249,772	-	-	-	-	88,249,772
Borrowings	447,225	447,225	-	-	-	-	447,225
Debt to money markets	-	-	-	-	-	-	-
Securities Issued (Net)	4,642,165	4,642,165	-	-	-	-	4,642,165
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	424,137	424,137	-	-	-	-	424,137
Lease Payables	350,955	350,955	-	-	-	-	350,955
Provisions	1,099,254	1,099,254	-	-	-	-	1,099,254
Current Tax Liabilities	226,221	226,221	-	-	-	-	226,221
Deferred Tac Liabilities	-	-	-	-	-	-	-
Subordinated Debt Instruments	3,380,983	3,380,983	-	-	-	-	3,380,983
Other Liabilities	1,257,502	1,257,502	-	-	-	-	1,257,502
Equity	6,786,936	6,786,936	-	-	-	-	6,786,936
Total Liabilities	**106,865,150**	**106,865,150**	**-**	**-**	**-**	**-**	**106,865,150**

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10.1.4 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)	106,865,150	105,727,718	-	182,006	4,001,504
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	-	-
3- Total net amount	106,865,150	105,727,718	-	182,006	4,001,504
4- Off-balance sheet amounts	123,656,675	6,441,627	-	520,198	57,709,307
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	**230,521,825**	**112,169,345**	**-**	**702,204**	**61,710,811**

10.2. General qualitative information on credit risk:

10.2.1. How the business model translates into the components of the group's credit risk profile:

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

The risk profile of the Group indicates the types of risks to which it is exposed or expects to be exposed, and its risk level by type of risk. The largest type of risk to which the Group 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.

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

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

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10.3. 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.

10.4. Relations between the credit risk management, risk control, compliance and internal audit functions;

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

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

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

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

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

10.5. 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 twelve 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 Parent 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.

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

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

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

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

Credit quality of assets:

Current Period		**Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation**		***Provisions / depreciation and impairment***	***Net amount***
		Defaulted	***Non-defaulted***		
1	Loans	2,109,681	57,856,487	1,557,589	58,408,579
2	Debt securities	-	15,329,013	8,872	15,320,141
3	Off-balance sheet exposures(*)	-	17,391,736	421,583	16,970,152
4	**Total**	**2,109,681**	**90,577,236**	**1,988,044**	**90,698,872**

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

Prior Period		**Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation**		***Provisions / depreciation and impairment***	***Net amount***
		Defaulted	***Non-defaulted***		
1	Loans	1,185,840	47,723,910	841,927	48,067,823
2	Debt securities	-	6,365,505	164,441	6,201,064
3	Off-balance sheet exposures(*)	-	14,228,231	239,316	13,988,915
4	**Total**	**1,185,840**	**68,317,646**	**1,245,684**	**68,257,802**

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

Changes in Stock of Defaulted Loans and Debt Securities:

		Current Period	**Prior Period**
1	Defaulted loans and debt securities at end of the previous reporting period	1,185,840	715,060
2	Loans and debt securities that have been defaulted since the last reporting period	2,329,691	884,877
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	(974,156)	(103,142)
5	Other changes	(431,694)	(310,955)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**2,109,681**	**1,185,840**

10.6. Qualitative disclosures related to the credit quality of assets

10.6.1 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.

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10.6.2. 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.

10.6.3. 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 PD (Probability of default), the LGD (Loss given default), 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.

10.6.4. 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.

10.6.5. Breakdown of exposures by geographical areas, industry and ageing:

Distribution of cash receivables by sectors is as follows:

Sector	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Individual	8,757,610	7,503,339
Other Services	3,623,990	4,067,604
Education	329,666	349,526
Real Estate and Brokerage	1,042,084	382,518
Financial Services	9,167,477	5,506,964
Food, Beverage, Tobacco	2,217,930	1,387,365
Government	406,943	55,730
Production	2,361,665	2,010,030
Construction	7,320,658	6,319,400
Public Services (Electricity, Water & Gas)	4,027,816	3,674,016
Mining & Chemistry	2,685,939	2,318,818
Machinery Equipment	400,345	354,933
Automative	1,668,448	1,540,260
Oil, Gas and Oil Products	116,958	133,942
Health	562,229	509,078
Agriculture	190,390	152,941
Textile	3,563,134	3,107,012
Wholesale & Retail	9,735,324	8,126,200
Tourism	421,054	347,300
Transportation & Warehouse	1,366,508	1,062,774
Total	**59,966,168**	**48,909,750**

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

Region	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Akdeniz Region	3,911,807	3,425,548
Dogu Anadolu Region	1,013,398	914,832
Ege Region	3,363,576	2,996,116
Güneydogu Anadolu Region	3,031,352	2,492,121
Iç Anadolu Region	8,692,112	7,737,345
Karadeniz Region	1,634,926	1,415,864
Marmara Region	30,036,782	26,109,922
Foreign	8,282,215	3,818,002
Total	**59,966,168**	**48,909,750**

The maturity distribution of cash receivables is as follows:

Maturity Distribution	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
1-3 years	26,805,539	14,612,307
3-5 years	17,834,222	5,810,681
5 years and more	7,382,686	7,130,585
Up to 1 year	7,290,079	20,769,489
Defaulted	653,642	586,688
Total	**59,966,168**	**48,909,750**

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

Current Period - Sector	Non-performing loans	Specific Provisions	Write-Offs (*)
Agriculture	**30,991**	**22,316**	**7,879**
Farming and Stockbreeding	24,357	16,068	4,417
Forestry	3,606	3,220	1,315
Fishery	3,028	3,028	2,147
Manufacturing	**376,583**	**304,506**	**265,788**
Mining and Quarrying	56,884	45,765	58,561
Production	304,370	246,358	163,879
Electricity, Gas and Water	15,329	12,383	43,348
Construction	**701,370**	**508,171**	**342,206**
Services	**867,584**	**632,309**	**296,959**
Wholesale and Retail Trade	477,745	353,978	181,178
Accomodation and Dining	90,430	68,361	8,944
Transportation and Telecommunication	68,157	54,342	45,687
Financial Institutions	3,904	3,557	11,464
Real Estate and Rental Services	183,419	117,328	4,965
Professional Services	-	-	3
Educational Services	3,466	2,496	177
Health and Social Services	40,463	32,247	44,541
Other	**133,153**	**90,287**	**61,324**
TOTAL	**2,109,681**	**1,557,589**	**974,156**

(*) Refers to loans that were deleted from assets in 2019.

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Prior Period - Sector	Non-performing loans	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	-
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	15,485
Construction	**325,507**	**237,015**	**9,106**
Services	**482,837**	**319,652**	**51,643**
Wholesale and Retail Trade	301,830	177,978	37,841
Accomodation and Dining	23,628	11,543	5,098
Transportation and Telecommunication	49,934	34,419	5,520
Financial Institutions	13,584	13,582	-
Real Estate and Rental Services	64,699	62,512	67
Professional Services	2	1	-
Educational Services	109	99	515
Health and Social Services	29,051	19,518	2,602
Other	**105,069**	**59,503**	**12,188**
TOTAL	**1,185,840**	**841,927**	**103,142**

Current Period - Geopraphic Region	Non-performing loans	Provisions	Write-Offs (*)
Marmara Region	1,312,283	947,319	459,910
Güneydogu Anadolu Region	107,121	93,246	161,338
Iç Anadolu Region	276,563	218,935	188,405
Akdeniz Region	139,607	111,878	84,960
Ege Region	115,692	91,200	42,038
Dogu Anadolu Region	45,101	34,514	13,169
Karadeniz Region	47,307	35,278	24,336
Foreign	66,007	25,219	-
Total	**2,109,681**	**1,557,589**	**974,156**

(*) Refers to loans that were deleted from assets in 2019.

Prior Period - Geopraphic 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
Foreign	6,073	871	-
Total	**1,185,840**	**841,927**	**103,142**

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10.6.7. 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	609,793	966,048	401,154	94,868	8,738
Retail Loans	86	58	1,072	36	66
Credit cards	10,144	13,165	3,839	510	104
Other	-	-	-	-	-
Total	**620,023**	**979,271**	**406,065**	**95,414**	**8,908**

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

10.6.8. Breakdown of Restructured receivables according to their provisions:

Restruction Status	Current Period - Risk	Prior Period - Risk
Performing	2,275,941	732,523
Non-Performing	65,699	58,870
Total	**2,341,640**	**791,393**

10.7. Credit Risk Mitigation

10.7.1 Qualitative information on Credit Risk Mitigation Techniques

Within the framework of the credit transactions carried out by the parent bank, all the collateral documents received in the presence of the branch personnel are checked by the branch operations staff and forwarded to the collateral follow-up Directorate through the main banking application. The systematic entries of the guarantees are completed by the personnel of the guarantee follow-up directorate where signature compliance, authorization checks and validity examinations are performed.

