



FOR BRIGHTER DAYS...



KÜVEYTTÜRK
PARTICIPATION BANK INC.

ANNUAL REPORT 2020

CONTENTS

SECTION 1: INTRODUCTION

- 12 Summary of Financial Indicators
- 13 Shareholding and Capital Structure
- 14 Agenda of the Ordinary General Assembly
- 15 Amendments to the Articles of Association
- 16 Kuveyt Türk in Brief
- 20 The Story of 31 Successful Years
- 24 About Kuveyt Türk
- 28 Message from the Chairman
- 32 Message from the CEO

SECTION 2: ACTIVITIES IN 2020

- 34 Retail Banking
- 44 SME Banking
- 49 Corporate and Commercial Banking
- 53 Treasury and International Banking
- 58 Loans
- 63 Law and Risk Follow-up Group
- 66 Strategy
- 81 Banking Services Group
- 101 Financial Affairs
- 108 Risk, Control and Compliance Group
- 113 Internal Audit Group
- 114 Awards

SECTION 3: MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

- 116 Board of Directors
- 119 Senior Management
- 123 Organizational Chart
- 124 Summary Report of the Board of Directors Submitted to the General Assembly
- 125 Executives within Internal Systems
- 126 Senior Management Committees
- 128 Related Party Transactions
- 129 Support Services

SECTION 4: FINANCIAL INFORMATION AND RISK MANAGEMENT PRACTICES

- 131 Annual Report Compliance Opinion
- 132 Annual Report Statement of Responsibility
- 133 Review of the Audit Committee on Internal Systems
- 136 Advisory Board's Assessment on the Bank's Compliance with Interest-Free Banking Principles and Standards
- 137 Assessment on Financial Status, Profitability and Solvency
- 137 Ratings of Kuveyt Türk by International Rating Agencies
- 138 Information on Risk Management Policies
- 139 Five-Year Summary Financial Information
- 141 Independent Auditor's Report, Unconsolidated Financial Statements and Notes for the Year Ended December 31, 2020
- 265 Independent Auditor's Report, Consolidated Financial Statements and Notes for the Year Ended December 31, 2020

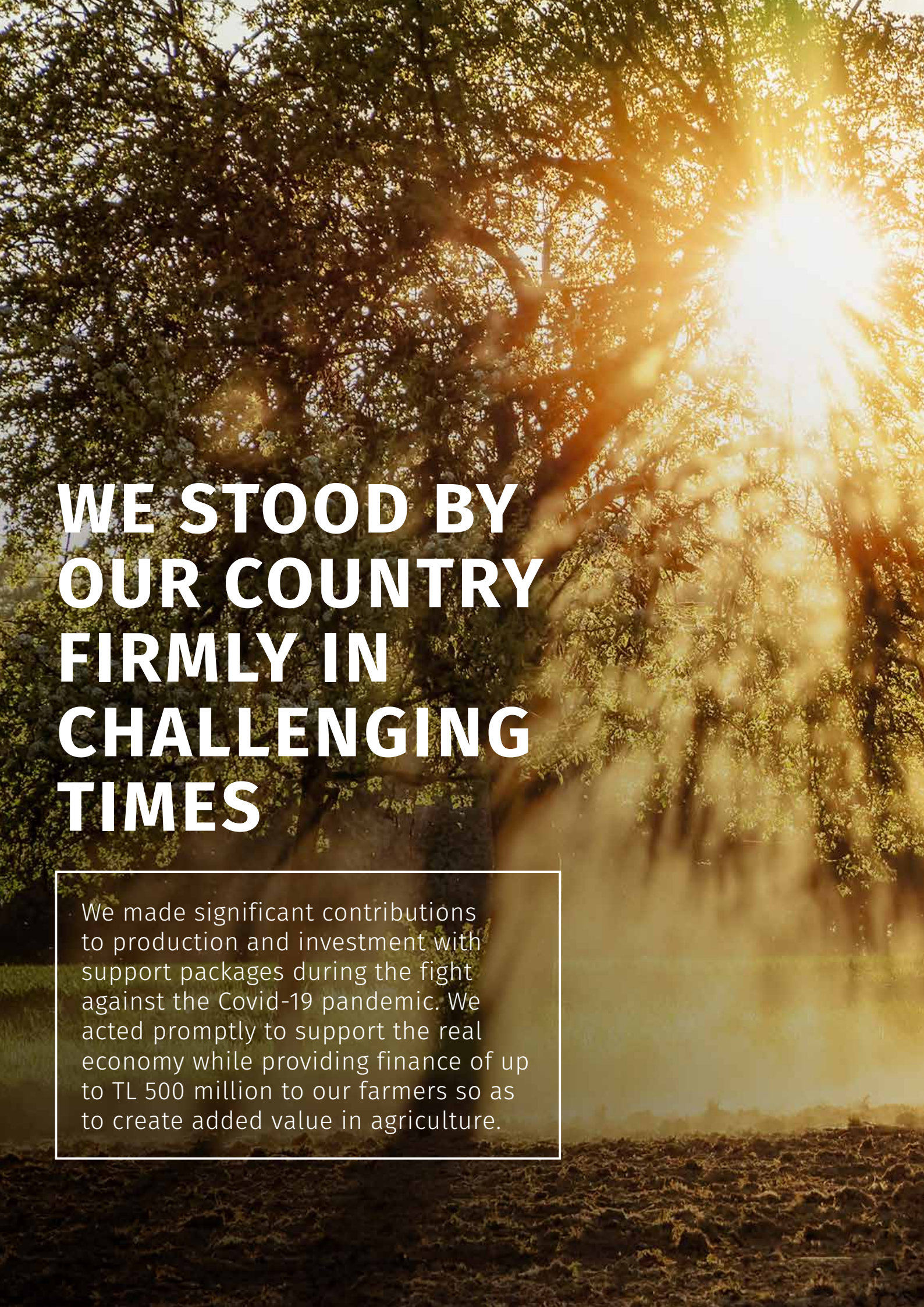
Contact Information and Branch Directory

In a pandemic-ridden, challenging 2020, life as we know it changed adversely both in Turkey and around the world.

Aware of our responsibilities as the leading institution of Turkey's participation finance sector, we brightened our country just like the sunshine through our robust capital and liquidity structure, high asset quality, and ongoing investments in the field of technology. This is how we stimulated the economy and encouraged innovative ideas.

Backed by the secondary trading of Sukuks, through which we fund the Treasury, we added value to our country and performed our public duty.





WE STOOD BY OUR COUNTRY FIRMLY IN CHALLENGING TIMES

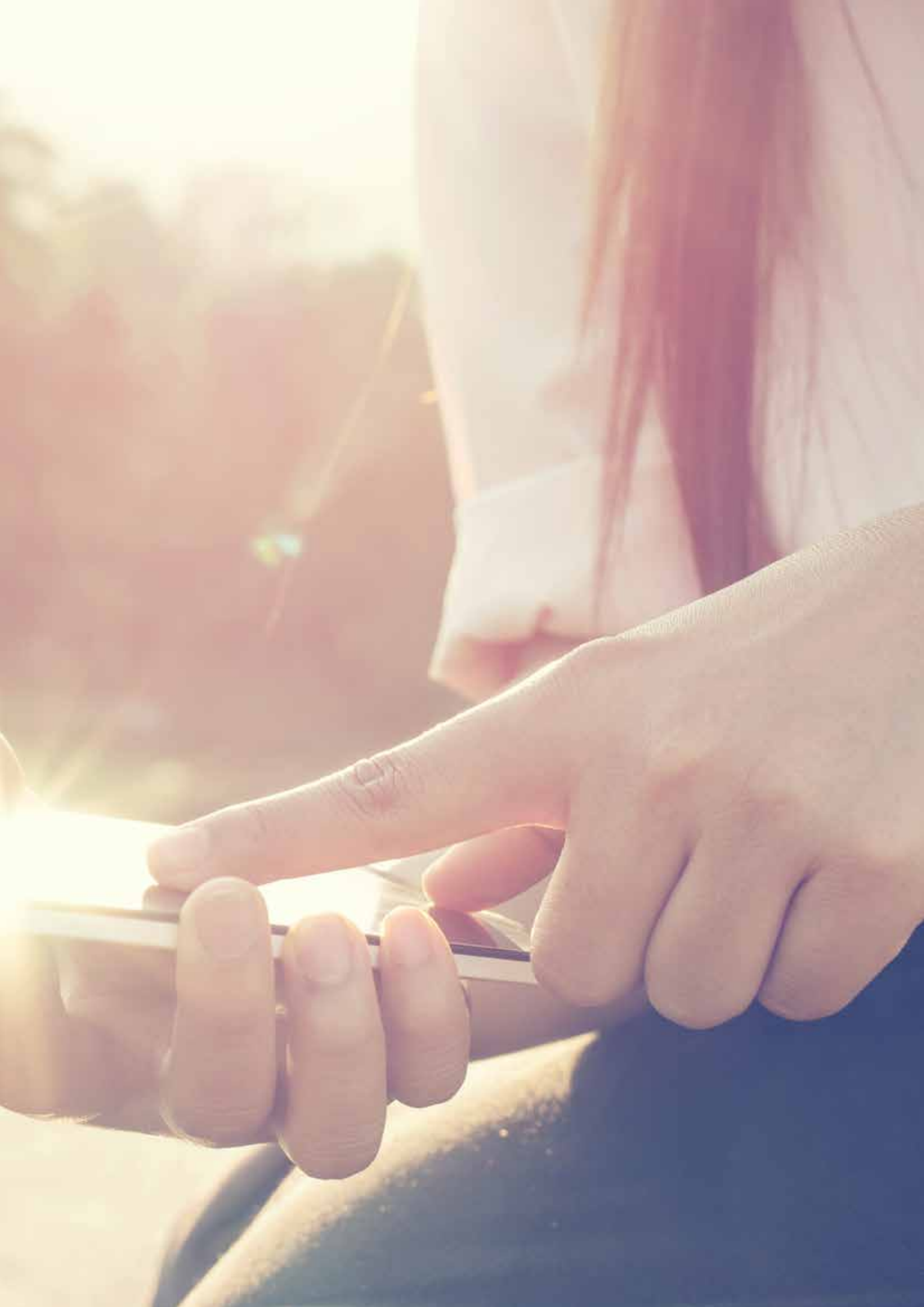
We made significant contributions to production and investment with support packages during the fight against the Covid-19 pandemic. We acted promptly to support the real economy while providing finance of up to TL 500 million to our farmers so as to create added value in agriculture.



WE USED DIGITAL CHANNELS EFFECTIVELY

At Kuveyt Türk, we put our digital channels forward and continued our operations successfully even when faced with trying times. We increased the number of digital customers by 44% thanks to the products and services we developed with a focus on technology, innovation, and customer satisfaction. Total transactions performed on mobile and online branches rose by 33%.





WE TOOK AN IMPORTANT STEP IN INTEREST-FREE INSURANCE

We became the new owner of Neova Sigorta, Turkey's first tekâfûl (interest-free insurance) company where we previously held 7% of the shares, taking over the remaining 93% of the stake. With Neova Sigorta, we will continue our contributions to Turkey's economy.



WE WERE NAMED THE BEST EMPLOYER FOR THE THIRD TIME

We won two awards at Turkey's Best Employers 2020, organized by Great Place to Work Institute Turkey. Ranking first in the category of "5000+ Employees," we were named the "Best Employer of Turkey" for the third time, while winning the "Best of Finance" special sector award for the third consecutive time.



WE CONTINUED TO SUPPORT INNOVATIVE IDEAS

The Lonca Entrepreneurship Center, inaugurated to support new ideas and introduce them to the economy, continued its activities during the pandemic. We organized the Lonca courses online in its 5th term.



SUMMARY OF FINANCIAL INDICATORS

Kuveyt Türk achieved sustainable financial results in 2020, a year marked by dramatic vulnerabilities - first and foremost the Covid-19 pandemic.

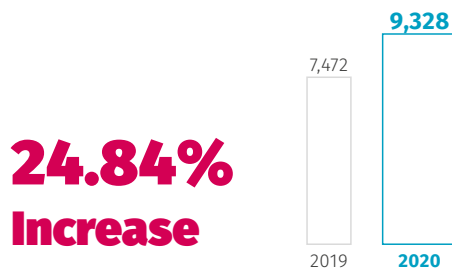


Kuveyt Türk increased profit sharing income to TL 9,328 million in 2020.

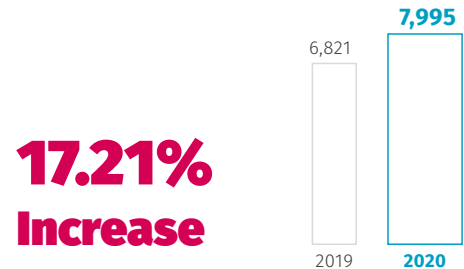
Summary of Financial Indicators (TL thousand)*	2019	2020
Profit Sharing Income	7,471,511	9,327,690
Profit Sharing Expense	3,975,600	3,118,614
Net Fee and Commission Income	468,907	350,721
Other Revenues	2,060,416	1,219,495
Other Expenses	4,609,967	5,926,609
Tax Provision	(305,429)	(452,402)
Net Profit for the Period	1,109,838	1,400,281
Total Assets	104,439,345	152,290,315
Total Shareholders' Equity	6,821,290	7,995,097
Capital Adequacy Ratio (%)	19.32	21.26

* Unconsolidated figures.