10.7.2 Credit risk mitigation techniques:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	43,822,510	12,458,319	2,010,696	2,127,750	1,841,401	-	-
2	Debt securities	15,320,141	-	-	-	-	-	-
3	**Total**	**59,142,651**	**12,458,319**	**2,010,696**	**2,127,750**	**1,841,401**	**-**	**-**
4	Overdue	526,472	25,620	15,922		-	-	-

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

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10.8. Explanations on Counterparty Credit Risk (CCR):

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

10.8.2. The method used to allocate the operatioal 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.

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

All of the Parent 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.

10.8.4. 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.

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

In case of a decrease in the credit rating, there is no additional collateral amount that our parent bank has to provide.

10.8.6. Counterparty credit risk (CCR) approach analysis:

	Current Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	183,939	351,813	-	1.4	535,752	179,294
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**	-	-	-	-	-	**179,294**

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

10.8.7. Capital requirement for credit valuation adjustment (CVA):

		Current Period		Prior Period	
		EAD post-CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation					
1	(i) VaR component (including the 3×multiplier)	-	-	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3	All portfolios subject to the Standardised CVA capital obligation	535,752	19,433	195,789	13,915
4	**Total subject to the CVA capital obligation**	**535,752**	**19,433**	**195,789**	**13,915**

10.8.8. 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	425,122	-	-	-	-	-	-	-	-	-
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	-	-	307,401	217,182	-	-	-	-	-	170,071
7	Receivables from corporate	-	-	-	-	-	4,139	-	-	-	4,139
8	Retail receivables	-	-	-	-	6,416	-	-	-	-	4,812
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	239	84
10	Receivables secured by commercial property	-	-	-	375	-	-	-	-	-	188
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	**Total**	**425,122**	**-**	**307,401**	**217,557**	**6,416**	**4,139**	**-**	**-**	**239**	**179,294**

(*) 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.

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	Prior Period - Risk Classes / Risk Weights *	0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	194,001	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	106,085	58,446	-	-	-	-	-	50,440
7	Receivables from corporate	-	-	-	-	-	15,043	-	-	-	15,043
8	Retail receivables	-	-	-	-	9,585	-	-	-	-	7,189
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	955	334
10	Receivables secured by commercial property	-	-	-	452	-	2,578	-	-	-	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	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	**Total**	**194,001**	**-**	**106,085**	**58,898**	**9,585**	**17,621**	**-**	**-**	**955**	**75,810**

* 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.

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11. Securitization Positions

None.

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

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

13. Qualitative explanations on market risk:

13.1. Group's processes and strategies:

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

Risk management activities are consisting of the measurement, monitoring, control and reporting of the risks, arising from risks incurred on the consolided and solo basis and transactions carried out with the risk group that the Parent Bank is involved in. These activities are carried out by the Parent 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 Group's Risk Appetite Policy. Aforementioned risk limits are determined by the Board of Directors and reviewed at least once a year. Limit usages are closely monitored.

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

Treasury Group Department monitors foreign currency positions and cash flows on behalf of the Parent 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 ParentBank's strategic objectives for trading activities are given below.

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

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

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

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

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

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

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

The details of the market risk calculated as of 31 December 2018 and 31 December 2019 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:

13.4. Market risk under standardised approach:

		Risk Weighted Amounts
		Current Period
	Outright products	**2,694,440**
1	Profit share risk (general and specific)	2,555,241
2	Equity risk (general and specific)	-
3	Foreign exchange risk	139,006
4	Commodity risk	193
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	**Securitisation**	-
9	**Total**	**2,694,440**

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

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13.5. Explanations on Operational Risk:

"Basic Indicator Method" is used in operational risk calculation of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years, 2017, 2016 and 2015 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Goup 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 parent bank, subsidiary of the parent bank or subsidiary of the shareholder of the parent 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 453,412 corresponding to the 8% of TL 5,667,645 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 453,412 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	**31/12/2016 Amount**	**31/12/2017 Amount**	**31/12/2018 Amount**	**Total/ No. of Years of Positive Gross**	**Rate (%)**	**Total**
Gross Income	2,273,905	2,776,027	4,018,300	3,022,744	15	453,412
Value at Operational Risk (Total*12.5)						5,667,645

Prior Period	**31/12/2015 Amount**	**31/12/2016 Amount**	**31/12/2017 Amount**	**Total/ No. of Years of Positive Gross**	**Rate (%)**	**Total**
Gross Income	1,916,914	2,273,905	2,776,027	2,322,282	15	348,342
Value at Operational Risk (Total*12.5)						4,354,278

13.6. Profit-share rate risk related to banking book:

13.6.1. 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	(442,560)	(4.28%)
2	TL	(-) 400bp	416,612	4.03%
3	USD	(+) 200bp	127,243	1.23%
4	USD	(-) 200bp	(144,354)	(1.40%)
5	EURO	(+) 200bp	(116,502)	(1.13%)
6	EURO	(-) 200bp	124,232	1.20%
	Total (For Negative Shocks)		**396,490**	**3.84%**
	Total (For Positive Shocks)		**(431,819)**	**(4.18%)**

(*) Parent Bank

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Prior 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)		**(92,869)**	**(1.25%)**

(*) Parent Bank

13.7. Risk management objectives and policies:

In accordance with Group's strategies, risk policies and vision, the analysis that Risk Management Service presents to Internal Systems Committee and Audit Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance 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 Group's mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modeling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being monitorized.

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 2018 and 31 December 2019 are given in the table below:

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Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	4,001,504	182,006	-	4,183,510
Forward transactions	-	17,994	-	17,994
Swap transactions	-	164,012	-	164,012
Government debt securities	3,941,594	-	-	3,941,594
Other marketable securities	59,910	-	-	59,910
Financial assets at FVOCI	12,460,760	-	-	12,460,760
Equity securities	38,583	-	-	38,583
Government debt securities	12,106,518	-	-	12,106,518
Other marketable securities	315,659	-	-	315,659
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	294,409	-	294,409
Forward transactions	-	14,165	-	14,165
Swap transactions	-	280,244	-	280,244
Financial liabilities for hedging purposes	-	129,728	-	129,728

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	103,094	42,011	-	145,105
Forward transactions	-	30,919	-	30,919
Swap transactions	-	11,092	-	11,092
Government debt securities	30,097	-	-	30,097
Other marketable securities	72,997	-	-	72,997
Financial assets at FVOCI	6,204,420	-	-	6,204,420
Equity securities	27,548	-	-	27,548
Government debt securities	5,869,940	-	-	5,869,940
Other marketable securities	306,932	-	-	306,932
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	63,811	-	63,811
Forward transactions	-	22,126	-	22,126
Swap transactions	-	41,685	-	41,685
Financial liabilities for hedging purposes	-	106,352	-	106,352

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

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14. Explanations on consolidated business segments

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

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

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

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

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Selected balance sheet and income statement items according to segments:

Current Period 1 January 2019-31 December 2019	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	5,289,973	3,985,612	1,140,496	-	10,416,081
Operating expenses (-)	3,675,469	3,257,173	9,783	2,065,685	9,008,110
Transfers between segments	2,319,478	(462,292)	(1,857,186)	-	-
Net operating income(loss)	**3,933,982**	**266,147**	**(726,473)**	**(2,065,685)**	**1,407,971**
Income from associates	-	-	-	13,727	13,727
Income (loss) before tax	**3,933,982**	**266,147**	**(726,473)**	**(2,051,958)**	**1,421,698**
Provision for taxation (-)	-	-	-	300,733	300,733
Net income for the period	**3,933,982**	**266,147**	**(726,473)**	**(2,352,691)**	**1,120,965**
Current Period **31 December 2019**					
Segment assets	19,680,015	35,203,430	48,746,686	-	103,630,131
Associates, subsidiaries and joint ventures	-	-	-	64,061	64,061
Undistributed assets	-	-	-	3,170,958	3,170,958
Total assets	**19,680,015**	**35,203,430**	**48,746,686**	**3,235,019**	**106,865,150**
Segment liabilities	74,163,535	14,083,077	9,248,625	-	97,495,237
Undistributed liabilities	-	-	-	2,582,977	2,582,977
Shareholders' equity	-	-	-	6,786,936	6,786,936
Total liabilities	**74,163,535**	**14,083,077**	**9,248,625**	**9,369,913**	**106,865,150**

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

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to consolidated assets:

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	613,156	1,838,246	491,059	1,524,450
The Central Bank of Republic of Turkey	1,155,591	14,498,131	692,050	6,947,252
Other (*)	-	1,111,168	-	957,110
Total	**1,768,747**	**17,447,545**	**1,183,109**	**9,428,812**

(*) As of 31 December 2019, precious metal account amounting to TL 1,111,144 (31 December 2018 - TL 957,110 and money in transit amounting to TL 24 (31 December 2018 – None) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	730,347	3,201,221	677,230	53
Restricted time deposit	425,000	-	-	-
Unrestricted time deposit	244	11,296,910	14,820	6,947,199
Total	**1,155,591**	**14,498,131**	**692,050**	**6,947,252**

1.1.3 Explanations on mandatory provisions :

Banks established in Turkey or operating in Turkey by opening branches T.C. They are subject to the Central Bank's communiqué on mandatory provisions no.2013/15. The amount to be obtained from the total of the domestic liabilities of the banks as a result of the reduction of the items to be deducted as stated in the communiqué and the deposits they accept from Turkey on behalf of their branches abroad constitute their obligations subject to mandatory provision. Mandatory reserves can be kept in the CBRT in Turkish Lira, us and/or Euro and standard gold. As of the date of 31 December 2019, the current rate for Turkish lira reserve requirements according to maturity structure of 1% and in the range of 7 (31 December 2018: %to 1.5% in the range of 8), the required reserve rate for foreign currency deposits according to maturity structure current by 15% and 19% (December 31, 2018: 8% to 12% range), other liabilities to foreign currencies by 5% to 21% range (31 December 2018: 4% to 20% range). The reference values determined by the communiqué into force on 9 August 2019 2019/15 Turkish lira reserve requirements for banks with credit growth rates of between 1 year and 1-year long-term deposits/participation funds (foreign banks deposits/participation funds are excluded), and 3 years for other long term liabilities (foreign banks deposits/participation funds, including all maturities except 2 percent will be applied. For other banks, Turkish lira required reserve ratios in Article 6 of the Communiqué are applied. For banks that meet the conditions set by the Communiqué No: 2019/19, real loan growth required for foreign currency required reserve ratios, up to 1 year deposit / participation fund (excluding foreign banks deposits / participation fund) and 17 year maturity for borrower's funds liabilities. 13 percent for deposit / participation fund (excluding foreign banks deposit / participation fund). For other banks, foreign currency required reserve ratios in Article 6 of the Communiqué are applied.

Banks with real loan growth meeting the conditions set by the CBRT Communique on Required Reserves No. 2019/19 have a 10% Turkish Lira Required Reserve interest rate applied to other banks.

No interest is paid on mandatory provisions held by CBRT in US dollars as of September 19, 2019

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

As of 31 December 2019, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2018 – None).

Positive differences related to marketable derivative financial assets:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	14,949	3,045	29,120	1,799
Swap transactions	3,821	160,191	363	10,729
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	**18,770**	**163,236**	**29,483**	**12,528**

1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	**12,921**	**7,503,851**	**12,858**	**6,884,069**
Domestic	12,892	3,767,297	12,858	3,608,271
Foreign	29	3,736,554	-	3,275,798
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	**12,921**	**7,503,851**	**12,858**	**6,884,069**

1.3.2 Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,550,026	1,639,665	-	-
USA and Canada	1,742,814	1,344,351	-	-
OECD Countries (*)	15,558	13,458	-	-
Off-shore Banking Regions	633	567	-	-
Other	427,552	277,757	-	-
Total	**3,736,583**	**3,275,798**	**-**	**-**

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

	Current period	Prior Period
Debt Securities	**12,288,314**	**6,240,372**
Quoted on stock exchange	12,288,314	6,240,372
Not quoted on stock exchange	-	-
Share certificates	**185,732**	**128,489**
Quoted on stock exchange	94,539	60,764
Not quoted on stock exchange	91,193	67,725
Impairment provision	**(13,286)**	**(164,441)**
Total	**12,460,760**	**6,204,420**

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1.5 Explanations on financial assets measured at amortized cost:

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	**1,868**	**7,206**	**1,034**	**398**
Corporate shareholders	-	7,190	-	398
Real person shareholders	1,868	16	1,034	-
Indirect loans granted to shareholders	**780,512**	**723**	**204,988**	**520**
Loans granted to employees	**19,920**	**619**	**16,311**	**6**
Total	**802,300**	**8,548**	**222,333**	**924**

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

Current Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	**49,298,335**	**3,556,702**	**2,264,742**	**-**
Export Loans	4,531,667	319,767	-	-
Import Loans	951,591	42,549	-	-
Corporation Loans	20,627,346	2,652,310	2,194,384	-
Consumer Loans	7,717,979	304,840	47,325	-
Credit Cards	950,450	117,001	23,033	-
Loans given to financial sector	8,820,174	-	-	-
Other	5,699,128	120,235	-	-
Other Receivables	**2,697**	**15,292**	**11,199**	**-**
Total	**49,301,032**	**3,571,994**	**2,275,941**	**-**

Prior Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	**40,891,315**	**3,533,527**	**731,716**	**-**
Export Loans	26,872	506	2	-
Import Loans	1,867,353	81,466	-	-
Corporation Loans	22,876,217	3,034,533	710,335	-
Consumer Loans	6,603,831	225,107	3,883	-
Credit Cards	746,845	46,666	16,975	-
Loans given to financial sector	5,314,217	-	-	-
Other	3,455,980	145,249	521	-
Other Receivables	**5,432**	**110,414**	**807**	**-**
Total	**40,896,747**	**3,643,941**	**732,523**	**-**

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

	Standard Loans Current Period(*)	Loans under close monitoring Current Period*)	Standard Loans Prior Period	Loans under close monitoring Prior Period
12 Month Expected Credit Losses	488,598	-	444,191	-
Significant Increase in Credit Risk	-	996,886	-	655,489
Total	**488,598**	**996,886**	**444,191**	**655,489**

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 767.

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

		Loans under close monitoring	
Current Period	**Standard Loans**	**Loans and Receivables Not Subject to Restructuring**	**Restructured**
Short term loans	16,023,772	456,639	83,858
Medium and long term loans	33,277,260	3,115,355	2,192,083
Total	**49,301,032**	**3,571,994**	**2,275,941**

		Loans under close monitoring	
Prior Period	**Standard Loans**	**Loans and Receivables Not Subject to Restructuring**	**Restructured**
Short term loans	12,899,953	785,032	56,300
Medium and long term loans	27,996,794	2,858,909	676,223
Total	**40,896,747**	**3,643,941**	**732,523**

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	**75,033**	**7,726,981**	**7,802,014**
Housing Loans	22,116	6,470,571	6,492,687
Vehicle Loans	31,568	963,169	994,737
Consumer Loans	20,214	219,628	239,842
Other	1,135	73,613	74,748
Consumer Loans-FC Indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	**-**	**249,220**	**249,220**
Housing Loans	-	216,395	216,395
Vehicle Loans	-	373	373
Consumer Loans	-	28,626	28,626
Other	-	3,826	3,826
Retail Credit Cards-TL	**456,724**	**73**	**456,797**
With Installment	98,257	73	98,330
Without Installment	358,467	-	358,467
Retail Credit Cards-FC	**1,650**	**-**	**1,650**
With Installment	1,650	-	**1,650**
Without Installment	-	-	**-**
Personnel Loans-TL	**1,912**	**16,998**	**18,910**
Housing Loans	-	1,410	1,410
Vehicle Loans	596	12,096	12,692
Consumer Loans	1,315	3,492	4,807
Other	1	-	1
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	**11,025**	**60**	**11,085**
With Installment	4,229	60	4,289
Without Installment	6,796	-	6,796
Personnel Credit Cards-FC	**-**	**-**	**-**
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	**-**	**-**	**-**
Overdraft Account-FC (Real Person)	**-**	**-**	**-**
Total	**546,344**	**7,993,332**	**8,539,676**

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

Prior Period	Short term	Medium and 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	**-**	**237,380**	**237,380**
Housing Loans	-	169,628	169,628
Vehicle Loans	-	118	118
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	**273**	**-**	**273**
With Installment	273	-	273
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	**-**	**-**	**-**
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	**429,317**	**6,758,550**	**7,187,867**

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1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	**248,040**	**4,929,680**	**5,177,720**
Business Loans	18,447	1,248,841	1,267,288
Vehicle Loans	194,640	2,385,462	2,580,102
Consumer Loans	34,953	1,295,377	1,330,330
Other	-	-	-
Commercial Installment Loans-FC Indexed	**3,221**	**844,575**	**847,796**
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
Commercial Installment Loans-FC	**127,905**	**2,043,461**	**2,171,366**
Business Loans	31,456	686,563	718,019
Vehicle Loans	96,449	81,449	177,898
Consumer Loans	-	-	-
Other	-	1,275,449	1,275,449
Corporate Credit Cards-TL	**620,612**	**-**	**620,612**
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
Corporate Credit Cards-FC	**340**	**-**	**340**
With Installment	340	-	340
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	**-**	**-**	**-**
Overdraft Account-FC (Legal Entity)	**-**	**-**	**-**
Total	**1,000,118**	**7,817,716**	**8,817,834**