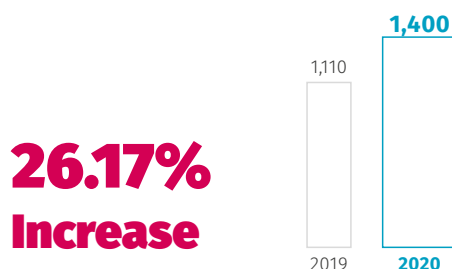
PROFIT SHARING INCOME (TL MILLION)



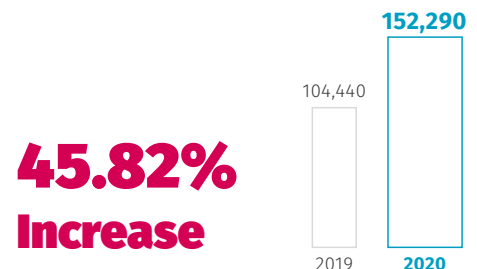
TOTAL SHAREHOLDERS' EQUITY (TL MILLION)



NET PROFIT FOR THE PERIOD (TL MILLION)



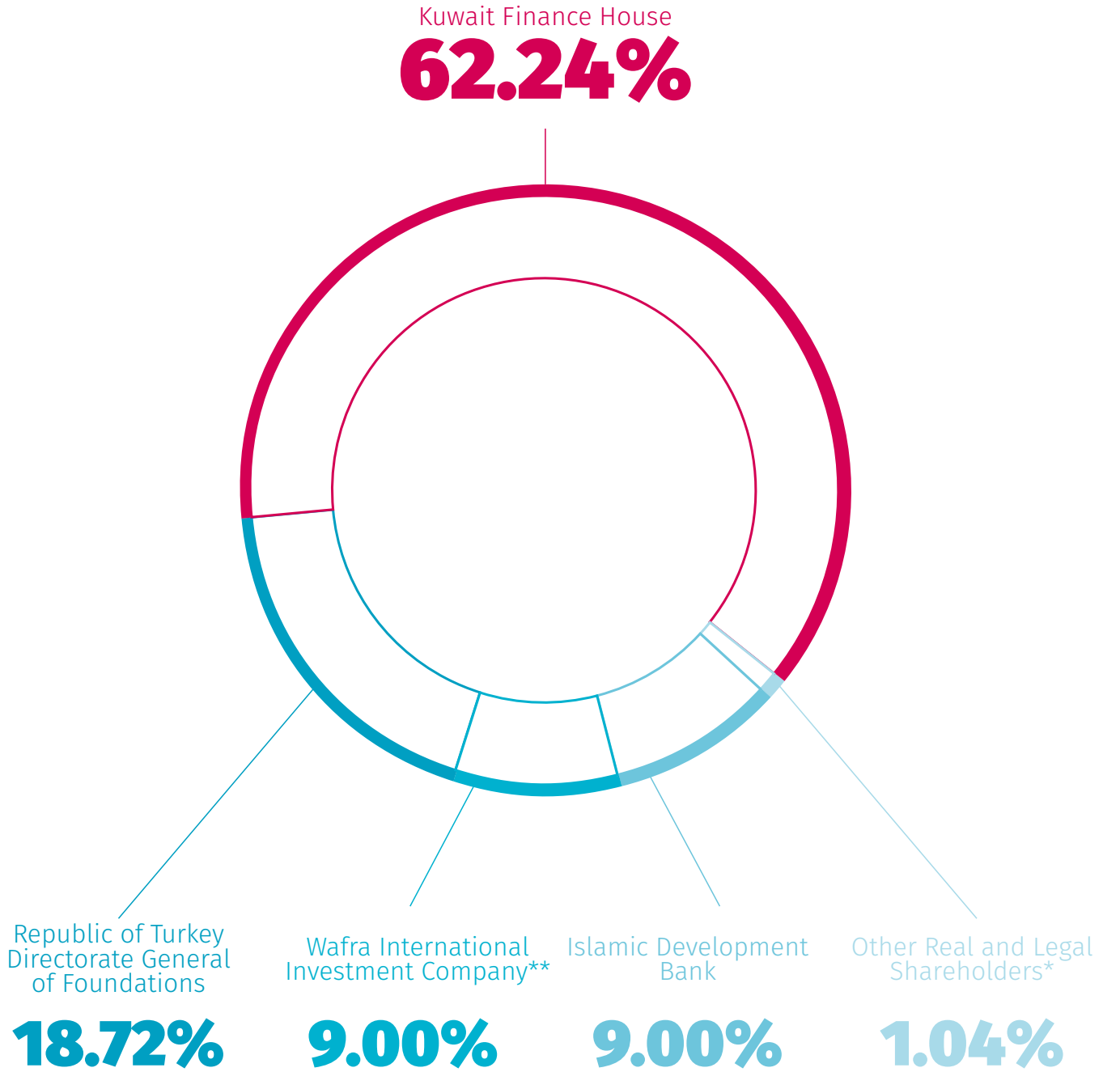
TOTAL ASSETS (TL MILLION)



Kuveyt Türk reached TL 8 billion in total shareholders' equity, equaling a year-on-year 17.2% increase.

SHAREHOLDING AND CAPITAL STRUCTURE

Driven by its robust shareholding structure, Kuveyt Türk maintains its corporate development continuously.



* The Chairman and Members of the Board of Directors, Audit Committee Members, Chief Executive Officer, and Vice Presidents hold a 0.11% share in the Bank's capital.

** In 2020, the Public Institution for Social Security, a Kuveyt Türk shareholder, transferred the 9% of the stake it held at the Bank, which corresponds to 414,000,000 shares with a nominal value of TL 414,000,000, to Wafra International Investment Company. The Public Institution for Social Security holds 99.99% of the shares at Wafra International Investment Company.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY

The Board of Directors decided that the Ordinary Annual General Assembly of Kuwait Turk Participation Bank Inc. shall be held on 25 March 2021, at 15:00 o'clock, at Company Head Office, located in Istanbul at Esentepe Mah. Büyükdere Cad. No: 129/1 34394 Şişli, 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 2020,
- 4- Discussion and approval of Financial Statements for the fiscal year 2020,
- 5- Decision on the Board of Directors offer about the profit distribution of the fiscal year 2020,
- 6- Discussion of independent audit report written by independent auditor for the fiscal year 2020,
- 7- Appointment of the Members of the Board of Directors whose terms have expired and determination of new term and the number of the members, the duties and authorities,
- 8- Acquitting of the Board of Directors related with their efforts in 2020,
- 9- 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,
- 10- Appointment of the Independent Auditors and determination of the contract period,
- 11- Providing information by the Board of Directors on external audit in accordance with Banking Law no: 5411 and the related regulations,
- 12- 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,
- 13- 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,
- 14- To grant authority to the Board Members to execute the deals written in the Turkish Commercial Code 395 and 396 Articles,
- 15- Wishes and proposals.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article 7 of the Articles of Association on capital was amended in 2020. The former and new versions of the aforementioned article are provided below.

OLD TEXT

CAPITAL AND SHARES

ARTICLE 7 – The capital of the Bank is TL 4,000,000,000 (Four billion Turkish Lira) which is divided into TL 4,000,000,000 (Four billion) shares each with a nominal value of TL 1.- The shares are issued in the name of the shareholders.

Out of TL 4,000,000,000 (Four billion Turkish Lira) capital;

- a)** TL 3,500,000,000 (Three billion and five hundred million Turkish Lira) is fully paid.
- b)** The TL 499,681,075.- (Four hundred and ninety nine million six hundred and eighty one thousand seventy five Turkish Lira) of the increased amount of 500,000,000 (Five hundred million Turkish Lira) is provided in full from the profit of 2018 (fully from internal resources). Against this capital increase shareholders will be given bonus shares in proportion to their shares.

The added capital of TL 318,925.- (Three hundred and eighteen thousand nine hundred and twenty five 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 the internal sources) in 2018. Against this capital increase shareholders will be given bonus shares in proportion to their shares.

SUPREME ADVISORY BOARD

ARTICLE 43 - The Board of Directors shall appoint a Supreme Advisory Board. The Supreme Advisory Board shall consist of six members to be elected by the Board of Directors. Should a seat be vacated by any reason whatsoever, the Board of Directors shall appoint a member. Operating procedures and principles of Supreme Advisory Board shall be set by the Board of Directors.

The Advisory Board shall elect a chairman and a vice-chairman among its members. The Supreme Advisory Board shall convene with its own initiative or upon the invitation of one member of the Supreme Advisory Board or the General Manager by the call of the Chairman.

The Advisory Board decides on whether or not the activities of the Bank are in compliance with the law and the purpose and principles stipulated in these articles of incorporation.

The Board of Directors resorts to the evaluation of the Advisory Board on the matters regarding the purpose and principles of the Bank.

The Advisory Board may submit a report to the Board of Directors on the matters brought for its evaluation.

NEW TEXT

CAPITAL AND SHARES

ARTICLE 7 – The capital of the Bank is TL 4,600,000,000 (Four billion and six hundred million Turkish Lira) which is divided into TL 4,600,000,000 (Four billion and six hundred million) shares each with a nominal value of TL 1.- The shares are issued in the name of the shareholders.

Out of TL 4,600,000,000 (Four billion and six hundred million Turkish Lira) capital;

- a)** TL 4,000,000,000 (Four billion Turkish Lira) is fully paid.
- b)** The TL 599,610,841.- (Five hundred and ninety nine million six hundred and ten thousand eight hundred and forty one Turkish Lira) of the increased amount of 600,000,000 (Six hundred million Turkish Lira) is provided in full from the profit of 2019 (fully from internal resources). Against this capital increase shareholders will be given bonus shares in proportion to their shares.

The added capital of TL 389,159.- (Three hundred and eighty nine thousand one hundred and fifty nine 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 the internal sources) in 2019. Against this capital increase shareholders will be given bonus shares in proportion to their shares.

ADVISORY COMMITTEE

ARTICLE 43 - An independent Advisory Committee is established by the Board of Directors, away from the influence of senior management and all interested parties. The Advisory Committee consists of at least three members whose qualifications and conditions are determined by the Board of Directors, without prejudice to the relevant legislative provisions.

Advisory committee members are appointed by the Board of Directors and submitted to the approval of the first general assembly following the assignment.

The term of office of the advisory committee members is determined by the Board of Directors, without prejudice to the relevant legislative provisions. The task of the advisory committee member ends with the termination of his term, failure to work due to death, severe illness, disability, losing the conditions for his appointment, leaving his job voluntarily, or at least two-thirds of the members of the board of directors in the same direction. Members whose term of office has expired can be re-appointed.

Working procedures and principles of the Advisory Committee are determined by the Board of Directors, without prejudice to the relevant legislative provisions.

The Advisory Committee fulfills the duties determined by the Board of Directors and uses powers, provided that the relevant legislation provisions are reserved.

KUVEYT TÜRK IN BRIEF

Kuveyt Türk maintained its solid capital structure and took strong leaps in digital transformation, thereby managing numerous risks - first and foremost Covid-19 - effectively and running successful business processes.

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).

MORE AGILE BUSINESS PROCESSES BACKED BY DIGITAL TRANSFORMATION...

Celebrating its 31st year in 2020, Kuveyt Türk maintained its solid capital structure and took strong leaps in digital transformation, thus managing numerous risks - Covid-19 in particular - effectively and running successful business processes. Boasting a high customer loyalty score, Kuveyt Türk is the only bank with two R&D Centers in the sector. While the Lonca Entrepreneurship Center founded in 2017 strongly supports the Turkish entrepreneurship ecosystem, the innovation center Innhouse opened in 2020 aims to generate innovative ideas and projects that prioritize customer experience, improve working standards, and shape the finance sector of the future.

CUSTOMER SERVICE CHANNELS POWERED BY DIGITAL TRANSFORMATION...

In Turkey and around the world, Kuveyt Türk delivers fast, top-quality services to savers and investors via its own branch network and correspondent banks, by using a wide range of state-of-the-art technologies. Since its establishment, Kuveyt Türk has diversified service channels alongside digital transformation and been committed to meticulous interest-free banking services, extensive research in investment areas, delivery of cutting-edge, consistent, reliable, top-quality, and swift services to savers and businesspeople, and continuous employee training to achieve higher productivity.



As part of its successful digital transformation journey, Kuveyt Türk focuses on open banking and Fintech partnerships.

435 Branches

Boasting 435 branches and 6,000 employees as of the end of 2020, Kuveyt Türk offers an unprecedented customer experience.

KUVEYT TÜRK'S FINTECH ECOSYSTEM AND FINTECH PARTNERSHIPS...

As part of its successful digital transformation journey, Kuveyt Türk focuses on open banking and fintech partnerships. The Bank has data sharing activities with app developers thanks to a broad range of APIs provided on the API Market Platform. In an attempt to enhance the collaboration within the fintech ecosystem, the Bank's Digital Transformation and Innovation Department take an active role in Fintech integrations and partners with fintechs for innovative ideas.

FINANCIAL ROOTS DRIVING INVESTMENTS...

Kuveyt Türk stands out with its strong financial roots coupled with a robust shareholding structure. As of the end of 2020, the Bank holds TL 4.6 billion paid-in capital. Kuveyt Türk's total unconsolidated assets reached TL x billion, while total shareholders' equity equaled TL 8 billion in 2020.

DIGITAL TRANSFORMATION ORIENTED HUMAN RESOURCES...

Offering continuous improvement opportunities for its human resources, Kuveyt Türk provides an exceptional customer experience to customers with 6,000 staff at 435 branch locations as of year-end 2020. 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.

KUWAIT FINANCE HOUSE IS THE PRINCIPAL SHAREHOLDER...

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 Wafra International Investment Company, 9% by Islamic Development Bank, and the remaining 1.04% by other real and legal persons. 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.

"GROWING THROUGH VALUES THAT BIND US TOGETHER"

With the motto "Growing through values that bind us together", Kuveyt Türk took on the restoration of the primary Turkish-Ottoman art pieces and pioneered the publication of numerous cultural and artistic works.

PIONEER IN GOLD BANKING...

Kuveyt Türk commenced gold banking services in 2007 and started organizing Gold Days in 2011. As of the end of 2020, Kuveyt Türk has delivered 2.5 tons of customer gold kept "under the mattress" to the Turkish economy. In addition to holding 12.9% of all precious metal accounts sector-wide and 50.37% of such accounts among participation banks, Kuveyt Türk has maintained its lead in this field in 2020. 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 has also maintained its position as 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 2020.

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 19 sukuks in 2020, in the amount of TL 6.3 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 amounted to TL 23 billion, USD 2.05 billion, and MYR 800 million, respectively. Out of these issues, amounts currently circulating in various markets are TL 2.8 billion and USD 1,100 billion.

The Bank issued lease certificates worth TL 6.311 billion in 2020, which corresponds to a 9% YoY increase, while successfully finalizing the issue of a lease certificate (Tier 1 sukuk) in the amount of USD 50 million that could be included in the additional principal capital in September 2020.

SUPPORTING CUSTOMERS THROUGH THICK AND THIN...

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 Gulf funds with a cost advantage. 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 wholly-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.



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.

6.3
TL Billion

In 2020, lease certificates issued by Kuveyt Türk amounted to TL 6.3 billion.



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

KUVEYT TÜRK IN BRIEF

Kuveyt Türk launched "Digital Explorer" products comprised of accounts, cards, and an application for children who know how to save and love to explore, which has been a significant initiative in 2020.



Kuveyt Türk's "Digital Explorer" Products for Children Who Know How to Save

Kuveyt Türk launched "Digital Explorer" products comprised of accounts, cards, and an application for children who know how to save and love to explore, which has been a significant initiative in 2020. Kuveyt Türk's new products encourage children to spend responsibly and parents to secure their children's future.



"My Collections Secured"

Always outshining the competition, Kuveyt Türk introduced the service, "My Collections Secured" to protect everyone, regardless of whether they are the Bank's customers, against possible risks related to car and household trading transactions.



Neova Sigorta Shares Are Now Wholly-Owned by Kuveyt Türk

Focusing on sustainable growth, Kuveyt Türk became the new owner of Neova Sigorta, Turkey's first tekâfûl (interest-free insurance) company where it previously held 7% of the shares, taking over the remaining 93% of the stake. A significant player in the insurance sector, Neova Sigorta continues its growth as the wholly-owned subsidiary of Kuveyt Türk.



TL 20 million Assistance from Kuveyt Türk Finance Group to Those In Need due to the Covid-19 Pandemic

Kuveyt Türk Finance Group donated TL 20 million to the National Solidarity Campaign launched to support those in need in the face of the Covid-19 pandemic.