Prior 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	**49,128**	**1,207,390**	**1,256,518**
Business Loans	44,911	832,342	877,253
Vehicle Loans	4,217	111,545	115,762
Consumer Loans	-	-	-
Other	-	263,503	263,503
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	**774,594**	**7,162,592**	**7,937,186**

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1.5.6. Allocation of loans by customers:

	Current period	Prior period
Public	560,472	75,479
Private	54,588,495	45,197,732
Total	**55,148,967**	**45,273,211**

1.5.7 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	46,697,875	44,934,188
Foreign loans	8,451,092	339,023
Total	**55,148,967**	**45,273,211**

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	182	35
Loans granted indirectly to subsidiaries and associates	-	-
Total	**182**	**35**

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

	Current period	Prior period
Loans and receivables with limited collectability	209,492	89,643
Loans and receivables with doubtful collectability	228,439	243,531
Uncollectible loans and receivables	1,119,658	508,753
Total	**1,557,589**	**841,927**

1.5.10 Information on non-performing loans (Net):

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

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period			
(Gross Amount Before Specific Provisions)	-	65,699	-
Restructured Loans and Receivables	-	-	-
Prior Period			
(Gross Amount Before Specific Provisions)	-	58,870	-
Restructured Loans and Receivables	-	-	-

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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
Ending balance of prior period 31.12.2018	**142,629**	**310,520**	**732,691**
Additions in the current period (+)	806,015	991,658	532,018
Transfers from other categories of non-performing loans (+)	100,972	677,421	1,374,788
Transfers to other categories of non-performing loans (-)	676,683	1,374,976	101,522
Collections in the current period (-)	112,153	129,774	189,767
Write offs (-)	10,373	156,716	807,067
Sold Porfolio (-)	**-**	**-**	**-**
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	**250,407**	**318,133**	**1,541,141**
Specific provisions (-)	209,492	228,439	1,119,658
Net balances on balance sheet	**40,915**	**89,694**	**421,483**

(*) The BRSA published in the official gazette on the date of 27 November 2019 of banks 'Loan classification and allowances the Regulation amending the regulation on principles and procedures for these to be allocated under the principal balance and the corresponding balance in 2019 they will get dull 974,156 follow TL deleted from the records. This process had a decreasing effect on the conversion rate by 1.59% in points.

	Group III	Group IV	Group V
Prior Period	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2017	**158,589**	**117,234**	**439,237**
Additions in the current period (+)	322,009	271,152	291,716
Transfers from other categories of non-performing loans (+)	-	260,125	298,008
Transfers to other categories of non-performing loans (-)	259,090	299,043	-
Collections in the current period (-)	78,879	38,948	193,128
Write offs (-)	-	-	103,142
Sold Porfolio (-)	**-**	**-**	**-**
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	**142,629**	**310,520**	**732,691**
Specific provisions (-)	89,643	243,531	508,753
Net balance at the balance sheet	**52,986**	**66,989**	**223,938**

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

	Group III	Group IV	Group V
Current Period			
Ending balance of the current period	79,247	5,454	127,323
Provision amount (-)	75,386	969	46,084
Net balance at the balance sheet	**3,861**	**4,485**	**81,239**
Prior Period			
Ending balance of the current period	19,793	-	6,073
Provision amount (-)	2,547	-	871
Net balance at the balance sheet	**17,246**	**-**	**5,202**

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

	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)	**40,915**	**89,694**	**421,483**
Loans granted to real persons and legal entities (Gross)	250,407	318,133	1,541,141
Specific provision (-)	209,492	228,439	1,119,658
Loans to real persons and legal entities (Net)	**40,915**	**89,694**	**421,483**
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2018			
Loans to real persons and legal entities (Gross)	**52,986**	**66,989**	**223,938**
Specific provision (-)	142,629	310,520	732,691
Loans to real persons and legal entities (Net)	89,643	243,531	508,753
Banks (Gross)	**52,986**	**66,989**	**223,938**
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

The Parent Bank has collaterals such as cash, mortgages, pledges, and checks of customer issued 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:

Current Period	Less than 30 days	31-60 days	61-90 Days	More than 91 days	Total
Loans and receivables					
Corporate loans	4,471,573	540,320	343,866	-	5,355,759
Retail loans	153,578	127,256	71,308	-	352,142
Credit cards	123,659	10,880	5,495	-	140,034
Total	**4,748,810**	**678,456**	**420,669**	**-**	**5,847,935**

Prior Period	Less than 30 days	31-60 days	61-90 Days	More than 91 days	Total
Loans and receivables					
Corporate loans	2,835,639	639,881	608,330	-	4,083,850
Retail loans	16,015	129,499	83,459	-	228,973
Credit cards	40,369	14,395	8,877	-	63,641
Total	**2,892,023**	**783,775**	**700,666**	**-**	**4,376,464**

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

Parent Bank	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (Net)	**7,824**	**8,150**	**43,927**
Profit share accruals, rediscount and valuation differences	18,748	25,908	207,675
Provision (-)	10,924	17,758	163,748

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

Loans and other receivables, which were deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written off as per the decision of the Parent Bank top management. Within 2018, non-performing loans amounting to TL 974,156 have been written-off (31 December 2018 – TL 103,142).

1.5.10.8 Information on the write-off policy:

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

1.6 Information on other financial assets measured at amortised cost:

1.6.1 Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	**2,859,381**	**37,156**
Quoted on a Stock Exchange	2,859,381	37,156
Not Quoted	-	-
Impairment Provision (-)	**767**	**-**
Total	**2,858,614**	**37,156**

1.6.2 Movements of Other Financial Assets Measured at Amortized Cost During The Year

	Current Period	Prior Period
Opening Balance	**37,156**	-
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	2,822,225	37,156
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	**767**	**-**
Ending Balance	**2,858,614**	**37,156**

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1.7 Information on investment in associates (Net):

1.7.1 The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2018 – TL 4,897), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 33 (31 December 2018 – TL 714), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,936 (31 December 2018 – TL 5,201), Swift shares amounting to TL 390 (31 December 2018 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2018 – TL 15) and VISA Inc.shares amounting to TL 11,254 (31 December 2018 – TL 7,055), are classified as financial assets at fair value through other comprehensive income since the Bank's ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

1.7.2 Information about investments in unconsolidated associates: None (31 December 2018 – None).

1.7.3 Information related to consolidated associates: None (31 December 2018 – None).

1.8 Information on subsidiaries (Net):

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

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

	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/Tukey	99.99	99.99
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Tukey	75.00	97.61
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Tukey	100.00	100.00
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Tukey	100.00	100.00
KT Bank AG (*)	Frankfurt/Germany	100.00	100.00
Architecht Bilişim Sistemleri ve Pazarlama Tic A.Ş (**)	Istanbul/Tukey	100.00	100.00
KT Sukuk Company Limited (***)	George Town/Cayman Islands	100.00	100.00
KT Portföy Yönetimi A.Ş.	Istanbul/Tukey	100.00	100.00

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
31,076	30,107	-	-	-	2,711	(4,710)	-
152,842	149,095	1,638	-	-	2,688	(3,094)	-
25,926	638	-	-	-	139	284	-
4,944,185	292	-	-	-	113	72	-
-	-	-	-	-	-	-	-
67,352	36,747	3,633	-	-	13,018	9,886	-
2,141,802	1	-	-	-	-	-	-
14,977	13,518	211	-	-	6,734	431	-

(*) As of 31 December 2019, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.
(**) These figures are shown per Turkish Commercial Law financial statements as at 31 December 2019.
(***) KT Sukuk Company Limited is established in Cayman Islands on 31 July 2015, for the need of a second subordinated loan at the Bank. According to relevant article of TFRS 10, it is described as a subsidiary.

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Movement regarding the subsidiaries

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

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	445,754	445,754
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	53,516
Total	**521,173**	**499,270**

Subsidiaries that are quoted on the stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,416
Quoted in Foreign Stock Exchange	-	-
Total	**53,418**	**53,416**

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of December 31, 2019 is EUR 85,935,747 and the capital adequacy ratio are %25.7.

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	2,613,177	75,341	16,557	27,514	14,497

(*) These figures are shown per Turkish Trade Law financial statements as of 31 December 2019.
(**) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish the Pension Company in line with main shares. Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş, and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

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1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases:

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	1,227,784	886,869	1,674,227	1,307,276
1 to 4 years	1,572,914	1,445,267	910,320	854,221
More than 4 years	384,461	375,384	297,345	289,202
Total	**3,185,159**	**2,707,520**	**2,881,892**	**2,450,699**

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	3,185,159	2,881,892
Unearned finance lease income (-)	(477,639)	(431,193)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	**2,707,520**	**2,450,699**

1.10.3 Information on finance lease contracts:

The Parent Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 48,391 are included in the non-performing loans in the balance sheet (31 December 2018 – TL 9,493).

1.11 Information on derivative financial assets for hedging purposes: None. (31 December 2018 – None).

1.12. Explanations on Tangible Assets

Current Period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2018					
Cost	235,182	7,957	47,229	449,014	739,382
Accumulated Depreciation (-)	22,323	3,616	1,121	255,135	282,195
Net Book Value	212,859	4,341	46,108	193,879	457,187
Current Period: 31 December 2019					-
Net book value at beginning of period	212,859	4,341	46,108	193,879	457,187
Additions	6,696	429,060	9,118	135,469	580,343
Disposals (-)	48	15,684	-	1,534	17,266
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment Losses (-)	-	-	-	-	-
Depreciation Expense (-)	7,677	98,347	10,002	70,137	186,163
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of period	241,830	421,333	56,347	582,949	1,302,459
Accumulated depreciation at the end of period (-)	30,000	101,963	11,123	325,272	468,358
Closing net book value	**211,830**	**319,370**	**45,224**	**257,677**	**834,101**

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

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	Prior Period
Cost	370,328	342,421
Accumulated Amortization	(171,568)	(141,656)
Total (net)	**198,760**	**200,765**

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

	Current Period	Prior Period
Opening balance	200,765	168,965
Additions	105,731	118,036
Disposals (-), net	59,679	22,648
Depreciation amount (-)	48,057	63,588
Closing net book value	**198,760**	**200,765**

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

1.14. Explanations on investment property:

	Current Period	Prior Period
Opening balance	29,671	25,419
Additions	9,277	4,410
Disposals (-), net	-	-
Depreciation amount (-)	1,302	158
Closing net book value	**37,646**	**29,671**

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1.15 Information on deferred tax asset

As of 31 December 2019, deferred tax is offset as TL 401,782 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 December 2019 is TL 443,645 (31 December 2018 – TL 396,139) and deferred tax liability is TL 41,863 (31 December 2018 – TL 15,456 TL).

	Current period	Prior period
Reserve for employee benefits	41,047	31,297
Retirement pay liability	23,220	17,412
Deferred income	56,469	55,507
Impairment provision for subsidiaries, fixed assets and assets held for sale	2,523	30,080
Rediscounts for derivative instruments held for trading (net)	52,909	2,395
TFRS 9 Provisions	214,057	192,935
Precious metals valuation difference	1,454	2,031
Financial Loss From Decommissioning	43,503	34,043
Other	8,463	30,439
Deferred tax asset	**443,645**	**396,139**
The difference between the registered value of tangible assets and tax value	(9,665)	(7,293)
Revaluation difference of financial assets at fair value through profit or loss	(28,833)	(3,691)
Other	(3,365)	(4,472)
Deferred tax liability	**(41,863)**	**(15,456)**
Deferred tax asset (net)	**401,782**	**380,683**

Table of deferred tax asset movement:

	31 December 2019	31 December 2018
As of January 1	380,683	138,710
Deferred tax (expense)/income	100,846	210,534
Deferred tax accounted under other comprehensive income	(79,747)	40,426
TFRS 9 opening effect	-	(8,987)
Deferred tax asset	**401,782**	**380,683**

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

	Current Period	Prior Period
Opening balance	270,382	117,006
Additions	270,818	203,974
Transfer from tangible assets	-	1,208
Disposals (-), net	65,597	11,636
Transfer to tangible assets	-	40,170
Depreciation amount (-)	2,277	-
Impairment losses provision (-)	-	-
Closing net book value	**473,326**	**270,382**

1.17 Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 1,689,669 (31 December 2018 – TL 2,890,428). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and notes related to consolidated liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	**7,951,114**	-	-	-	-	-	-	-	**7,951,114**
II. Real persons profit sharing accounts TL	-	**7,232,001**	**1,223,102**	**725,113**	-	**610,209**	**911,230**	**22,190**	**20,723,845**
III. Other current accounts-TL	**4,391,455**	-	-	-	-	-	-	-	**4,391,455**
Public sector	200,309	-	-	-	-	-	-	-	200,309
Commercial sector	4,147,380	-	-	-	-	-	-	-	4,147,380
Other institutions	32,529	-	-	-	-	-	-	-	32,529
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	**11,237**	-	-	-	-	-	-	-	**11,237**
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,913	-	-	-	-	-	-	-	10,913
Participation banks	324	-	-	-	-	-	-	-	324
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	**592,927**	**1,309,698**	**103,271**	-	**268,254**	**60,845**	-	**2,334,995**
Public sector	-	373	68	611	-	3,046	-	-	4,098
Commercial sector	-	546,923	1,208,358	79,737	-	257,856	59,133	-	2,152,007
Other institutions	-	44,940	100,133	22,873	-	7,312	457	-	175,715
Commercial and other institutions	-	691	1,121	50	-	40	1,255	-	3,157
Banks and participation banks	-	-	18	-	-	-	-	-	18
V. Real persons current accounts-FC	**12,896,518**	-	-	-	-	-	-	-	**12,896,518**
VI. Real persons profit sharing accounts-FC	-	**5,792,299**	**9,758,724**	**1,405,912**	-	**1,516,213**	**1,822,399**	**1,803**	**20,297,350**
VII. Other current accounts-FC	**6,033,944**	-	-	-	-	-	-	-	**6,033,944**
Commercial residents in Turkey	4,549,440	-	-	-	-	-	-	-	4,549,440
Commercial residents in Abroad	1,216,989	-	-	-	-	-	-	-	1,216,989
Banks and participation banks	**267,515**	-	-	-	-	-	-	-	**267,515**
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	267,170	-	-	-	-	-	-	-	267,170
Participation banks	345	-	-	-	-	-	-	-	345
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	**593,559**	**2,356,951**	**115,375**	-	**114,694**	**66,878**	-	**3,247,457**
Public sector	-	10	-	-	-	-	-	-	10
Commercial sector	-	520,552	2,112,990	53,458	-	45,383	50,331	-	2,782,714
Other institutions	-	41,158	152,018	61,908	-	68,914	**16,461**	-	340,459
Commercial and other institutions	-	31,831	84,336	9	-	397	-	-	116,573
Banks and participation banks	-	8	7,607	-	-	-	86	-	7,701
IX. Precious metal funds	**5,757,301**	**2,444,094**	**1,846,409**	**207,182**	-	**113,344**	**4,703**	**61**	**10,373,094**
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	**37,030,332**	**6,654,880**	**6,494,884**	**2,556,853**	-	**2,622,714**	**2,866,055**	**24,054**	**88,249,772**

There are no 7 day notification accounts of the Group.

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Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	**4,753,832**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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	**3,088,382**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,088,382**
Public sector	186,809	-	-	-	-	-	-	-	186,809
Commercial sector	2,847,456	-	-	-	-	-	-	-	2,847,456
Other institutions	46,276	-	-	-	-	-	-	-	46,276
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	**7,841**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,841**
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	7,708	-	-	-	-	-	-	-	7,708
Participation banks	133	-	-	-	-	-	-	-	133
Others	-	-	-	-	-	-	-	-	-
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	**8,316,910**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,316,910**
VI. Real persons profit sharing accounts-FC	**-**	**3,932,410**	**6,126,127**	**1,066,450**	**-**	**699,639**	**467,103**	**993**	**12,292,722**
VII. Other current accounts-FC	**3,986,544**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,986,544**
Commercial residents in Turkey	3,254,669	-	-	-	-	-	-	-	3,254,669
Commercial residents in Abroad	635,513	-	-	-	-	-	-	-	635,513
Banks and participation banks	**96,362**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96,362**
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	96,257	-	-	-	-	-	-	-	96,257
Participation banks	105	-	-	-	-	-	-	-	105
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	**-**	**443,390**	**2,185,823**	**237,578**	**-**	**86,543**	**73,106**	**363**	**3,026,803**
Public sector	-	39	3	-	-	-	-	-	42
Commercial sector	-	409,203	2,018,221	232,632	-	86,417	73,020	**363**	2,819,856
Other institutions	-	16,693	68,699	106	-	103	-	-	85,601
Commercial and other institutions	-	17,448	71,143	4,840	-	23	-	-	93,454
Banks and participation banks	-	7	27,757	-	-	-	86	-	27,850
IX. Precious metal funds	**2,588,233**	**1,020,239**	**1,205,711**	**212,397**	**-**	**61,746**	**2,174**	**19**	**5,090,519**
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	**22,733,901**	**10,622,526**	**17,595,455**	**2,053,129**	**-**	**1,323,687**	**882,943**	**18,377**	**55,230,018**

There are no 7 day notification accounts of the Group.