Turkey's First Financial Institution Ranking Among the "Europe's Best Employers 2020" List

Kuveyt Türk was included in the "Europe's Best Employers 2020" list by Great Place to Work Institute, one of the world's most prestigious rankings in the field of human resources. Turkey's first financial institution to be included in the list, Kuveyt Türk has become the first Islamic finance bank ever to be on this list in Europe. Kuveyt Türk also won two awards at Turkey's Best Employers 2020, organized by Great Place to Work Institute Turkey. The Bank won this award three consecutive times.



The Heart of Innovation: Innhouse

In 2020, Kuveyt Türk incepted Innhouse, an innovation center that comes to the fore with its distinctive, original, and functional architectural design. The center aims at generating innovative ideas and projects that prioritize customer experience, improve working standards, and shape the finance sector of the future.



Kuveyt Türk Gifts Reference Materials to Future Generations

Kuveyt Türk helped publish two reference materials for future generations in 2020.

In celebration of the 60th artistic life of composer Hâfız Âmir Ateş, the book dwells on the life and artworks of the composer who produced some 2,000 compositions and raised tens of artists in his lifetime.

An album of Amir Ateş's religious music and songs was also released. Ayasofya'nın Nişânesi - Kazasker Mustafa İzzet (the Mark of Hagia Sophia - Military Judge Mustafa İzzet) introduces readers to the life and artworks of Kazasker Mustafa İzzet Efendi, an expert scribe of the 19th century who inscribed on the famous signs of Hagia Sophia.



Significant Investments by Techno-Venture CIF

Techno-Venture CIF, which operates under the umbrella of a Kuveyt Türk subsidiary, KT Portföy, invested in the ventures of Visiomex, Oo-Kuma, BulutKlinik, Pollective, and Otovinn. Kuveyt Türk will continue its growth through the ecosystem of subsidiaries in the coming periods.



Deal between Kuveyt Türk and Turkish Airlines

Signing a deal with Turkish Airlines, Kuveyt Türk became the first participation bank to become a member of the Miles&Smiles program. Kuveyt Türk aims to expand the stakeholder map consistently in the coming periods.

THE STORY OF 31 SUCCESSFUL YEARS

Kuveyt Türk Finance Group donated TL 20 million to the National Solidarity Campaign launched to support those in need in the face of the Covid-19 pandemic.

1989	1993	1999	2004
Kuveyt Türk was established with the title Kuveyt Türk Evkaf Finans Kurumu A.Ş. on March 31, 1989 under the authorization of the Central Bank of the Republic of Turkey, dated February 28, 1989.	Kuveyt Türk's Head Office and branches were linked online to each other.	The Bank started to conduct its business operations subject to Banking Law No. 4389.	Kuveyt Türk opened its first overseas office in Mannheim, Germany.
1990	1994	2000	2005
Kuveyt Türk was awarded the Gold Prize for its contributions to the ready-to-wear industry. Kuveyt Türk's founding capital doubled.	The Head Office moved to its new service building. The first public housing development project - Huzur - was completed, with the residential units delivered to their owners.	The Bank started providing retail banking services. Kuveyt Türk became the first interest-free financial institution in Europe to receive ISO 9001-2001 Quality Certification.	The Bank received an achievement award from Istanbul International Finance Forum for its contributions to the interest-free banking sector.
1991	1995	2001	2006
As a result of international banking services provided by Kuveyt Türk during the year, the Bank ensured a foreign currency inflow of USD 39 million from exports and invisible items.	In recognition of its support to exports, the Bank was awarded the Gold Prize by the Association of Istanbul Ready-Made Garment Exporters.	The Bank introduced the Palmiye Card, the first commercial card with installment payments.	The Bank was renamed as 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)."
1992	1996	2002	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 at that time.
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.	Körfez Gayrimenkul A.Ş. was established as a subsidiary of Kuveyt Türk.	Kuveyt Türk became the first private financial institution to be a direct member of Visa.	
1997	1998	2003	
Kuveyt Türk's total branch network expanded to 16 locations.	Kuveyt Türk launched its first credit card.	In order to offer interest-free banking services nationwide, Kuveyt Türk reached an agreement with the Turkish Post (PTT), which has nearly a thousand online branches.	

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.	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.	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.	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.
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. During the year, Kuveyt Türk unveiled a range of innovative products, including Gold Swap, Gold for Gold and Gold Check.	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."	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 Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş., Katılım Emeklilik ve Hayat A.Ş. was established.	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.
2009 Between 2008-2016, Kuveyt Türk 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 converted into a Financial Services Branch.			

THE STORY OF 31 SUCCESSFUL YEARS

Kuveyt Türk introduced the service, "My Collections Secured" to protect everyone, regardless of whether they are the Bank's customers, against possible risks related to car and household trading transactions.

2016	2017	2018	2019
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.	Kuveyt Türk launched its new generation retail credit card "Sağlam Kart." Kuveyt Türk held the Hackathon Digital Banking Software Project Competition to support development of the FinTech ecosystem and 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.	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 wholly-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.	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.

2020

Kuveyt Türk launched "Digital Explorer" products comprised of accounts, cards, and an application for children who know how to save and love to explore. Kuveyt Türk's new products encourage children to spend responsibly and parents to secure their children's future.

Kuveyt Türk became the new owner of Neova Sigorta, Turkey's first tekâfûl (interest-free insurance) company where it previously held 7% of the shares, taking over the remaining 93% of the stake. A significant player in the insurance sector, Neova Sigorta continues its growth as the wholly-owned subsidiary of Kuveyt Türk.

Kuveyt Türk introduced the service, "My Collections Secured" to protect everyone, regardless of whether they are the Bank's customers, against possible risks related to car and household trading transactions.

Kuveyt Türk incepted Innhouse, an innovation center that comes to the fore with its distinctive, original, and functional architectural design. The center aims at generating innovative ideas and projects that prioritize customer experience, improve working standards, and shape the finance sector of the future.

Kuveyt Türk was included in the "Europe's Best Employers 2020" list by Great Place to Work Institute, one of the world's most prestigious rankings in the field of human resources. Turkey's first financial institution to be included in the list, Kuveyt Türk has also become the first Islamic finance bank ever to be on this list in Europe.

Kuveyt Türk also won two awards at Turkey's Best Employers 2020, organized by Great Place to Work Institute Turkey. The Bank won this award three consecutive times.

Kuveyt Türk Finance Group donated TL 20 million to the National Solidarity Campaign launched to support those in need in the face of the Covid-19 pandemic.

Kuveyt Türk helped publish two reference materials for future generations in 2020. In celebration of the 60th artistic life of composer Hâfız Âmir Ateş, the book dwells on the life and artworks of the composer who produced some 2,000 compositions and raised tens of artists in his lifetime. An album of Amir Âteş's religious music and songs was also released. Ayasofya'nın Nişânesi - Kazasker Mustafa İzzet (the Mark of Hagia Sophia - Military Judge Mustafa İzzet) introduces readers to the life and artworks of Kazasker Mustafa İzzet Efendi, an expert scribe of the 19th century who inscribed on the famous signs of Hagia Sophia.

Techno-Venture CİF, which operates under the umbrella of a Kuveyt Türk subsidiary, KT Portföy, invested in the ventures of Visiomex, Oo-Kuma, BulutKlinik, Pollective, and Otovinn.

Signing a deal with Turkish Airlines, Kuveyt Türk became the first participation bank to become a member of the Miles&Smiles program.

ABOUT KUYEYT TÜRK

Kuveyt Türk stays true to its vision of "sustainable and profitable growth" in its successful operations.



Mission

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

The Kuveyt Türk family conducts all its financial activities within the framework of participation banking principles.



Our Quality Policy

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

Improves the degree and quality of customer satisfaction,

Leads the banking sector,

Creates value under the leadership of senior management, and

Taps into the ongoing efforts of employees throughout the organization.



Values

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

Solid banking
Fairness
Trust
Team spirit
Professionalism



Vision

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

Kuveyt Türk fosters progress in the banking industry with its highly competent and well-qualified workforce.



Ethical Principles

Kuveyt Türk pursues the following ethical principles to deliver services underpinned by its values:

Integrity
Impartiality
Transparency
Confidentiality
Ethical approach



Our Service Principles

Kuveyt Türk pursues the following ethical principles to deliver services underpinned by its values:

Robust banking

Justice

Trust

Team spirit

Professionalism



KÜVEYTÜRK



KÜVEYTÜRK

MERKEZ ŞUBESİ

STRONG PERFORMANCE

In 2020, we achieved strong financial and operational results backed by the support of our expert, educated, young and dynamic employees.

Hamad Abdulmohsen AL MARZOUQ
Chairman of the Board of Directors



MESSAGE FROM THE CHAIRMAN

Our highly competent, well-trained, young, and dynamic employees were the driving force of Kuveyt Türk's success in 2020, as in previous years.



The banking industry played an active role in combatting the pandemic and its impact, while contributing to the real economy amid the rebalancing of financial activity and normalization.

12
USD
Trillion

IMF rolled out USD 12 trillion in financial assistance.

Esteemed Shareholders,

2020 was marked by the global impact of the coronavirus pandemic. Financial markets were shaped by developments around it and central banks pursued aggressive quantitative easing to lessen the pandemic's effects. Action plans were also introduced by governments and public authorities around the globe to buffer the impact of risks to economic activity.

QUANTITATIVE EASING FROM THE FED AND ECB

In response to the pandemic, the world's central banks – the Federal Reserve and European Central Bank in particular – adopted wide scale quantitative easing policies while national governments implemented wide-ranging economic stimulus packages. These efforts limited the pandemic's impact on the world economy to a degree. Encouraging developments related to a vaccine against Covid-19 arrived in the last quarter of the year, further supporting a positive outlook in financial markets. All of which raised hopes that global economic activity would rebound strongly in 2021.

In December, OECD's Economic Outlook Interim Report underscored that a sustainable worldwide economic recovery requires ongoing financial support and a commitment to expansionary monetary policies. The report also cited positive developments in the fight against the pandemic, while projecting that the global economy will continue to recover over the next two years, albeit gradually. OECD upward revised its previous forecast for a 4.5% contraction in the global economy to 4.2% in 2020.

USD 7.5 TRILLION IN MONETARY SUPPORT WORLDWIDE

IMF's Annual Report 2020 reveals the direct impact of the pandemic on world economic activity. The IMF, governments, and other public authorities implemented comprehensive action plans to support the global economy. According to the report, total support worldwide amounted to USD 7.5 trillion in fiscal and USD 12 trillion in monetary actions during the year.

As of January, the Fed kept policy interest rates anchored near zero, i.e. 0% to 0.25%, and continued its asset purchase program throughout 2020. In a statement, the Fed signaled that it would maintain its bond purchasing and supportive efforts for the US economy during the recovery phase.

In Q2 2020, the pandemic hit the US economy most severely and marked its worst performance in history. Subsequently however in Q3, America's economy bounded back to deliver record annualized growth of 33.1%.

Meanwhile, the European Central Bank kept its benchmark interest rates unchanged, without revising its current monetary policy at its December meeting. ECB expanded the Pandemic Emergency Asset Purchase Program (PEPP) by EUR 500 billion, raising it to EUR 1.85 trillion. The program is scheduled to continue until March 2022, according to ECB's statement. The second wave of the pandemic is more severe than expected and the appreciation of the EUR creates downward pressure on pricing levels, ECB announced.

TURKEY'S ECONOMY INSPIRES CONFIDENCE WITH STRONG FUNDAMENTALS

The 2020 Financial Stability Report of the Central Bank of Turkey (CBRT) pointed to a rebound in global economic activity that exceeded expectations. The stronger than expected recovery reduced global uncertainties to a degree. Thanks to worldwide easing of mobility restrictions in May and June coupled with supportive measures taken during the pandemic, the global economy bounced back. According to the report, however, uncertainties persist on the course of the pandemic, vaccine efforts, and the timeframe during which anti-pandemic restrictions will remain in place. In addition, the maneuvering capacity of supportive policies, weak economic activity, the profitability outlook of the banking sector, implications of growing credit risks, and sudden liquidity shocks are vulnerabilities that threaten global financial stability.

Turkey's economy has recorded positive growth in 2020 driven by solid real sector dynamics coupled with the support of its robust banking sector. The banking industry played an active role in combatting the pandemic and its impact, while contributing to the real economy amid the rebalancing of financial activity and normalization.



**The leading player
of the Turkish
participation
finance sector,
Kuveyt Türk
remains committed
to contributing
further to the
sustainable growth
of the country's
economy.**



**Turkey's economy
has recorded
positive growth
in 2020 driven by
solid real sector
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with the support of
its robust banking
sector.**

KUVEYT TÜRK STANDS BY ITS CUSTOMERS DURING THE PANDEMIC

In 2020, Kuveyt Türk implemented comprehensive action plans to support the real sector in the fight against the coronavirus pandemic. The Bank provided its corporate and retail customers with support packages from the outset of the pandemic.

The leading player of the Turkish participation finance sector, Kuveyt Türk remains committed to contributing further to the sustainable growth of the country's economy.

Our highly competent, well-trained, young, and dynamic employees were the driving force of Kuveyt Türk's success in 2020, as in previous years. I would like to extend my gratitude to you, our esteemed colleagues, for your valuable contributions to our achievements, and to our stakeholders for your unfaltering support.

With regards,

HAMAD ABDULMOHSEN AL MARZOUQ
Chairman of the Board of Directors



LEADING THE SECTOR

Driven by its strong capital structure and dynamic corporate governance approach, Kuveyt Türk worked without respite to add value for shareholders in 2020.

Ufuk UYAN

**Member of the Board of Directors
and Chief Executive Officer**

MESSAGE FROM THE CEO

In addition to its pioneering contributions to Turkey's participation finance sector, Kuveyt Türk has injected momentum into the banking industry's digital transformation with its exemplary practices.



Ranking first in the category of "5000+ Employees," Kuveyt Türk was also named "Best Employer of Turkey" for the third time. The Bank won the "Best of Finance" special sector award for the third year in a row in 2020.

1.4
TL Billion

Kuveyt Türk raised its net profit to TL 1.4 billion.

Esteemed Shareholders,

2020 was overshadowed by the coronavirus pandemic which severely hit the world macroeconomic outlook and global economic activity. The second half of the year saw a gradual transition to a "new normal" backed by the decisive action of central banks as well as government and public authorities. Driven by its strong capital structure and dynamic corporate governance approach, Kuveyt Türk worked tirelessly to add value for shareholders during this very challenging year. The Bank continues to move forward with the strong shareholding structure of its principal shareholders: Kuwait Finance House (KFH), and the General Directorate of Foundations. In addition to its pioneering contributions to Turkey's participation finance sector, Kuveyt Türk has injected momentum into the banking industry's digital transformation with its exemplary practices.