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	17,752,145	10,848,810	10,782,495	6,836,543
FC accounts	16,294,727	8,572,475	24,484,448	15,911,931
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 150 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

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

The headquarters of the Parent Bank is in Turkey.

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

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

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	9,044	5,677
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	13,191	974	20,764	1,362
Swap transactions	116,499	163,745	281	41,404
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	**129,690**	**164,719**	**21,045**	**42,766**

2.3. Information on funds borrowed:

2.3.1 Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	160,847	172,998	93,394	315,352
From Foreign Banks, Institutions and Funds	-	113,380	-	1,586,550
Total	**160,847**	**286,378**	**93,394**	**1,901,902**

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	160,847	286,378	93,394	1,753,713
Medium and Long-Term	-	-	-	148,189
Total	**160,847**	**286,378**	**93,394**	**1,901,902**

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

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

2.4. Information on securities issued

The Group has issued sukuks, detailed below. The average return on securities issued is 11% for Turkish Lira, 5% for USD and 6% for Malaysian Ringgit. The maturity of sukuk issued in Turkish Lira is between January 2019 and February 2020; Maturity of sukuk issued in US dollars is November 2021 and maturities issued in Malaysian Ringgit are between March 2020 and July 2020.

Current Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	750,000	-	-	4,046,277
Remaining income distribution	17,808	-	-	894,662
Fair value	735,743	-	-	3,906,422

Prior Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	1,229,428	345,000	-	6,115,734
Remaining income distribution	100,514	-	-	574,318
Fair value	1,287,131	347,803	-	6,157,936

2.5 Information on other liabilities and miscellaneous payables:

As of 31 December 2019, other liabilities amount to TL 869,323 (31 December 2018 – TL 1,075,824), miscellaneous payable amount to TL 388,179 (31 December 2018 - TL 261,894), both of them do not exceed 10% of the balance sheet total.

2.6 Information on finance lease payables (net):

	Current Period		**Prior Period**	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	124,506	87,233	-	-
1 to 4 years	294,798	166,124	-	-
More than 4 years	139,376	97,598	-	-
Total	**558,680**	**350,955**	**-**	**-**

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

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

None (31 December 2018 – None).

2.6.1.1. Information on Financial Lease Obligations

None (31 December 2018 – None).

2.6.1.2 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.

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2.7 Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	129,728	-	106,352
Hedge of net investment in foreign operations	-	-	-	-
Total	**-**	**129,728**	**-**	**106,352**

2.8 Information on provisions:

2.8.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2019, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 5 (31 December 2018 – TL 4,654) and TL 192 for leasing receivables (31 December 2018 – TL 1,266) is offset against loans and receivables.

2.8.2 Information on other provisions:

	Current Period	Prior Period
Non-Cash Loans That Are Not Converted Into Cash	422,274	240,372
Special Provisions for non-cash loans	127,145	145,911
General Provisions for non-cash loans	150,934	129,152
Provision for Profits will be Allocated to Partipation Accounts	2,332	1,778
Other (*)	93,749	54,231
Total	**796,434**	**571,444**

(*) The other item is the amounting regarding TL 27,573 (December 31, 2018 - TL 13,780) for litigation, TL 6,500 (31 December 2018 - TL 6,500) for the expense provision and TL 59,676 (31 December 2018 - TL 33,951) is the amount for impairment loss.

2.8.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 116,242 (31 December 2018 – TL 86,818), vacation pay liability amounting to TL 712 (31 December 2018 – TL 585), performance premium amounting to TL 109,912 (31 December 2018 – TL 86,617), retirement bonuses on payment of TL 63,437 (31 December 2018 – TL 44,014), committee fee amounting to TL 12,321 (31 December 2018 – TL 10,869) and other fees amounting to TL 196 (31 December 2018 – TL 175).

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

The amount payable consists of one month's salary limited to a maximum of TL 6,379.86 (full amount) (31 December 2018 – TL 5,434.42 (full amount)) for each year of service. The liability is not funded, as there is no funding requirement.

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

	Current Period	Prior Period
Discount rate (%)	12.10	16.30
Inflation rate (%)	8.00	12.00
Salary increase rate (%)	25.00	13.00

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

	Current Period	Prior Period
Balance at the beginning of the period	86,818	84,286
Provisions recognized during the period	30,957	23,455
Paid during the period	(7,319)	(7,272)
Actuarial loss	5,786	(13,651)
Balances at the end of the period	**116,242**	**86,818**

2.9 Explanations on tax liability:

2.9.1 Explanations on current tax liability:

2.9.1.1 Information on tax provisions: TL 226,221 (31 December 2018-TL 177,652)

2.9.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	39,489	21,252
Taxation of immovable property	1,796	1,569
Banking Insurance Transaction Tax (BITT)	29,327	32,461
Foreign Exchange Transaction Tax	4,532	-
Value Added Tax Payable	2,663	1,904
Income tax deducted from wages	12,624	9,675
Other	4,059	1,131
Total	**94,490**	**67,992**

2.9.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Insurance Premiums-Employee	7,430	5,640
Social Insurance Premiums-Employer	8,000	6,075
Unemployment insurance-Employee	532	404
Unemployment insurance-Employer	1,263	952
Other	-	-
Total	**17,225**	**13,071**

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

2.9.1.4 Information on deferred tax liability: None (31 December 2018 - None).

2.10 Information on payables related to assets held for sale:

None (31 December 2018 – None).

2.11 Information on subordinated loans:

	Current Period		Prior Period	
	TP	YP	TP	YP
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	3,380,983	-	1,901,210
Toplam	**-**	**3,380,983**	**-**	**1,901,210**

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2.12 Information on shareholders' equity:

2.12.1 Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,000,000	3,500,000
Preferrence shares	-	-
Repurchased shares amount (*)	(4,234)	(2,678)
Total	**3,995,766**	**3,497,322**

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

2.12.2 Amount of Paid-in Capital, Disclosure on whether the parent 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.

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

Date for Increase	Increased Amount	Cash	Retained Earnings for Increased
03-April-19	500,000	-	500,000

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

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

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

2.12.6 Summary of privileges given to shares representing the capital:

None. (31 December 2018- None)

2.12.7 Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	136,954	82,154	(37,105)	(51,432)
Foreign Exchange Difference	-	-	-	-
Total	**136,954**	**82,154**	**(37,105)**	**(51,432)**

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

2.13 Information on minority shares:

31 December 2019; 28,461 TL. (31 December 2018; 25,112TL)

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

3.1. Explanations on off-balance sheet accounts:

3.1.1 Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 31 December 2019 amounts to TL 2,656,398 (31 December 2018 – TL 1,858,018); payment commitments for cheque books amounts to TL 1,305,235 (31 December 2018 – TL 1,136,474).

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

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

As of 31 December 2019, the Group has guarantees and surety ships constituting of TL 10,007,571 (31 December 2018 – TL 10,391,279) of letters of guarantee; TL 55,035 (31 December 2018 – TL 74,098) of acceptances and TL 1,374,009 (31 December 2018 – TL 1,079,876) of letters of credit. Also, banks has other acceptances amounting to TL 465,592 (31 December 2018 – TL 329,036).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 3.1.2.1

3.1.3 Total amount of non-cash loans:

	Current period	**Prior period**
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	11,902,354	11,876,080
Total	**11,902,354**	**11,876,080**

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3.1.4. Sectorial risk concentration of non-cash loans:

	Current Period			
	TP	%	YP	%
Agriculture	**68,479**	**0.99**	**51,421**	**1.04**
Farming and stockbreeding	38,634	0.56	35,958	0.72
Forestry	29,622	0.43	15,463	0.31
Fishery	223	0.00	-	0.00
Manufacturing	**1,270,772**	**18.31**	**1,171,799**	**23.61**
Mining and quarrying	297,536	4.29	328,922	6.63
Production	658,204	9.49	809,325	16.30
Electricity, Gas, Water	315,032	4.54	33,552	0.68
Construction	**2,694,124**	**38.83**	**1,231,633**	**24.81**
Services	**2,174,574**	**31.34**	**1,624,067**	**32.72**
Wholesale and Retail Trade	1,137,190	16.39	733,830	14.78
Hotel, Food and Beverage Services	117,951	1.70	19,622	0.40
Transportation and Telecom.	482,266	6.95	529,429	10.67
Financial Institutions	19,270	0.28	248,354	5.00
Real Estate and Renting Services	22,379	0.32	9,874	0.20
Self-Employment Type Services	267	0.00	-	0.00
Educational Services	37,913	0.55	2,523	0.05
Health and Social Services	357,338	5.15	80,435	1.62
Other	**730,490**	**10.53**	**884,995**	**17.83**
Total	**6,938,439**	**100.00**	**4,963,915**	**100.00**

	Prior Period			
	TP	%	YP	%
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	-	0.00	-	0.00
Manufacturing	**1,217,028**	**18.97**	**843,763**	**15.46**
Mining and quarrying	259,085	4.04	258,253	4.73
Production	551,993	8.60	560,254	10.26
Electricity, Gas, Water	405,950	6.33	25,256	0.46
Construction	**2,661,157**	**41.47**	**1,225,516**	**22.45**
Services	**1,798,834**	**28.03**	**2,241,769**	**41.06**
Wholesale and Retail Trade	862,869	13.45	602,006	11.03
Hotel, Food and Beverage Services	96,061	1.50	80,239	1.47
Transportation and Telecom.	454,742	7.09	1,157,055	21.19
Financial Institutions	19,596	0.31	274,267	5.02
Real Estate and Renting Services	24,755	0.39	7,644	0.14
Self-Employment Type Services	107	0.00	-	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**	**1,143,083**	**20.94**
Total	**6,416,633**	**100.00**	**5,459,447**	**100.00**

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

Current Period	**Group I**		**Group II**	
	TP	**YP**	**TP**	**YP**
Letters of Guarantee	6,301,493	3,383,830	290,549	31,699
Bills of Exchange and Bank Acceptances	8,296	46,489	250	-
Letters of Credit	7,481	1,327,653	3,086	35,789
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	326,920	138,455	364	-
Toplam	**6,644,190**	**4,896,427**	**294,249**	**67,488**

Prior Period	**Group I**		**Group II**	
	TP	**YP**	**TP**	**YP**
Letters of Guarantee	5,976,533	4,164,743	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	150,108	523	-
Toplam	**6,184,965**	**5,415,437**	**231,668**	**44,010**

3.2. Financial derivative instruments:

	Trading Derivatives
	Current Period
Foreign Currency Related Derivative	
Foreign Currency Related Derivative Transactions (I):	**55,226,604**
Currency Forwards-Purchases, sales	**1,754,813**
Currency Swaps-Purchases, sales	**53,471,791**
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)	**30,797**
A.Total Trading Derivatives (I+II+III)	**55,257,401**
	-
Hedging Derivatives	**-**
Fair value hedges	**-**
Cash flow hedges	**2,451,906**
Foreign currency investment hedges	**-**
B. Total Hedging Derivatives	**2,451,906**
Total Derivatives Transactions (A+B)	**57,709,307**

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	Trading Derivatives
	Prior 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**

The Group 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 2019, the Bank has commitments to buy TL 8,040,623, USD 3,247,425,000, EUR 44,093,000, GBP 500,000 and MYR 800,000,000 in return of selling commitments of TL 235,975, USD 1,361,961,000, EUR 3,031,284,000, GBP 515,000 and RUB 25,360,000 (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 800,000,000 MYR in return of selling commitments of TL 304,995, USD 399,261,000, EUR 1,545,406,000 and GBP 89,000).

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.

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

Fitch Rating's Ekim 2019	Notes
Long-Term Issuer Default Rating	B+
Short-Term Issuer Default Rating	B
Local Currency Long-Term Issuer Default Rating	BB-
Local Currency Short-Term Issuer Default Rating	B
Support Rating	4

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

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	1,466,189	185,252	1,405,131	101,091
Short term loans	3,763,974	627,302	3,204,900	353,075
Medium and long-term loans	34,483	384	27,211	-
Profit share on non-performing loans	-	-	-	-
Premiums received from resource utilization support fund	-	-	-	-
Toplam	**5,264,646**	**812,938**	**4,637,242**	**454,166**

4.1.2 Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	300	-	-	-
Foreign Banks	78,818	177,591	21,392	150,816
Branches and head office abroad	-	1,245	-	746
Total	**79,118**	**178,836**	**21,392**	**151,562**

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4.1.3 Information on profit share income from securities portfolio:

The Group has received TL 810,359 of profit share income from securitites. (1 January – 31 December 2018 - TL 418,770).

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

	Current Period	Prior Period
Profit share income received from associates and subsidiaries	-	116

4.2 Information on profit share expenses:

	Current period		Pirior period	
	TL	FC	TL	FC
Banks	**16,893**	**27,333**	**9,620**	**36,242**
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	16,893	9,997	5,128	10,449
Foreign banks	-	17,336	4,492	25,793
Branches and head office abroad	-	-	-	-
Other Institutions	-	227,877	-	214,853
Total	**16,893**	**255,210**	**9,620**	**251,095**

4.2.2 Profit share expense given to associates and subsidiaries:

	Current period	Pirior period
Profit share expenses given to associates and subsidiaries	4,913	1,353

4.2.3 Profit share expense paid to securities issued:

31 December 2019; 604,045 TL (1 January – 31 December 2018: 560,283).

4.3 Information on dividend income:

	Cari Dönem	Önceki Dönem
Held for Trading Financial Assets	-	-
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other	2,841	1,273
Total	**2,841**	**1,273**

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4.4 Distribution of profit share on funds based on maturity of funds:

Current period	Profit Sharing Accounts							
Account name	**Up to 1 month**	**Up to 3 month**	**Up to 6 month**	**Up to 9 month**	**Up to 1 year**	**Above 1 year**	**Accumulated profit sharing accounts**	**Total**
TL								
Collected funds from banks through current and profit share accounts	-	219	-	-	-	-	-	219
Real person's non-trading profit sharing account	825,585	1,288,963	75,265	-	46,544	54,866	2,676	2,293,899
Public sector profit sharing account	29	107	44	-	8	-	-	188
Commercial sector profit sharing account	58,721	145,072	14,944	-	2,063	1,719	-	222,519
Other institutions profit sharing account	6,951	13,437	1,748	-	409	194	-	22,739
Total	**891,286**	**1,447,798**	**92,001**	**-**	**49,024**	**56,779**	**2,676**	**2,539,564**
FC								
Banks	60	2,352	-	-	-	-	-	2,412
Real person's non-trading profit sharing account	113,282	206,442	28,191	-	17,894	17,748	61	383,618
Public sector profit sharing account	-	14	-	-	-	-	-	14
Commercial sector profit sharing account	10,126	61,996	2,902	-	299	269	-	75,592
Other institutions profit sharing account	876	9,161	88	-	135	-	-	10,260
Precious metal accounts	18,747	17,513	2,005	-	933	-	-	39,198
Total	**143,091**	**297,478**	**33,186**	**-**	**19,261**	**18,017**	**61**	**511,094**
Grand Total	**1,034,377**	**1,745,276**	**125,187**	**-**	**68,285**	**74,796**	**2,737**	**3,050,658**

Prior period	Profit Sharing Accounts							
Account name	**Up to 1 month**	**Up to 3 month**	**Up to 6 month**	**Up to 9 month**	**Up to 1 year**	**Above 1 year**	**Accumulated profit sharing accounts**	**Total**
TL								
Collected funds from banks through current and profit share accounts	-	1	-	-	-	-	-	1
Real person's non-trading profit sharing account	514,291	814,287	52,342	-	27,382	28,968	1,665	1,438,935
Public sector profit sharing account	652	2,303	-	-	2	-	-	2,957
Commercial sector profit sharing account	48,623	106,154	16,872	-	1,615	1,256	4	174,524
Other institutions profit sharing account	6,079	12,536	1,442	-	568	249	-	20,874
Total	**569,645**	**935,281**	**70,656**	**-**	**29,567**	**30,473**	**1,669**	**1,637,291**
FC								
Banks	58	1,361	-	-	-	-	-	1,419
Real person's non-trading profit sharing account	77,496	143,945	26,884	-	13,454	8,576	23	270,378
Public sector profit sharing account.	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	9,697	43,151	3,587	-	4,473	91	4	61,003
Other institutions profit sharing account	1,932	4,848	398	-	4	-	-	7,182
Precious metal accounts	6,658	14,552	1,682	-	743	-	-	23,635
Total	**95,841**	**207,857**	**32,551**	**-**	**18,674**	**8,667**	**27**	**363,617**
Grand Total	**665,486**	**1,143,138**	**103,207**	**-**	**48,241**	**39,140**	**1,696**	**2,000,908**

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4.5 Information on trading income/loss (Net):

	Current period	Pirior period
Net	**1,324,855**	**539,144**
Income	**37,496,086**	**36,464,911**
Gain on capital market transactions	46,127	21,919
Gain on derivative financial instruments	2,782,732	1,902,772
Foreign exchange profit	34,667,227	34,540,220
Losses (-)	**(36,171,231)**	**(35,925,767)**
Losses on capital market transactions	(14,011)	(11,678)
Losses on derivative financial instruments	(2,317,929)	(1,765,998)
Foreign exchange losses	(33,839,291)	(34,148,091)

4.6 Information on other operating income:

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

	Current Period	Prior Period
Reversal of prior period provisions	654,950	494,061
Income from sale of assets	70,497	38,166
Revenues from real estates sold under the lease certificate.	-	-
Income from the real estate sales' gains by rent certificates	3,050	2,587
Other Income	61,081	6,120
Total	**789,578**	**540,934**

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

	Current Period(*)	Prior Period
Expected Credit Loss	2,640,410	1,949,975
12 month expected credit loss (Stage 1)	166,823	591,962
Significant increase in credit risk (Stage 2)	387,889	699,199
Non-performing loans (Stage 3)	2,085,698	658,814
Marketable Securities Impairment Expense	611	1,042
Financial Assets at Fair Value through Profit or Loss	611	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 (**)	59,100	28,547
Total	**2,700,121**	**1,979,564**

(*) Includes the provisions in the "Other Provision Expenses" line in the Income Statement.
(**) Includes free provisions that can be allocated from profit to be distributed to participation accounts according to provisions regulation.