SUSTAINABLE FINANCIAL PROFITABILITY WITH A FOCUS ON DIGITALIZATION

Kuveyt Türk boasts 32 years of experience in products and services developed in line with the principles of participation finance. In 2020, the Bank further increased its profitability and maintained consistent growth, while boosting its net profit to TL 1.4 billion, up 26,2% year-on-year. Kuveyt Türk's total funds raised climbed to TL 122.2 billion, an increase of 42.9% over the prior year. Funds extended rose to TL 79.1 billion, up 36.5% for the year. With shareholders' equity of TL 8 billion and total assets of TL 152.3 billion, Kuveyt Türk ranks 10th in the overall banking sector by assets. The Bank also maintained its lead among other participation finance institutions in terms of asset size. In a pandemic-ridden year, Kuveyt Türk focused on protecting the health and wellbeing of its customers and employees. The Bank was able to effectively address customers'

financial needs via digital channels thanks to its swift and solution-oriented technology infrastructure.

INCREASED SUPPORT FOR THE REAL ECONOMY

In response to the pandemic, Kuveyt Türk lowered the financing rate of housing, vehicle and general purpose loans to support the real economy and help individuals obtain finance easily. In addition, Kuveyt Türk signed an agreement with Emlak Konut REIC to participate in the "Don't Postpone Your Dreams, Turkey" campaign in order to help individuals who want to become homeowners, while boosting the housing sector and Turkey's economy. Kuveyt Türk also provides a 10% discount and a payment-free period of 24 months to its customers with up to 180-month installments. As a result, the Bank eases the budgets for prospective homebuyers and boosts the construction industry. Kuveyt Türk Finance Group took part in the National Solidarity Campaign initiated by the Turkish President's Office to support those in need in the face of the pandemic. Kuveyt Türk Finance Group donated TL 20 million to the campaign "We are Self-Sufficient, Turkey."

MY COLLECTIONS SECURED

In 2020, Kuveyt Türk further expanded its product and service offering with a focus on delivering maximum customer satisfaction. Since its founding, the Bank has prioritized supporting the real economy and facilitating the lives of its customers. To these ends, Kuveyt Türk developed the My Collections Secured system to ensure safe vehicle and household transactions. As part of the My Collections Secured offering, Kuveyt Türk provides service to anyone who wants to buy or sell vehicles or homes – regardless of whether they are a Bank customer or not.

A NEW PRODUCT FOR CHILDREN: DIGITAL EXPLORER

Kuveyt Türk is committed to providing savers and investors with exceptional financial products and services in the most effective manner. The Bank designed the innovative Digital Explorer products specially for children. The new product line includes the Digital Explorer Participation Account, Digital Explorer Card and Digital Explorer Mobile Application. With these products, children can now manage their personal budget and build their savings, while also developing their financial literacy skills.

NEOVA SIGORTA: KUYEYT TÜRK'S 100% OWNED SUBSIDIARY

In 2020, Kuveyt Türk became the new owner of Neova Sigorta, Turkey's first tekâfûl (interest-free insurance) company. Previously holding 7% of the company's shares, the Bank acquired the remaining 93% stake during the year. Neova Sigorta is a leading tekâfûl provider in the non-life branch. Now a wholly-owned Kuveyt Türk subsidiary, Neova Sigorta plans to continue adding value to Turkey's economy with new products and services for customers.

R&D BASED ON A BIO-INNOVATION APPROACH: INNHOUSE

Kuveyt Türk founded a unique innovation center equipped with an original and functional architectural design. Inaugurated in first quarter 2020, Innhouse aims to develop innovative ideas and projects that prioritize customer experience, improve working standards, and shape the finance sector of the future. Innhouse's key approach is based on the emerging field of bio-innovation. Innhouse plans to organize customer experience- and design-focused thinking workshops and undertake efforts geared toward financial technologies and digital transformation.



In 2020,
Kuveyt Türk became
the new owner
of Neova Sigorta,
Turkey's first
tekâfûl (interest-
free insurance)
company.
Previously
holding 7% of the
company's shares,
the Bank acquired
the remaining 93%
stake during the
year.

122.2
TL Billion

The total extended
funds of
Kuveyt Türk is
TL 122.2 billion.

KUYEYT TÜRK: ONE OF EUROPE'S BEST WORKPLACES

During the year, Kuveyt Türk was presented with two awards at Turkey's Best Workplaces 2020, organized by Great Place to Work Institute Turkey. Ranking first in the category of "5000+ Employees," Kuveyt Türk was also named "Best Employer of Turkey" for the third time. The Bank won the "Best of Finance" special sector award for the third year in a row in 2020. In addition, Kuveyt Türk was included in the "Europe's Best Workplaces 2020" list compiled by the same organization. Turkey's first financial institution to be included on the prestigious list, Kuveyt Türk is the first Islamic finance bank ever to appear on the ranking in Europe. In 2020, Architech, a wholly-owned Kuveyt Türk technology subsidiary, ranked among the best employers in the category of "50-250 Employees."

Kuveyt Türk strives to maintain its leadership position in Turkey's participation finance sector. The Bank is moving forward thanks to its solid capital and liquidity structure, high asset quality, dynamic corporate governance approach, customer service model based on continuous improvement, growing advanced technology investments, intensive digital transformation efforts, robust subsidiary network and moves into international markets.

Ufuk UYAN

Member of the Board of Directors and CEO
Kuveyt Türk Participation Bank

RETAIL BANKING

Kuveyt Türk Private Banking and Wealth Management Directorate raised total assets by 35% to TL 19.3 billion, reaching an all-time high in its corporate history.

Reaching 5.2 million individual customers as of the end of 2020, Kuveyt Türk serves customers via an extensive network of 435 branches, 4 of which were opened in 2020. In the meantime, physical and digital branch experience is combined with digital channels and Senin Bankan that bring the benefits of a physical branch to customers' smart devices via digital banking services.

The Private Banking and Wealth Management Directorate, Retail Marketing Group Directorate, and Digital Marketing Directorate operate under Kuveyt Türk's Retail Banking.

PRIVATE BANKING AND WEALTH MANAGEMENT DIRECTORATE

Kuveyt Türk Private Banking and Wealth Management 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 Directorate extends these exclusive 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.

SUKUK ISSUANCE WORTH TL 4.9 BILLION

Kuveyt Türk Private Banking and Wealth Management Directorate paid TL 514 billion in finance and issued sukuks amounting to TL 4.9 billion in the fiscal period of 2020. Raising total assets by 35% to TL 19.3 billion, the Directorate reached an all-time high in its corporate history.

Kuveyt Türk Private Banking and Wealth Management Directorate continued to increase customer satisfaction and worked to acquire new potential customers in 2020. Efforts were made to redirect existing customers to digital channels and help them perform banking transactions on



Kuveyt Türk Private Banking and Wealth Management Directorate paid TL 514 billion in finance and issued sukuks amounting to TL 4.9 billion in the fiscal period of 2020.

these channels, tapping into remote and flexible working models that were adopted during the Covid-19 pandemic. The Directorate also focused on the "Senin Bankan" channel to help potential customers benefit from remote account opening procedures. As part of the measures taken to fight against the virus, customer representatives at branches were provided with laptops so as to allow them to work at home to prevent any interruption in services and banking transactions.

MALL OF İSTANBUL AND ESENYURT E-5 PRIVATE AND FOREIGN BANKING CENTERS

The consistent growth of the Directorate in financial figures continued in 2020, paving the way for the inauguration of Mall of İstanbul and Esenyurt E-5 Private and Foreign Banking Centers. Centralization projects aimed at providing more comfortable services to private and foreign banking customers were completed. As the first participation bank to position high net worth individuals in the Private Banking segment, Kuveyt Türk serves customers from 77 countries on six continents via the Private Banking and Wealth Management Directorate. Targeting a higher customer segment through a change in Private Banking criteria, the Directorate attained a total asset size of TL 19.3 billion in the 2020 accounting period, equaling a 35% 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 and Wealth Management Directorate further broadened its client base in 2020 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,

**435
Branches**

Kuveyt Türk serves through a total of 435 branches.

investment funds, and personalized investment funds – the Private Banking Group Directorate conducted active marketing efforts for 20 sukuk issuances aimed at qualified investors in 2020.

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, in particular, 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.



TL SUKUK FUND FOR PRIVATE BANKING CUSTOMERS

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 and Wealth Management 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, dry cleaning services, discount airport transfer services, discount checkup services, free of charge overseas travel health insurance, discounts at overseas restaurant and accommodation expenditures, free Gastro Club member services, discount accommodation, and vacations via halalbooking.com, and fee-free ATMs.

LEGAL CONSULTING ON 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 2020. Kuveyt Türk's Private Banking website www.kuveytturkozol.com.tr is available in Turkish, English and Arabic, ensuring that local customers can open accounts instantly. 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 Private Banking and Wealth Management Directorate's website features weekly articles from well-known artists in their respective areas.

Generating a high added value for Kuveyt Türk, the Private Banking and Wealth Management 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 2021. The aim is to adapt to new strategies and roadmaps swiftly under the 2025 Private Banking Strategy formulated in partnership with consulting firms.



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.

5,2
Million
People

As of the end of 2020, Kuveyt Türk serves 5.2 million retail customers.



For foreign customers who wish to open accounts at the Bank, the Call Center operates 24/7 with callback options in Turkish, English, and Arabic to help them set up their accounts.

RETAIL BANKING

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.



During the Covid-19 pandemic, Kuveyt Türk has adopted an alternating work schedule at branches and the Head Office to serve customers on an uninterrupted basis.

RETAIL MARKETING GROUP DIRECTORATE

As the first bank to introduce participation banking products and services to the retail segment, Kuveyt Türk acquired 636 thousand new customers and expanded its total retail customer base by 14% to 5.2 million in 2020. The Bank raised TL 26 billion in new funds through retail banking activities, reaching growth in the total fund volume by 60% year-on-year. Kuveyt Türk is at the disposal of customers via an extensive branch network, ATMs at prominent commercial and industrial hubs, the Internet Branch and Telephone Banking designed with state-of-the-art technology and a well-experienced retail sales team.

ALTERNATING AND ROTATING SCHEDULES IN ALL BUSINESS UNITS DURING THE COVID-19 PANDEMIC

During the Covid-19 pandemic, Kuveyt Türk has adopted an alternating work schedule at branches and the Head Office to serve customers on an uninterrupted basis. In the same period, decisions were made to increase the limits for ATM and cash transactions, EFT/Wire Transfer limits on digital channels, and limits for the contactless transactions made via credit cards. These were part of the measures to prevent in-branch density and prioritize the health of employees and customers alike by minding social distance at branches. Regular communication with customers was ensured on the Mobile and Internet branches to encourage them to perform transactions via digital channels and use the contactless feature of their credit cards while shopping. As part of ongoing digitalization projects, account opening procedures at branches were digitized introducing the Mobile Branch approval. This also helped reduce the use of paper and physical contact between people.



ACCOUNT MANAGEMENT

Kuveyt Türk recorded TL 69 billion - a 133% year-on-year increase - in the total balance of its retail sector deposits in 2020. The Bank's total rate of the retail sector deposits accounted for 60% of total deposits while attaining a 133.4% year-on-year growth in the balance of precious metals on time deposit and checking accounts. In the retail sector, the overall volume raised through all gold and silver accounts of the Bank totaled 61.6 tons. The ongoing gold coin collection campaign "Golden Days" helped integrate about 2.5 tons of gold into Turkey's economy in 2020. Kuveyt Türk enables the Gram and Quarter Gold Coin account 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 and sell gold on the Internet Branch and Mobile Branch.

26
TL Billion

Kuveyt Türk acquired new funds worth TL 26 billion for retail banking activities in 2020.



Kuveyt Türk offers the following account products:

- Digital Explorer Accounts contributed to children's financial literacy. While children save through Digital Explorer Current Accounts and Digital Explorer Participation Accounts, they can spend and draw money within the limits set by parents. Account balances and spending can be monitored on the Digital Explorer Mobile App specifically designed for children. The Mission: Mars is a game developed for Digital Explorers that contributes to their scientific learning and introduces them to the world of coding. As a result, a 59% YoY increase was attained in the accounts below the age of 18.
- Kuveyt Türk launched the Easy Addressing System, a next-gen money transfer method that links GSM number, Turkish ID no. or e-mail of the user with the account information and allows this information to be used instead of IBAN number. Integration was completed with the FAST payment infrastructure where new technology is deployed to minimize cash management procedures.
- Customers' investments have been diversified thanks to the Basket Account launched in 2020 that channeled 50% of investments to the investment funds and the other 50% to the participation accounts to offer favorable profit-sharing rates.
- The Digital Participation Account was made available for customers to address their needs while speeding up the migration to digital channels and reducing the number of in-branch transactions. Favorable sharing rates are offered by TL Digital Participation Accounts that can be easily and swiftly opened via Mobile and Internet branches.



Customers' investments have been diversified thanks to the Basket Account launched in 2020 that channeled 50% of investments to the investment funds and the other 50% to the participation accounts to offer favorable profit-sharing rates.

**341
Thousand
People**

The total number of Kuveyt Türk's PPS participants is 341 thousand.



Kuveyt Türk introduced Full Support Health Insurance and Travel Health Insurance to cover the expenses of health services received from private hospitals up to eight times per year irrespective of the amount.

- As part of Pensioner Banking, efforts were undertaken to create an exclusive Call Center, make promotional payments without an application, and conduct transactions upon orders to minimize the need of customers aged above 65 to visit a physical branch during the Covid-19 pandemic.

INSURANCE AND PENSIONS

- 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. The Bank attained 341 thousand PPS plans as of the end of the 2020 accounting period. The PPS fund portfolio size climbed to TL 2.3 billion and commission revenues amounted to TL 5.7 million.
- Diligently observing the principles of tekâfûl (interest-free insurance) in all its operations and contracts, Kuveyt Türk acquired Neova Sigorta, Turkey's only insurance company to provide services under these terms. The Bank has collaborated with Neova Sigorta since 2010 and aims to contribute to its achievements in 2021.
- 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 has tapped into the advantages provided by Neova Sigorta and Katılım Emeklilik to meet its customers' insurance needs with generous collateral structures and alternative product bundles in 2020. Kuveyt Türk has continued to take steps aimed at addressing the requirements of our era, in which digital transformation prevails in 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.
- 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. In 2020, the insurance premiums generated by Katılım Emeklilik through Kuveyt Türk reached TL 107 million, while insurance commission revenues amounted to TL 17.7 million.

RETAIL BANKING

Enabling customers' access to their current account at ATMs and while shopping and earn Gold Points for their purchases, Sağlam Debit Card reached 2,987 thousand in 2020.



CREDIT AND DEBIT CARDS

- The number of Kuveyt Türk credit cards grew by 16% year-on-year and reached 842 thousand, equaling a 17% hike in turnover in 2020. Enabling customers' access to their current account at ATMs and while shopping and earn Gold Points for their purchases, Sağlam Debit Card reached 2,987 thousand in 2020.
- Receiving customer praise for Sağlam Kart, which splits healthcare and education expenses into five interest-free installments even in the absence of vendor agreement and has introduced seasonal installment campaigns in 2020, the Bank continues to develop innovative payment systems. In addition, Kuveyt Türk signed a deal with Turkish Airlines and became the first participation bank to become a member of the Miles&Smiles program.



Signed a deal with Turkish Airlines, Kuveyt Türk became the first participation bank to become a member of the Miles&Smiles program.

842 Thousand

The number of Kuveyt Türk credit cards grew by 16% year-on-year, equaling 842 thousand in 2020.

FINANCING

- Retail Banking accounts for 14% of total loans, with a loan portfolio amounting to TL 10,31 billion. With vehicle finance liabilities reaching TL 1.5 billion, Kuveyt Türk grew 66% year-on-year and attained a market share of 15.2%. The Bank still offers customers a wide range of personal finance solutions that meet all their needs – from travels to education or Hajj/Umrah travels to wedding expenses.

DIGITAL BANKING GROUP DIRECTORATE

The Digital Banking Group Directorate aims primarily to cut operational costs of branches and implement new trends in marketing methods. Instead of a conventional branch-based banking approach, the Group Directorate operates on a low-cost, technology-based, efficient, and customer-oriented marketing approach. Digital Banking also develops new marketing alternatives by using digital tools, while aiming to gather its activities under a single umbrella.

The Digital Banking Group Directorate serves all customer segments, including retail customers and legal entities.

The organizational structure of the Bank was changed in October 2020, as a result of which product development and marketing units were merged. The Digital Banking Group Directorate consists of three departments. These are:

- Digital Marketing Department
- Branchless Banking Department, and
- Digital Channel Management Department.

The Group Directorate boasts Senin Bankan, the first interest-free digital banking product in the world; and XTM, the world's first automated teller machine project that combines video chat with self-service transactions. Dedicated teams in charge of mobile branch and internet branch enhancements and marketing activities also operate under this structure.

Digital experience is monitored through data-driven methods, while efforts are undertaken to help offer a better experience with digital products and digital channels.

DIGITAL MARKETING DEPARTMENT

Digital Marketing Department is in charge of the mobile branch, Internet branch, and corporate website. The digital marketing team works to improve the general structure of digital channels; increase the number of active users; manage campaigns; improve user and digital customer experience; diversify transactions, and perform product sales via digital channels. They also conduct works to adapt the developments in financial technologies to the Bank and offer new digital products and services to customers.

The Digital Marketing Department operates with two service units: Retail and Corporate Digital Solutions.

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, Kuveyt Türk undertook further efforts in 2020 to boost the use of the Mobile Branch. In 2020, the active user base of the Mobile Branch expanded nearly 36%, equaling 1 million 700 thousand people. Meanwhile, the active customer base on the Bank's digital banking platform rose 37% to 1 million 850 thousand. With the increase in Mobile Branch and Internet Branch use in 2020, around 85% of the Bank's active customers now use the digital channels.

Customer interest in digital transactions grew in the aftermath of the restrictions introduced when the World Health Organization (WHO) declared Covid-19 a pandemic. While limits for digital channels could only be increased via branches in the past, the Bank made sure that

customers are able to change limits via the Call Center during this period. Selim, a smart virtual assistant, was introduced to help customers get information quickly. This also helped customers tap into digital channels more in their applications. In the period where restrictions were imposed, over 90% of the transactions were performed via digital channels. Customers' use of digital channels remained the same even after the restrictions against the pandemic were eased.

Kuveyt Türk Website: Attracting approximately 8.6 million visitors annually, the Kuveyt Türk website ranks 255th 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. The advanced search option helps customers find the information they need such as Gold Days and the nearest ATM. Kuveyt Türk Website offers customers to access their choice of language in Turkish, English, and Arabic. Money Gram application forms can now be submitted via the website, which is a first in Turkey. This is aimed at helping customers first prepare their forms without having to visit a branch and complete money transfers instantly at the branch.

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, 270 thousand persons received notifications at no extra cost in 2019, which increased by 27% to 344 thousand in 2020. During the year, multiple daily logins by the same user on the Internet branch rose by 14% year-on-year, reaching 3 million on average monthly. In addition, individual users visiting the website upped 18% over the prior year. Studies were conducted to address the insufficient contents on the website so as to make sure that personalized recommendations are displayed to customers on the basis of their previous transactions. A blog was also developed where customers can find content on technology, life, and culture in addition to financial information within the website.



Having introduced internally-developed iOS and Android mobile branch apps, Kuveyt Türk continued to extend the use of the mobile branch through activities conducted in 2020.

**1.7
Million
People**

Active customers using the mobile branch increased by 36% year-on-year to some 1 million 700 thousand in 2020.



Attracting approximately 8.6 million visitors annually, the Kuveyt Türk Website ranks 255th among the most visited websites in Turkey.

RETAIL BANKING

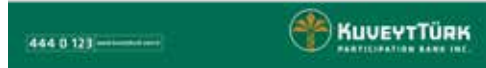
Constantly undertaking development efforts to further enhance its services, Kuveyt Türk Internet Branch put the main emphasis on improving user experience and broadening the use of Internet Banking in 2020.



Setting up investment accounts, as well as PPS and insurance applications was possible only at physical branches. In 2020, enhancements were made and these services were introduced on the mobile branch.



Banking service in sign language at Kuveyt Türk XTM



The new accessible banking page within the website now allows customers with hearing, visual and orthopedic disabilities to get information on services via all channels.

Internet Banking: Constantly undertaking development efforts to further enhance its services, Kuveyt Türk put the main emphasis on improving user experience and broadening the use of the Internet branch in 2020. In the new period, Internet branch logins are possible upon a mobile notification instead of SMS OTP. Smart Virtual Assistant Selim was deployed in 2020 to help customers get instant responses to their questions.

Some enhancements were made to make the salary payment process easier, in addition to enhancements made to provide better services to customers in foreign trade transactions. LC listing transactions can now be monitored on the Internet branch screens.

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, in 2020. A broad range of functionalities is now offered to customers thanks to the migration of numerous transactions to the mobile branch. The revamped design of the Mobile Branch boasts further success with color and theme 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. In 2020, the Bank made it possible to set up investment accounts and make PPS and insurance applications on the mobile branch, which were only available in the branches. 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 to help customers perform transactions quickly.

- Under the Easy Addressing Project, customers are allowed to enter their mobile phone number, e-mail address, and Turkish ID number instead of an IBAN number.
- Smart Virtual Assistant Selim provides access to the transactions and information customers look for on the mobile branch.
- As part of Paperless Banking Efforts, legally approved deals and statements can be obtained via digital channels. Bundle management campaigns have been integrated with digital channels, enabling customers to purchase the bundle they wish on the mobile branch without visiting the branch.
- Face recognition features were introduced on Android and iOS to provide extra security. The mobile branch also allows easy access to the e-government system.

**344
Thousand
People**

Kuveyt Türk served notifications to 344 thousand customers in 2020.

- Documents relating to restructuring processes are made available on the "My Documents" section of the mobile branch. As part of Digital Participation Accounts, more favorable profit-sharing rates are offered to participation accounts opened via digital channels.
- NFC support was introduced to CebimPOS, thanks to which customers can make faster payments by bringing the card close to the phone instead of typing card details manually.
- Private Banking QR Code Campaign Enhancements will help offer special campaigns to private banking customers at airports.



BRANCHLESS BANKING DEPARTMENT

The Branchless Banking Department is in charge of the Bank's efforts aimed at new customer acquisition. It develops new customer acquisition platforms in addition to Kuveyt Türk and Senin Bankan for different target groups while expanding the customer base through increasing alternative channels with Fin-Tech partnerships. In the meantime, generating new deposits for Kuveyt Türk is among the main goals of the Department.



In April, during which the impact of the Covid-19 pandemic was felt intensely, 80% of all new accounts were opened via Senin Bankan.

**349
Thousand
People**

The number of Branch-free Banking customers rose to 349 thousand in 2020.



As part of the "Young Stars" loyalty program, benefits were offered to address the specific needs of university students below the age of 25 who are Senin Bankan users.

Enhancements on Senin Bankan website and mobile app, continuous experience improvement efforts, and digital and offline communication and marketing activities for customer acquisition are managed by the Department. These services will be also offered to legal entities via the Senin Bankan SME Platform to be deployed in 2021.

TURKEY'S FIRST AND ONLY DIGITAL PARTICIPATION BANKING PLATFORM: SENİN 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 2020, the Bank maintained its growth built on the concept of Next-Gen Digital Bank. It reached 349,000 customers with an 81% hike as of the end of 2020.

Developing products and services aimed at "simple, lean and digital banking," Senin Bankan undertook the following in 2020:

- Senin Bankan served as a primary customer acquisition channel for Kuveyt Türk customers in the period during which Kuveyt Türk branches were unable to provide physical services due to the restrictions related to the Covid-19 pandemic. In April, when the impacts of the Covid-19 pandemic were felt intensely, 80% of all new accounts were opened via Senin Bankan.
- The Mobile Branch started to accept investment account and insurance applications.
- Senin Bankan Genç (Senin Bankan Youth) campaign was inceptioned. As part of the campaign, events were organized at campuses to expand the visibility of the brand among the youth. Furthermore, benefits were offered to address the specific needs of university students below the age of 25 who are Senin Bankan users as part of the "Young Stars" loyalty program.

RETAIL BANKING

Kuveyt Türk XTM points are available at 77 locations including 43 Retail and 30 SME Branches, as well as 4 locations independent of the branches.



- A pilot project has been deployed to complete remote account opening procedures for the unlimited companies at Senin Bankan.
- Enhancements have been completed for alignment with the BRSA's regulation on remote account opening procedures, planned to come into effect on January 1, 2021.

DIGITAL CHANNEL MANAGEMENT DEPARTMENT

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 2020. Under the XTM project, customers can perform almost all banking transactions selecting from Turkish, English, Arabic, and sign language options. Providing ease of use in banking transactions for hearing-impaired customers thanks to the sign language option, the Bank conducted several promotion campaigns in 2020.



Some 80% of the active retail branch customers use digital channels in banking transactions.

3 million people use sign language in Turkey. The hurdles they face when it comes to communication are eliminated with the deployment of more XTM points. Communication between the customer and call center staff is easily established via the XTM device. In 2020, the XTM project was further developed by increasing available transaction sets and establishing additional branches in 13 provinces, mostly in Istanbul.

Kuveyt Türk XTM points are available at 77 locations including 43 Retail and 30 SME Branches, as well as 4 locations independent of the branches. The retail branch concept consists of one manager, two marketing experts, one branch-front ATM, one lobby ATM, and at least one XTM. No teller or operations staff is assigned at these branches. Significant operational efficiency is attained through retail branches, while numerous marketing activities are performed easily thanks to the XTM device. As of the end of 2020, retail branches have raised TL 2.7 billion and extended TL 820 million in funds. Some 80% of the active retail customers use digital channels in banking transactions.

Customer services of XTM are available in English and Arabic. %40 of foreign customer accounts of the Bank were opened upon a connection with the call center via XTM in 2020. Procedures followed in setting up an account for foreign customers are recorded and stored in audio and video versions. This adds to the security of customers and the Bank, whilst preventing possible fraud incidents.

In the face of the Covid-19 pandemic that hit the world in 2020, health measures have been put in place all around the world including Turkey. Customers welcomed and provided positive feedback on social distancing rules and the convenience of digital connection at the branches with an XTM point.

2.7
TL Billion

Retail branches raised TL 2.7 billion in funds as of the end of 2020.

A single title system has been put into use across the Bank to boost the efficiency of retail branches. One manager, one security officer, and two marketing experts - one in retail and the other in micro marketing - are assigned to these branches. The marketing staff strengthened their retail and micro marketing skills and then have been given the title of retail branch sales officer. This helps them serve as backups for one another in the case of annual or sick leaves, resulting in higher efficiency and productivity in branches.

The obligation for wet signatures on the contracts and forms required by banking regulations has been lifted. As part of the Paperless Banking project conducted by the Bank, efforts were undertaken on the infrastructure for the migration of such documents to the digital environment. The XTM device has also been integrated with this infrastructure. Many documents collected at the stages of customer creation, information updates, and account opening procedures are now accessible in the digital environment.

"Retail Branches Champions League" and "SME Branches Champions League" were organized to help improve the performance of retail branches through gamification strategies - a new trend in marketing. Enabling the branches to track their performance increase clearly, these games were first organized two years ago and are now monitored continuously. The progress made here grabs the attention of the Bank and the market. Kuveyt Türk attends conferences on this field as part of the events organized at several universities.

Almost all banking transactions can be carried out at XTM service points. After branches' fund extension processes were revised, fund extensions have been made available via the use of XTM as of the end of 2020.

To ensure more effective and efficient use of XTM service points, improvement efforts are ongoing for the audio-visual infrastructure. Communication between the customer and call center will be of higher quality and faster once the project is completed.



The Bank offers ATM services in three segments. These include ATMs in front of the branches, in-branch ATMs, and Offsite ATMs. 435 branches feature 586 branch-front ATMs. Customers can easily perform transactions at these ATMs in and outside business hours. Branches have a total of 424 in-branch ATMs. The high transaction capacity of such ATMs absorbs the in-branch density significantly. In addition, there are 70 offsite ATMs. These ATMs are independent of the branch and positioned at locations with high customer transaction density.

In early 2020, Kuveyt Türk launched a Joint ATM practice that allows customers to use ATMs free-of-charge at the time of failures to increase customer satisfaction. Under the project, customers can use the ATM of any bank they wish and draw cash free of charge by receiving a code, valid for 24 hours, if the Kuveyt Türk's ATM is out of service when they visit it outside business hours. In addition, customers were allowed to draw cash from all ATMs free of charge between March and July, a period hardly hit by the Covid-19 pandemic.

Detailed up-to-date information on Kuveyt Türk's XTM and ATM services can be found on the website. Visiting the website, customers can find all information they need regarding XTMs and ATMs.



"Retail Branches Champions League" and "SME Branches Champions League" were organized to help improve the performance of retail branches through gamification strategies - a new trend in marketing.

820
TL Million

The amount of funds extended by retail branches is TL 820 million.



In early 2020, Kuveyt Türk launched a Joint ATM practice that allows customers to use ATMs free-of-charge at the time of failures to increase customer satisfaction.

SME BANKING

Kuveyt Türk aims to continue projects concerning digitalization and sales strategies in 2021, developing systems to respond to customer needs pro-actively.



Kuveyt Türk's SME Banking Sector raised TL 28 billion in funds in 2020.

**366
Thousand
People**

Kuveyt Türk SME Banking concluded 2020 with 366,385 customers.



Kuveyt Türk implemented an ambitious strategy based on innovative processes and economic sustainability, along with digitalization in its SME Banking business line in 2020. 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 2021, developing systems to respond to customer needs pro-actively.

SME SALES DEPARTMENT

In 2020, the SME Banking Sector served at 426 branches with a competent team of 1,005 people, 445 in portfolio trading and 560 in portfolio micro-segments.

Kuveyt Türk SME Banking Sector concluded the 2020 accounting period with 366,385 customers in total, while the funds it raised reached TL 28 billion and the funds extended TL 22.6 billion. The accounting period of 2020 carried the Bank's solid position in the sector forward.