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4.8 Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	1,063,252	825,999
Provision for retirement pay liability	23,638	16,183
Depreciation expenses of tangible assets	186,163	63,560
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	48,057	63,588
Depreciation expenses of assets held for sale	-	-
Other operating expenses	378,165	385,837
Rent expenses	10,542	140,164
Maintenance expenses	94,752	42,987
Advertisement expenses	48,513	35,069
Communication expenses	53,015	41,129
Heating, electricity and water expenses	27,123	18,751
Cleaning expenses	7,509	6,407
Vehicle expenses	10,081	8,362
Stationery expenses	9,800	9,037
Other expenses	116,830	83,931
Losses on sales of assets	1,125	3,829
Deposit insurance fund expenses	179,892	102,283
Other	186,518	147,144
Total	**2,066,810**	**1,608,423**

(*) Includes the provisions in the" Personnel Expenses "line in the Income Statement.

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

Income before tax amounting to TL 1,421,698 increased by 34,83% as compared to the prior period (1 January - 31 December 2018 – TL 1,054,406). Income before tax includes TL 3,566,760 (1 January - 31 December 2018 – TL 3,185,456) net profit share income and TL 490,868 (1 January - 31 December 2018 – TL 367,871) net fees and commission income. Other operating expense amount is TL 979,920 (1 January - 31 December 2018 – TL 766,241).

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 401,579 (1 January-31 December 2018 - TL 454,233), deferred tax income of TL 205,627 (1 January-31 December 2018 - TL 46,249) and TL 306,473 (1 January-31 December 2018 - TL 256,783) deferred tax income is recognized.

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 Group's performance for the period: As of 31 December 2019, net profit share income is TL 3,566,760 (1 January-31 December 2018 – TL 3,185,456), net fees and commission income is TL 490,868 (1 January-31 December 2018 – TL 367,871).

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 2018 – None).

4.12.3 Profit/Loss attributable to minority interest:

	Current Period	Prior Period
Profit/(Loss) attributable to minority interest	3,328	1,164

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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 2019, other fees and commissions received is TL 625,196 (1 January - 31 December 2018 – TL 426,031), TL 197,886 of this amount is related with credit card fees and commissions (1 January - 31 December 2018 – TL 123,244) and TL 142,735 of this amount is related with POS machine commissions (1 January – 31 December 2018 – TL 91,787).

As of 31 December 2019, other fees and commissions given is TL 300,791 (1 January - 31 December 2018 – TL 203,798), TL 167,123 (1 January - 31 December 2018 – TL 107,446) of this amount is related with POS clearing commissions and installation expenses, TL 26,590 (1 January - 31 December 2018 – TL 18,792) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and Disclosures Related to Statement of Consolidated 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 Parent Bank made dividend payments amounting to TL 6,546 to members of Board of Directors. In the General Assembly meeting held in 29 March 2019 it has been decided that TL 44,145 would be transferred to legal reserves, TL 247,260 would be transferred to extraordinary reserve, TL 72,180 would be transferred to other reserves and TL 500,000 would be transferred to paid up capital.

6. Explanations and Disclosures Related to Statement of Cash Flows

6.1. Information on consolidated 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	**6,710,455**
Cash in TL/foreign currency, others	1,058,399
Demand deposits at banks	5,652,056
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	**6,710,455**

	Prior Period
Cash	**3,472,726**
Cash in TL/foreign currency, others	698,688
Demand deposits at banks	2,774,038
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	**3,472,726**

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

	Current Period
Cash	**19,216,292**
Cash in TL/foreign currency, others	19,216,292
Demand deposits at banks (up to 3 months)	-
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	**19,216,292**

	Prior Period
Cash	**6,710,455**
Cash in TL/foreign currency, others	1,058,399
Demand deposits at banks (up to 3 months)	5,652,056
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	**6,710,455**

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

None (31 December 2018 – None).

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

"Other items" amounting to TL (2,815,989) (1 January-31 December 2018: TL (1,083,433)) 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 4,910,001 (1 January-31 December 2018: TL 901,761) 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 294,016 (1 January-31 December 2018: TL (2,846,285)) 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 1,701,154 as of 31 December 2019 (31 December 2018 – TL (66,621)). 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.

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

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

Current period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	35	13,666	1,034	398	204,988	520
Balance at end of period	182	18,527	1,868	7,206	780,512	723
Profit share and commission income	-	-	145	-	10,066	1,531

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

Prior period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	19	447	1,030	786	150,924	917
Balance at end of period	35	13,666	1,034	398	204,988	520
Profit share and commission income	-	116	73	11	18,440	4

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

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

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Current and profit sharing accounts						
Balance at beginning of period	34,808	30,010	35,032	60,187	255,239	417,813
Balance at end of period	54,178	34,808	151,321	35,032	390,698	255,239
Profit share expense	4,913	1,353	2,281	3,682	38,300	30,709

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 541

7.1.2 Forward and option agreements and other similar agreements with the risk group of the Parent Bank:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	-	-	287,483	-	-	-
Balance at end of period	-	-	528,933	287,483	-	-
Total Profit / Loss	-	-	(35)	-	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Risk group of the Group	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Borrowings						
Balance at beginning of period	-	-	802,108	2,175,759	-	-
Balance at end of period	-	-	68,696	802,108	-	-
Profit share expense	-	-	41,221	84,426	-	-

7.2 Information on remunerations provided to top management:

As of 1 January - 31 December 2019, the Group has paid TL 48,678 to top management (1 January - 31 December 2018 TL 32,458).

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 (*)	430	4,120			
			Country		
Foreign representative offices				Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign bank	1	108	Germany	3,675,185	74,954,179
Off-shore branches	1	3	Bahrain(**)	7,323,517	
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 7,323,517 Turkish lira as of 31 December 2019.

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

In 2019, 16 new domestic branches (2018-17 branches) were opened and 1 domestic branch was closed (2018-1 branch).

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

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 400,000 thousand on 15 January 2020 and a maturity of 91 days with a cost of 9.12%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. issued sukuk on January 29, 2020 with a nominal value of TL 75,000 thousand and a maturity of 91 days with a cost of 8.38%.

The Parent bank is a subsidiary of Neova Sigorta Anonim Şirketi under the board of directors decision dated October 10, 2019; Turkapital Holding B.S.C.C.53% of First Takaful Insurance Company K.S.C.35% of KFH Takaful Insurance Company (K.S.C.C.) signed share transfer agreements for the transfer of 5% Shares as of February 5, 2020. Share transfer transactions will be carried out after the completion of the permit processes before the relevant public institutions.

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SECTION SIX

OTHER EXPLANATIONS

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

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

1. **Explanations audit report:**

The consolidated financial statements have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated 28 February 2020 is presented preceding the financial statements.

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

CONTACT INFORMATION AND BRANCH DIRECTORY

HEAD OFFICE

Büyükdere Cad. No: 129/1
Esentepe 34394 Şişli/Istanbul
Tel: +90 (212) 354 11 11 (pbx)
Fax: +90 (212) 354 12 12

Kuveyt Türk Banking Base

Cumhuriyet Mah. Özgürlük Cad.
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Facsimile : (0262) 723 56 56

Kuveyt Türk Web Site	: www.kuveytturk.com.tr
E-mail	: musterimemnuniyeti@kuveytturk.com.tr
Trade Registry No	: 250489
Mersis No	: 0600002681400074
Call Center	: 444 0 123 / 0850 251 0 123

Local Branch Directory

Kuveyt Türk, which has a total of 431 branches, has 430 branches across Turkey.

More information about these local branches can be found by clicking on the following link to the Bank's website.

https://www.kuveytturk.com.tr/sube-ve-atm-haritasi

OVERSEAS CONTACT POINTS

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Facsimile : +49 30 209 15 76-99

KT Bank AG-Mannheim Branch

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Phone : +49 62 172 73 85-0
Facsimile : +49 62 172 73 85-45

KT Bank AG-Cologne Branch

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Bahrain Branch

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