- 366.385 total number of clients
- TL 28 billion collected funds
- TL 22,6 billion cash funds extended
- TL 3,4 billion non-cash credit volume
- TL 777 million other revenues
- TL 2.4 billion FX credit risk
- TL 2 billion leasing

The goals of the Kuveyt Türk SME Sales Department for 2021 are as follows:

- Rendering the project pricing system operational in an authorized manner through the efficiency-based pricing algorithm for customers;
- Conducting requirement analyses at Regional Directorates and Branches and supporting field sales teams via training courses;
- Making sure that products and services developed by Marketing Departments are well understood and handled by field staff;
- Identifying the needs accurately through dynamic target group and job descriptions; identifying target groups accurately with the support of CRM; and developing solution-oriented roadmaps;
- Using remote sales channels more effectively and improving sales opportunities to reach budget targets;
- Reinforcing sales teams' field capabilities via practical and intelligible campaign designs;
- Establishing a central sales team and expanding networks that contribute to sales processes, dealer contracts in particular;
- Performing on-site analyses regarding regional and branch targeting processes to have accurate distributions, and monitoring progress towards targets;

- Performing in-depth analyses in profit-loss participations, project finance, and large-volume projects to be involved in the process and customer communications; supporting the field teams in sales activities;
- Establishing a shared sales culture and maximizing business- and solution-oriented customer experience;
- Providing the seamless flow of operations between sales channels and regional directorates, and thus making sure two-way flows of data are efficient both in sales processes and business development.

BUSINESS MARKETING DEPARTMENT

INFLATION-INDEXED LOANS UNDER THE GUARANTEE OF KGF

Kuveyt Türk started extending loans under the guarantee of KGF for legal entities. Profit calculations for the loan are made as per the inflation rate. In this product, profit rates cannot be rounded upwards even when a higher inflation rate is announced than the first rate entered. If the current inflation rate is lower than the first inflation rate, the profit rate in the repayment plan is updated downwards.

INTERIM COLLECTIONS FOR LEGAL ENTITIES

Legal entities are now able to make interim collections.

EARLY REPAYMENT FOR LEGAL ENTITIES

The option of early repayment is now mandatory for legal entity loans as per applicable laws. Thus, the system now allows legal entities to repay early and close loans.

ACCEPTANCE OF INVESTMENT FUNDS AS COLLATERAL

Legal entities can now take out loans by having their previously purchased investment funds accepted as collateral. This enhancement is expected to boost demand for investment funds and increase the volume of loan extensions.

RETAIL INVESTMENT FUND FINANCE

Investment funds were acquired and the forward sale of such funds was made to customers to address individual customers' need for personal finance. The development stage is now complete and the product is ready for use.



Investment funds were acquired and the forward sale of such funds was made to customers to address individual customers' need for personal finance.

**142
TL Million**

TL 142 million were extended in funds on the 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.



**MONEY TRANSFER FROM
GERMANY TO TURKEY,
FOR FREE**

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' funding 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 555 clients to access a total of TL 142 million in funds with 2,753 projects, saving time and money. Since customers managed their transactions swiftly via Mobile Branch and Internet Branch, branches and portfolio representatives enjoyed operational efficiency.

NEW FUND ALLOCATION PROJECT

Under this project, domestic market products are made available for use in a more efficient manner thanks to the system developed. This has also brought along operational efficiency and a swift fund extension infrastructure. All branches except corporate branches can extend funds with this infrastructure. As of the 2020 year-end, the system was made available for customers, and the aim is to help them enter their own loans.

CONTROLS ON THE TERMS OF FX LOAN EXTENSIONS

New controls and conditions were added to the system that runs in integration with the Credit Registry Bureau (KKB-Kredi Kayıt Bürosu) to ensure the process is accurate and complies with laws.

SME BANKING

As part of the Bundle Management Project, bundled banking service products tailored for customers were sold successfully in 2020.

BUNDLE MANAGEMENT

Through the Bundle Management project, developed throughout 2017 and implemented in October 2017, customers were offered customized banking service products in bundles also in 2020. Aimed at customers who frequently use various banking channels, compact products matching their requirements are drawn together for cash sales. Since October 2017, 28,369 of such bundles have been sold, corresponding to a sales volume of TL 50 million. In addition, efforts have been completed to enable customers to track their bundles on the Mobile Branch and purchase new bundles.

ONLINE LETTER ISSUANCE SYSTEM

Thanks to the system deployed in the last quarter of 2017, Kuveyt Türk SME Banking Department allows customers to receive letters of guarantee via the Internet Branch, avoiding extra workload on the physical branches. In 2020, 37,125 letters of guarantee were issued online, extending TL 3.1 billion in non-cash loans.

E-Guarantee Letter: EKAP Integration:

This development involves the preparation of letters of guarantee in electronic format for use in tender processes. The model provided a secure Internet protocol between the Banks drawing up Letters of Guarantee and Electronic Public Procurement Platform (EKAP) while allowing the submittal of letters of guarantee and bids in the electronic environment. Letters of guarantee addressed to customs directorates and private companies with a system membership can be submitted electronically thanks to the integration with KKB and ETMP.



In 2020, 37,125 letters of guarantee were issued online, extending TL 3.1 billion in non-cash loans.

**500
TL Million**

TL 500 million in funds were made available at favorable rates to support farmers during the Covid-19 pandemic.

MICRO MARKETING DEPARTMENT

BANKING FOR TRADESPEOPLE

At Kuveyt Türk, we are at the disposal of customers who are tradespeople or practitioners of certain professions (pharmacists, physicians, lawyers, dentists, etc.) with numerous products. Esnaf Kart (Shopkeeper Card), CebimPos, attractive product bundles, and finance solutions continue supporting our customers. Our primary goal is to analyze the needs and requests of tradespeople accurately, expand our product range, and quickly reach out to customers via digital channels. The digital banking platform Senin Bankan, which currently serves retail customers, will be made available for tradespeople and farmers in 2021, which will allow them to open accounts and quickly access the banking services without having to visit a physical branch.

AGRICULTURAL BANKING

Kuveyt Türk extends support to farmers conducting agricultural and stockbreeding activities. Plant production, dairy farming and livestock, tractor, cropland financing, agricultural supplier 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 an intermediary for TARSİM. Farmers can perform their Electronic Product Note (ELÜS) transactions via Kuveyt Türk, and access finance by having their ELÜS assets accepted as collateral. TL 500 million in funds were made available at favorable rates to support farmers during the Covid-19 pandemic. Throughout the year, the Bank's agricultural sector risk reached TL 1.5 billion, and the ELÜS transaction volume equaled TL 300 million. The risk balance of Tohum Kart (Seed Card), which sets payment terms according to farmers' harvest period, amounted to TL 66 million in 2020. The number of Agricultural Banking customers reached 52 thousand.

Efforts are ongoing for an infrastructure where farmers can easily reach the Bank and benefit from its services via digital channels in 2021.

TOURISM BANKING

Offering a wealth of activities to local and foreign tourists in every season of the year, Turkey saw a dramatic shrinkage in the tourism sector due to the Covid-19 pandemic despite a great start of the year 2020. Taking the seasonal requirements of the Turkish tourism sector into account, Kuveyt Türk started offering market players financing with flexible (seasonal) payment options. In the meantime, Kuveyt Türk's "Tourism Card" provides 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.

PAYMENT SYSTEMS MARKETING DEPARTMENT

As part of the organizational change at Kuveyt Türk, Payment Systems Marketing Department was established. POS Marketing and Legal Entity Card Marketing are the two service units under the department.

POS MARKETING

It is the product owner of innovative payment methods including Physical POS and Virtual POS. The unit primarily pays attention to the following products:

- Fixed and Mobile POS
- Cash register POS
- Android POS
- Free POS
- Collection System
- Cebim POS

Activities were performed for the integration of new POS models launched in 2020. Customer acceptance started with Ingenico Move 5000F, a cash register POS model, and Profilo P1000, an Android POS model.

The number of POS devices supporting contactless payments has been increased to offer solutions that address changing payment habits. Fintech activities are ongoing for QR payments, while integration efforts were initiated for TR QR Code. As a result of these activities, the total POS turnover grew by 19% to TL 11.5 billion in 2020. The number of POS devices reached 98,567, corresponding to an increase of

10.3%. Marketing activities are conducted with contracted merchants to offer installments on Kuveyt Türk POS devices with Sağlam Card, a Kuveyt Türk brand. The number of contracted merchants has increased significantly in the world of physical POS devices, on e-commerce sites and payment institutions in particular.

As part of Agricultural POS, the "deferrable sales" infrastructure was enhanced to allow the merchants serving farmers to conduct sales campaigns and sell on all maturity dates between 1st and 12th months, in addition to sales with 12-month grace periods.

VIRTUAL POS UPGRADES

Under the Virtual POS UX upgrade, Kuveyt Türk successfully continued to make improvements and corrections to menu interfaces, the number of installments, user data, card and address information, end-of-day order follow-up, and manual POS transactions throughout 2020. Innovative payment methods are now supported as part of the deals with fintechs and payment institutions.

CEBİMPoS

Kuveyt Türk customers with a POS terminal can use the Virtual POS software via the Mobile Branch as of 2019. A fast, practical, and free-of-charge application that transforms every smartphone into a POS is now offered to customers. Running on a 3D Security 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. Kuveyt Türk aims to make e-invoice, NFC feature, and digital application upgrades on CebimPOS in 2020.

LEGAL ENTITY CARD MARKETING

Kuveyt Türk is the second bank that collaborates with Miles & Smiles for legal entity credit cards under the deal with the Miles & Smiles brand. Product diversity of legal entity cards has risen in 2020. The unit is in charge of the following legal entity card products:

- Miles&Smiles
- Business Plus
- KOBİ Kart (SME Card)
- Tohum Kart (Seed Card)
- Turizm Kart (Tourism Card)
- Sağlam Bayi Kart (Sağlam Dealer Card)
- Esnaf Kart (Tradesmen Card)
- Debit Kart



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.

300 TL Million

The volume of Electronic Product Notes (ELÜS) is TL 300 million as of the end of 2020.



Under the Virtual POS UX upgrade, Kuveyt Türk successfully continued to make improvements and corrections to menu interfaces, the number of installments, user data, card and address information, end-of-day order follow-up, and manual POS transactions throughout 2020.

SME BANKING

Kuveyt Türk strives to provide a better customer experience in leasing and subsidized transactions while maintaining growth and extending support to entrepreneurs in 2021.



Kuveyt Türk expanded leasing receivables by 85% year-on-year, reaching a risk volume of TL 5 billion.

3,024 Contracts

Kuveyt Türk signed 3,024 lease contracts with the customers.



All Kuveyt Türk legal entity credit cards support the contactless payment feature. A free of charge feature, contactless payments have seen a growth in turnover during the Covid-19 pandemic. Integration activities started to allow QR payments as part of the TR QR code project. The aim is to offer the QR payment option via Mobile Banking for cards that support contactless payments. Efforts for the launch of the Miles & Smiles credit card are ongoing. The product will be offered to customers in 2021. While Tarım Kart provides flexible maturities to farmers, the network of contracted merchants with high customer transaction volumes has been expanded. Product features were also improved thanks to new maturity options to be offered.

Under the Decision Support System from Branches, legal entity credit cards are issued without the examination of financial information. The plan is to issue legal entity credit cards via digital channels. Customers whose application is approved will be able to tap into QR

and Virtual Credit Card features and do shopping without having to wait for a physical card. Enhancement efforts to this end are ongoing. The total card turnover grew by 18% year-on-year to TL 5 billion as a result of these activities. The number of credit cards rose by 9%, amounting to 72 thousand.

LEASING AND SUBSIDIZED TRANSACTIONS MARKETING

Kuveyt Türk expanded leasing receivables by 85% year-on-year, reaching a risk volume of TL 5 billion. In line with the policies to broaden the customer base, investments in all fields have been supported and 3,024 lease contracts were signed with customers. These deals helped inject TL 3.2 billion in funds into the market.

Launched in the fourth quarter of 2016, the Leasing with Profit Share product makes Kuveyt Türk the first and only bank to offer the service among participation banks. The leasing with profit share offering involves charging the vendor for all or some of the financing cost while the customer receiving the loan enjoys installment payments based on the invoice sum that excludes the profit share and commission fee. Almost 200 deals were struck with vendors, contributing more than TL 32 million to the leasing volume. TL 1.8 billion was extended in funds as part of transactions involving investment incentive certificates, while the risk volume grew by 80% year-on-year to TL 3.6 billion. In line with its digitization objectives, Kuveyt Türk continued to undertake enhancements in the field of leasing and subsidized transactions and improve processes to support customers in this period, as well. Kuveyt Türk strives to provide a better customer experience in leasing and subsidized transactions while maintaining growth and extending support to entrepreneurs in 2021.

CORPORATE AND COMMERCIAL BANKING

Kuveyt Türk Corporate and Commercial Sales Directorate will continue supporting branches in a number of areas including targeting and performance measurements via corporate branches and regional directorates.

Through its customer-oriented portfolio management model, Kuveyt Türk maintained and strengthened its lead in the Corporate and Commercial Banking Group among participation banks in 2020. Corporate and Commercial Marketing activities were divided into two units -sales and marketing- in 2020. Corporate and Commercial Sales Directorate will continue supporting branches in a number of areas including targeting and performance measurements via corporate branches and regional directorates.

CORPORATE AND COMMERCIAL MARKETING DIRECTORATE ESTABLISHED

The new Corporate and Commercial Marketing Group Directorate operates with three departments. The Corporate and Commercial Marketing Department was established to focus on commercial and corporate banking products and marketing channels and to develop marketing strategies. Other new departments opened to tackle the growing business volumes are Foreign Trade Marketing Department and Cash Management Department.

During the Covid-19 pandemic, Corporate and Commercial Banking activities continued with no interruption thanks to the competent and experienced staff working in alternating schedules at the branches. Tapping into digital applications, conference calls, and other communication tools, the Bank guaranteed seamless service delivery for customers. In addition, Kuveyt Türk did not compromise on the service quality and its customer experience vision in this period.

The Domestic Market - New Fund Extension System was launched in 2020 for all branches after operational processes were optimized. Similarly, the system tests on New Fund Extension Customer Screens were completed successfully to help customers manage all processes end to end. New solutions to boost efficiency on digital channels were also developed.



The Domestic Market - New Fund Extension System was launched in 2020 for all branches after operational processes were optimized.

**1.2
TL Billion**

The size of funds raised by Corporate Banking reached TL 1.2 billion.

CORPORATE AND COMMERCIAL SALES DIRECTORATE

CORPORATE SECTOR

Serving at three dedicated corporate branches with seven portfolios and 14 competent staff, the Corporate Banking Sector concluded the year with 1,708 customers, reaching TL 1.2 billion in raised funds, and TL 11.7 billion in extended funds. 2020 figures of the Corporate Marketing business attest to the clear leadership of the Bank in the industry:

- 1.708 total clients
- TL 1.2 billion raised funds
- TL 11,7 billion cash funds extended
- TL 2,2 billion non-cash credit volume
- TL 80.5 million other revenues
- USD 170 million FX loans extended
- TL 300 million leasing

COMMERCIAL SECTOR

Kuveyt Türk Commercial Banking Sector serves at 83 branches - 81 mixed and 2 commercial - with 126 portfolios and a competent team of 188 people. In 2020, the Commercial Banking line converted two mixed branches into commercial branches. Concluding 2020 with 28,648 customers, it reached TL 7.9 billion in funds raised and TL 28.6 billion in funds extended. The indicators for the 2020 accounting period attest to the clear leadership of the Bank in the industry.

- 28.648 total clients
- TL 7,9 billion raised funds
- TL 28,6 billion cash funds extended
- TL 5,6 billion non-cash credit volume
- TL 373.4 million other revenues
- TL 760.4 million FX credit risk
- TL 1.4 billion leasing

The primary goals of Corporate and Commercial Sales Directorate for 2021 are as follows:

- Providing continued funding for infrastructure, superstructure, and energy projects;
- Optimizing customer experience and satisfaction with business and solution-oriented products and services;

CORPORATE AND COMMERCIAL BANKING

Kuveyt Türk Commercial Banking Sector serves at 83 branches, including one mixed and two commercial, with 126 portfolios and a competent team of 188 people.



- 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.
- Improving loan quality, focusing on asset quality and profitability, developing strategies to increase the share of 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.



Regarding the strategic field of exports, Kuveyt Türk continued to extend pre-shipment export loans from Eximbank funds as well as the Bank's own funds.

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 2021. Kuveyt Türk stood out from its competitors in 2020 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 continued to extend pre-shipment export loans from Eximbank funds as well as the Bank's own funds. In 2020, 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 2020. New products and services were launched alongside funds extended with varying terms to address companies' requirements.

In 2021, the Corporate and Commercial Sales Group aims to perfect customer experience with innovative products and services and to remain yet again as an indispensable bank for customers.

In the commercial line, the goal is to open commercial branches so as to boost activity in 2021. Two commercial branches converted in 2020 are expected to acquire new customers and intensify with the customer base. The plan is to convert four additional branches into mixed banking branches, while 2 branches are planned to be opened as direct commercial branches.

CORPORATE AND COMMERCIAL MARKETING DIRECTORATE

Set up to focus on commercial and corporate banking products and marketing channels and to develop marketing strategies, the Corporate and Commercial Marketing Directorate will work on projects to carry Kuveyt Türk to the future with its new structure.

7.9

TL Billion

Commercial Banking deposits stand at TL 7.9 billion as of the end of 2020.

The new organizational structure at Kuveyt Türk is aimed at analyzing evolving trends in the industry and customer needs, reaching the right target groups via target group analyses, developing new strategies, providing end-to-end digital solutions and products, managing product efficiency and performance, and establishing structures which operate in conformity with the corporate strategy. The goal is to have an organization where agile working methods are deployed, and decision-making processes and enhancements are run faster.

Customer experience and digital transformation have become critical in an ever-changing world. The new organizational structure is mainly intended to formulate and implement strategies for a swift integration with digital transformation processes, improve customer experience, digitize physical services provided at branches end to end, analyze the life cycle of all products, classify customers accurately and personalize the entire process from pricing to product requirements, find new products, and improve existing ones. The Bank will always take steps to boost customer satisfaction, minimize operational costs and risks, and maximize revenues.

FOREIGN TRADE MARKETING DIRECTORATE

FOREIGN TRADE MARKETING

Enhancing its foreign trade finance products and processes, Kuveyt Türk boosts its support to exporters. Thus, 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 2020 facilitated customers' Eximbank loan processes, fees on foreign trade transactions were reduced significantly compared to the previous year, and improvements were made to transfer the export proceeds to the accounts.

The Export Finance Campaign was carried out to contribute to branches' progress towards their respective targets, and help exporters access finance easily and at affordable terms during the Covid-19 pandemic.

Efforts to deploy e-Exports, a subdivision of e-commerce that becomes more relevant each passing day, are undertaken in collaboration with respective teams.

MARKETING AND PRODUCT DEVELOPMENT ACTIVITIES

Negotiations with Eximbank in 2020 paved the way for a memorandum of understanding on the improvement of processes to collateralize the Exim Export Receivables Insurance. This allowed exporters to access the finance facilities they need in a swift manner.

The approval of the Advisory Board was obtained regarding the Eximbank Participation Finance Investment Loan as part of new export finance product development efforts in parallel with the principles of participation banking to further support exporters. The plan is to set up the system infrastructure and launch the product in the first quarter of 2021.

The Bank has reached the final stage in the studies on pre-shipment and post-shipment finance for exporters who perform exports based on "Cash Against Goods" or "Cash Against Documents" and thus find it most difficult to access finance. These products will be made available for use in December.

As for new interest-free finance models, Kuveyt Türk has also reached the final stage in the studies on the integration and International Supplier Finance model as part of its membership at Factors Chain International (FCI). The plan is to commence activities in 2021.

KEY INDICATORS

As a result of successful activities in 2020:

- The overall volume of export loan facilities extended surged to USD 1,075 million;
- The number of branches extending export loans reached 279;
- The number of exporter customers soared to 15,250;
- The number of importer customers reached 10,580;
- The number of branches conducting foreign trade transactions rose to 435;
- Commissions generated through foreign trade increased to TL 96.6 million.

CASH MANAGEMENT DIRECTORATE

The key objective of the Cash Management Directorate is to develop marketing strategies and conduct product management activities for cash management products and services in all sectors and channels (Collection Solutions, Payment Services, E-Services, and Accounting Integration) for customers; perform sales support functions in coordination with relevant departments, and maximize product performances.



Negotiations with Eximbank in 2020 paved the way for a memorandum of understanding on the improvement of processes to collateralize the Exim Export Receivables Insurance.

1.1
USD Billion

Export loans extended reached USD 1.1 billion.



The Export Finance Campaign was carried out to contribute to branches' progress towards their respective targets, and help exporters access finance easily and at affordable terms during the Covid-19 pandemic.

CORPORATE AND COMMERCIAL BANKING

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 addition to strategic products, Kuveyt Türk improved such processes as Havuz Account, SGK Pre-ordered Payments, Collective Salary Payments, and E-invoice discount deals to support and help customers strike a balance in Cash Management.

900
TL Million

As of the end of 2020, the volume of supplier finance is TL 900 million.

In 2020, works continued on strategic cash management products, while projects aimed at facilitating businesses' cash management processes are ongoing.

SUPPLIER FINANCE

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

The Unconfirmed Supplier Finance facility was introduced in 2020. Thanks to this product, suppliers whose buyers are not Kuveyt Türk customers can take out the supplier finance after obtaining necessary documents and filing an application to the Bank prior to the order.

Kuveyt Türk deployed the first Islamic Supplier Finance product of the SME Banking Business Line in November 2017, and the Unconfirmed Supplier Finance Product in 2020. Focusing on continuous development, Kuveyt Türk aims to provide outstanding solutions based on unconfirmed supplier finance, a new model under supplier finance, in 2020.

The volume of supplier finance increased from TL 110 million in 2019 to over TL 900 million in 2020 with 2,000 transactions.

DDS - DCS - PROFIT SHARE DDS (DIRECT DEBITING - DIRECT COLLECTION SYSTEM)

DDS is a payment system where parent companies granting franchise licenses or working with dealers or 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. The Bank intends to provide customers with new integration models via the web service platform scheduled to be established in 2020.

The DDS volume grew by 105% year-on-year and reached over TL 2.5 billion as of the end of 2020. In the meantime, the number of parent companies grew by 20% to 340.

SCHOOL INSTALLMENT 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.

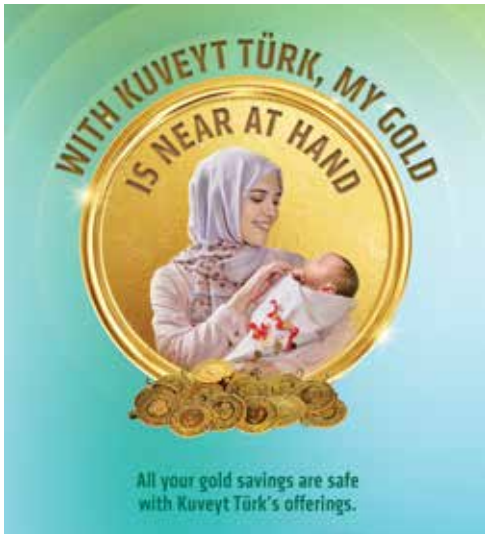
An application platform where parents or guardians can apply for OTS on the mobile branch will be available in early 2021. This will allow parents or guardians to apply for an OTS without having to visit a branch while they are in the stage of negotiations with the school. The Bank also enabled parents or guardians to use the School Guarantee System, whereby schools serve as guarantors for parents.

As of the end of 2020, a volume of TL 80 million was attained with 130 schools on the OTS system due to the pandemic that forced the schools to shut down.

In addition to strategic products, Kuveyt Türk improved such processes as Havuz Account, SGK Pre-ordered Payments, Collective Salary Payments, and E-invoice discount deals to support and help customers strike a balance in Cash Management.

TREASURY AND INTERNATIONAL BANKING

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 Kuveyt Türk's clients through all channels.



The Treasury and International Banking Group made up of the Treasury Group and Financial Institutions Department strives to sharpen the Bank's domestic competitive edge, by offering customers a wider array of high-quality products and services. The Group is making progress toward regional structuring in line with Kuveyt Türk's strategic targets. In 2020, 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 is composed of FX and Precious Metals Department, Assets-Liabilities Management Department, and Treasury Marketing Department.

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



The Precious Metals Desk and Commodities Desk conduct precious metal trading transactions in domestic and overseas markets, contributing to the Bank's trailblazing status and profitability.



In charge of managing Kuveyt Türk's liquidity and market exposures, the Treasury Group Directorate is composed of FX and Precious Metals Department, Assets-Liabilities Management Department, and Treasury Marketing Department.

main strategy of the Department is geared towards boosting transaction volume and profitability in financial market products. Transaction limits, transaction volumes, and profitability of the products are regularly monitored by the Department.

The Department operates via the Precious Metals Desk, Commodities Desk, and Electronic Trading Desk.

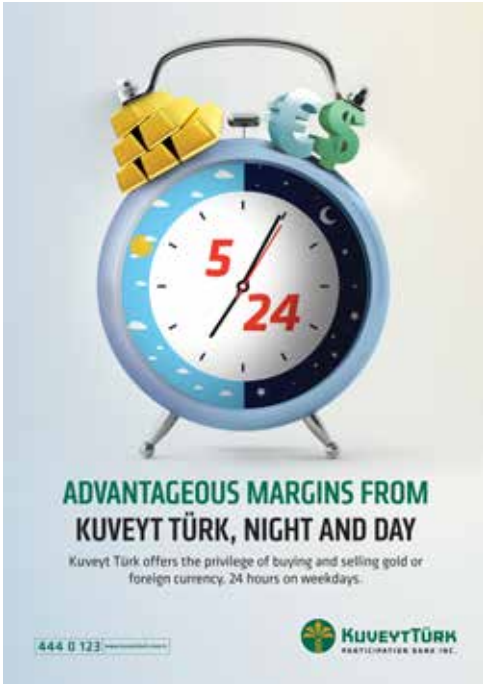
SIGNIFICANT CONTRIBUTION TO TOTAL PROFITABILITY...

The Precious Metals Desk and Commodities Desk conduct precious metal trading transactions in domestic and overseas markets, contributing to the Bank's trailblazing status and profitability. The Bank ranks among the leading institutions of Borsa Istanbul Precious Metals and Diamond Markets in terms of transaction volume, which contributes to the market depth and effective running of the market. The Department also pioneers the market through algorithmic trading activities.

The Electronic Trading Desk developed Algorithmic Position and Risk Management systems thanks to which the Bank's FX position is managed in the most effective and profitable manner. In addition, the systems offer FX and gold pricing at the same margin 24/5 and thus boost customer satisfaction and customer experience. The Algorithmic Strategy Management project will be initiated in 2021 for the purposes of managing the FX position via machine learning models.

TREASURY AND INTERNATIONAL BANKING

The Treasury Marketing Department deployed digital content to reduce the incoming requests at relevant units regarding treasury products and services.



ASSETS AND LIABILITIES MANAGEMENT DEPARTMENT

Assets and Liabilities Management ensures access to domestic and overseas interbank markets, helping the Bank manage its liquidity in an effective and planned manner. For this purpose, the Bank carries out liquidity management transactions on the interbank markets employing products compatible with participation banking and Kuveyt Türk principles, while managing required liabilities and legal liquidity within the limits specified. As for effective and planned management of liquidity, Kuveyt Türk entered and effectively utilized Borsa Istanbul's Swap market in 2020. So as to address TL liquidity deficits, the Bank also started swap transactions with CBRT in exchange for USD, Euro, and gold.

Assets and Liabilities Management Department performed its obligations in full, complying with the regulations and ratios (Asset Ratio, in particular) introduced by regulatory and supervisory agencies throughout 2020, during which extraordinary developments were



Assets and Liabilities Management Department performed its obligations in full, complying with the regulations and ratios (Asset Ratio, in particular) introduced by regulatory and supervisory agencies throughout 2020, during which extraordinary developments were witnessed in macroeconomic conditions and financial markets.



Significant contributions were made to liquidity management through systemic enhancements put in place to utilize the cash assets held at branch vaults effectively with a focus on customer and branch management satisfaction.

witnessed in macroeconomic conditions and financial markets. In a year marked by the fight against the Covid-19 pandemic and ongoing efforts towards normalization, preparations were made for the Bank's changing liquidity due to changing market conditions and therefore the relevant processes were tackled seamlessly in line with the plans in place. Thanks to effective management activities, Kuveyt Türk maintained its capability to create sustainable revenues from income-generating assets, while facing no problem in raising the liquidity it needed from the market.

In order to monitor the market and economic fluctuations and developments in 2020 more closely and to develop appropriate strategies, the Department initiated efforts to conduct economic research. These were monitored throughout the year, and the management was updated accordingly during the 2020 accounting period.

Significant contributions were made to liquidity management through systemic enhancements put in place to utilize the cash assets held at branch vaults effectively with a focus on customer and branch management satisfaction.

TREASURY MARKETING DEPARTMENT

The Treasury Marketing Department conducted activities through "Treasury Sales and Coordination" and "Treasury CRM and Marketing" and "Treasury Business Development" functions in 2020. The Treasury Marketing Department closely monitors the performances of Kuveyt Türk treasury products including mutual funds, lease certificates (sukuk), equities, foreign currencies, precious metals, and forward transactions, 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 organized four campaigns in 2020 with a focus on acquiring new treasury customers, retaining customers, and regaining lost treasury customers, which all enabled access to various target groups, resulting in high rates of return and revenues.

A FOCUS ON DIGITAL SOLUTIONS...

The Treasury Value and Behavior Segmentation Dashboard report reveal a 50% year-on-year increase in the number of customers performing treasury transactions as of December 2020. This increase corresponds to 1,148,039 customers. The number of customers actively performing treasury transactions grew by 35% year-on-year to 608,876. Furthermore, Treasury Update Meetings were held with regional directorates so that marketing communications are forwarded to branches via directorates. In collaboration with Segment Marketing Departments, internal awareness-raising communications were expanded and continued in 2020 via digital prompters embedded in effective portfolio management tools. The Department continued to hold training sessions for branch staff in coordination with regional directorates and raise awareness about treasury transactions and products. It also focused on digital solutions for potential treasury customers who request special treasury services.

The Department deployed digital content to reduce the incoming requests at relevant units regarding treasury products and services. Accordingly, next-gen video contents were developed by the unit, bringing a new dimension to internal marketing communications.

As for capital markets, the Department performed activities worth-mentioning in 2020. Highlight activities are as follows:

- The 24/7 online investment account opening feature was introduced at the beginning of the year. This helped the Bank reach 98% in the use of digital channels by customers who opened investment accounts.
- A significant hike was attained in the number of newly-acquired customers who hold transactions involving Investment Funds (9,500+).
- The KTV Fund has been turned into a 24/7 accessible product.

- KPC, the first equity-intensive fund, has been introduced to customers.
- The number of customers performing equity transactions surged by 290% year-on-year.
- Equity transaction volume and revenues have reached record levels.
- The Department carried out activities at Borsa Istanbul and Participation Banks' Association of Turkey (TKBB) to encourage participation indices for equities across Turkey.
- In the last quarter of 2020, the Department started to manage the processes of pricing, sales, and marketing of sukuk (lease certificate) transactions, and all regional/branch/customer management functions in interaction with other units under the Treasury and International Banking sector.

The Treasury Marketing Department continued special FX and precious metal pricing practices for Bank customers via branches. A limited number of customers received this service directly from the unit itself. The Department plans to opt-out from manually-managed, special pricing services due to the growing number of customers. Therefore, it initiated a project on alternative digital solutions to make sure special customer requests are addressed.

TREASURY AUTOMATIC PRICING SYSTEM DEPLOYED...

In 2020, the Department rolled out the Treasury Automatic Pricing System (APS) for all customers in the corporate segment, in line with the rules and special rule sets of segment marketing departments based on the Treasury Value and Behavior Segmentation findings. Through the APS, the Treasury Marketing Department managed to implement for all commercial customers 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).

The Department took prompt action for full alignment with the decisions of the BRSA regarding treasury products, including foreign currency, precious metals, and forward. It also undertook efforts to measure customer expectations from Mobile TradePlus. Based on the findings, it conducted new design studies and provided customers with such studies at certain intervals.



In collaboration with Segment Marketing Departments, internal awareness-raising communications were expanded and continued in 2020 via digital prompters embedded in effective portfolio management tools.



The number of customers performing equity transactions surged by 290% year-on-year.

TREASURY AND INTERNATIONAL BANKING

The Treasury Marketing Department has actively tapped into business intelligence, customer analytics, data analytics, digital marketing, digital training, RTM (real-time marketing), and CRM.



The Treasury Marketing Department took prompt action to guarantee the effective performance of all marketing activities from home, which turned into an office for the department due to the Covid-19 pandemic.



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.

Actively maintaining the management of the TradePlus, an electronic trading platform available exclusively for treasury customers, the Department worked at full speed to support digitalization, retain and further expand its growing tech-savvy customer base, and enhance and improve Mobile TradePlus through investments in 2020. In addition to Investment Funds, Equity Transactions, Forex, and Precious Metals, the Department added Lease Certificates (sukuk) on TradePlus during the year. Of the five treasury products offered to retail customers, all were made available for use on a single mobile app. The Department is in the final stage of the studies to improve internal and external customer experience through enhancing the interface and transaction diversity for equity transactions, and renewing the infrastructure for Forex and precious metals trading orders. In 2020, it continued to deliver training to the Call Center and Customer Satisfaction units for the effective management of customer complaints and developed user-friendly screen designs to improve internal and external customer satisfaction. Aiming to produce quality output, the Department focused on the testing of mobile TradePlus, while reaching the final stage prior to the deployment of automation tests. 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.

It took prompt action to guarantee the effective performance of all marketing activities from home, which turned into an office for the department due to the Covid-19 pandemic. This guaranteed swift and uninterrupted service delivery for internal and external customers. The Treasury Marketing Department worked on the alignment of new segments developed in Q4 with the Sales Departments. Always pursuing customer-centric business

objectives, the Department developed working models for close collaboration with sales departments to dynamically and effectively handle product, channel, and margin/pricing management in the light of customer and field feedback, and to deploy periodic updates promptly.

KEY STAKEHOLDER OF THE TREASURY 4.0 PROJECT

The Department is a key stakeholder of Treasury 4.0, a project initiated by the Treasury Group Directorate. It has been involved in the coordination efforts of the IT leg of the project. The Department helped organize workshops to optimize the experience of customers trading treasury products, and thus significantly contributed to the 2025 strategy of the Bank. The Treasury Marketing Department has actively tapped into business intelligence, customer analytics, data analytics, digital marketing, digital training, RTM (real-time marketing), and CRM. To further strengthen the competencies in these areas, training courses were organized and courses for the next period were planned.

In 2021, the Treasury Marketing Department will continue honing its data analytics and digital marketing skills to further focus on personalized customer experience in an environment of growing competition and customer mobility. In doing so, it will support the increasing number of customers through competitive prices 24/5, analytical CRM activities, distinctive service quality, and improved customer experience both on mobile TradePlus and all digital channels. The aim is to expand the share of customers trading treasury products in the volume of sector treasury transactions. This will also contribute to efforts aimed at maximizing customer satisfaction.

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 and financial institutions as well as international financial institutions. Boasting a correspondent network of over 1,000 banks in more than 190 countries, the Financial Institutions Department taps into its close relations with them in contributing to branches' and the treasury department's profitability via direct sales/marketing activities with correspondent banks. In 2020, the Department provided uninterrupted and quick communication and tackled correspondent bank management processes seamlessly during the Covid-19 pandemic.

PRIMARY OBJECTIVE IS TO EXPAND EXISTING RELATIONSHIP NETWORK

The Financial Institutions Department focuses on diversification of products and services, and continuity in relationships with a view to boosting the efficiency of the Bank's existing correspondent network. 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 Department. 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. With a focus on customers, Financial Institutions works to provide seamless, swift, and cost-effective processes in foreign trade payments and customer payments through effective management of the Bank's nostro/vostro accounts. A dynamic approach toward nostro/vostro account management positively contributes to the Bank's profitability and customer satisfaction.

The International Supply Chain Finance - FCI project was launched in 2019 as a trailblazing initiative in the sector to improve product diversity in foreign trade. The necessary infrastructure is now ready and the plan is to release the product in 2021. With this project, the Bank has become the first participation bank in Turkey to have completed membership procedures and taken part in the ecosystem of FCI. The product will offer



The Financial Institutions Department provided uninterrupted and quick communication and tackled correspondent bank management processes seamlessly during the Covid-19 pandemic.

2.8
TL Billion

Kuveyt Türk's total balance of sukuk currently in circulation is TL 2.8 billion.



With a focus on customers, Financial Institutions works to provide seamless, swift, and cost-effective processes in foreign trade payments and customer payments through effective management of the Bank's nostro/vostro accounts.

services including the tracking of overdue payments, guarantee and supply chain finance for companies that conduct foreign trade activities on a "Cash Against Goods" basis.

Cash Against Goods is the most common form of payment in Turkey's foreign trade operations. Taking this into account, Kuveyt Türk aims to enable foreign trade customers to penetrate the markets where they want to expand with the support of the Bank and to contribute to the Bank's efficiency in foreign trade activities. In 2020, the Financial Institutions Department leveraged its extensive network of correspondent banks and credibility, while commencing post-finance services based on foreign trade transactions to improve the diversity of funds alongside the money markets and sukuk&syndication desks. The Financial Institutions Department started this initiative in 2020 and plans to continue these services in 2021 if the Bank deems them necessary.

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 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.

The Bank conducted 19 lease certificate issues worth TL 6.3 billion by December 2020, concluding the year with an outstanding balance of TL 2.8 billion in lease certificates. On September 28, 2020, the issue of a USD 50 million lease certificate (Tier 1 sukuk), eligible for inclusion in the additional principal capital, was finalized successfully. This issue marks the second Tier 1 securities sukuk issue performed by Kuveyt Türk. In addition to sukuk issuances, bilateral murabaha agreements with maturities of 1 and 5 years contributed to the Bank's liquidity management.

LOANS

The Analytical Loan Decision Support System Project was rolled out at all branches in 2020 after its pilot studies were launched in 2019.



Kuveyt Türk Loans Group handles loan allocation processes with 1 Regional Loans Group Directorate and 10 Loan Departments. Four Loan Departments operate under the Regional Loans Group Directorate, while the other six departments directly report to the Assistant General Manager in charge of Loans. In addition, regional teams at 15 locations operate under the Regional Loans Directorates. Kuveyt Türk Loans Group evaluated and finalized over 169 thousand loan offers for 118 thousand retail customers and over 105 thousand loan offers for 75 thousand corporate customers with its competent staff in 2020. 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 2020 successfully.

THE ANALYTICAL LOAN DECISION SUPPORT SYSTEM PROJECT

In order to adapt to global digital transformation trends, macroeconomic outlook, and market conditions as well as to ensure sound management of the loan portfolio during the pandemic, the



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 2020 successfully.

118 Thousand People

The Loans Group finalized over 169 thousand loan offers for 118 thousand retail customers.

Loans Group reviewed loan strategies, loan policies, loan application rules, and the loan decision support systems periodically, and made necessary modifications as and when required in the 2020 accounting period. Accordingly, after the pilot studies were implemented for the Analytical Loan Decision Support System in 2019, the project was rolled out in all branches in 2020, in addition to the Next-Gen Retail Credit Card Automatic Limit Increase Project that went live in all branches for customers. While the enhancements and improvements reinforce the Bank's innovative vision, the efficiency and quality of loan processes was boosted, and customer portfolio management processes made more convenient to the extent allowed by laws during the Covid-19 pandemic.

PROJECT AND STRUCTURED FINANCE DEPARTMENT

Established in February 2017, the Project and Structured Finance Department joined the Loans Group in 2019 and operates with Project and Structured Finance and Ongoing Construction Projects functions.

PROJECT AND STRUCTURED FINANCE DEPARTMENT

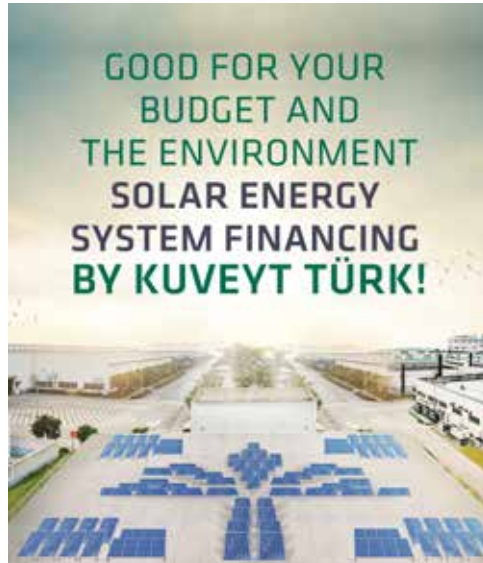
2020 differed from the previous years in that the application period for renewable energy plants under the Renewable Energy Sources Support Mechanism (YEKDEM) ended. As a result, share transfers of the companies that undertook these projects with a view to selling operational renewable energy plants was a topic of frequent discussion. The Project and Structured Finance Department finalized the efforts end-to-end aimed at funding the acquisition of the shares of project firms and the sales of operational power plants so as to expand the Bank's presence in the renewable energy industry and address the requirements of the market.

The Regulation on Unlicensed Power Generation in the Electricity Market was introduced in May 2019, which allowed energy consumers to become energy investors and involved monthly settlement procedures. Consequently, the demand for rooftop solar power systems grew in 2020. Rooftop solar panels are small-scale in terms of project finance while serving as saving-based renewable power plants. Therefore, the Department developed a saving-based financial model to fund such systems with the most affordable terms and in the most convenient amount. This model was made available for use at the Head Office and Regional Allocation Directorates in the evaluation of relevant projects. Furthermore, efforts to install a rooftop solar power system on Kuveyt Türk's Banking Hub are soon to be completed.

LOAN WORTH USD 200 MILLION ALLOCATED FOR THE NORTH MARMARA HIGHWAY PROJECT

Project sponsors faced difficulties during the Covid-19 pandemic although the renewable energy projects within the Bank's portfolio were not directly impacted. In an attempt to protect project sponsors and contribute to Turkey's economy, investors' requests were evaluated and support extended. As part of public-private partnerships, the Bank paid heed to investors' requests and revised the contracts for Turkey's large infrastructure projects where construction works are ongoing and Kuveyt Türk is a co-creditor. Credit extensions for the Ankara-Niğde Highway Project, with Kuveyt Türk among the co-creditors, started in June 2018 and were completed in the amount of EUR 100 million as of December 2020 under the PPP model. Similarly, extensions for the North Marmara Highway Project began in September 2019 and were completed in the amount of USD 200 million as of November 2020.

To expand the presence of biomass power plants within the Bank's portfolio in the renewable energy industry, technical and financial infrastructure studies were carried out. This significantly contributed to the financial assessment capabilities of the Bank for biomass projects. In addition,



efforts aimed at funding the sales of operational renewable energy plants and share transfers of project firms have been completed, positioning the Bank properly to address the needs of the sector.

Activities continued for investment projects, as well. Limits have been allocated for certain projects in 2020, and the aim is to work on more investment projects in the coming years.

OUR GOALS FOR 2021

A monitoring desk is among the goals for 2021 so as to attain a systemic and organic approach for the calculation of actual financials of the projects within Kuveyt Türk's portfolio and comparison of these figures with the projections. Accordingly, activities of relevant Head Office departments are soon to be completed, and results will be obtained in the first quarter of 2021.

Another goal for 2021 is to convey the experience and achievements in PPPs and renewable energy projects to investment projects. Led by the project management office, pilot applications are ongoing for profit-loss sharing (Musharakah) and effort-capital sharing (Mudarabah). Once completed, profit and loss sharing (Musharakah) and effort and capital sharing (Mudarabah) projects will be evaluated and developed.



Efforts to install a rooftop solar power system on Kuveyt Türk's Banking Hub are soon to be completed.

200 USD Million

Kuveyt Türk allocated a loan worth USD 200 million for the North Marmara Highway Project.



Credit extensions for the Ankara-Niğde Highway Project, with Kuveyt Türk among the co-creditors, started in June 2018 and were completed in the amount of EUR 100 million as of December 2020.

LOANS

As part of the DIP agreement with Phase 4 of the Housing Project by KİPTAŞ in Silivri, 263 low-income families were provided with finance at affordable rates.



The Financial Analysis Department completed 770 financial analysis reports in 2020.

**500
TL Million**

The finance facilities extended by Kuveyt Türk for ongoing construction projects stand at TL 500 million.

ONGOING CONSTRUCTION PROJECTS UNIT

Emlak Konut REIC's Campaign "Don't Postpone Your Dreams, Turkey" launched in June had a positive impact on the construction sector. The campaign resulted in low-interest housing loans, followed by growing demand and housing sales. Within this scope, Kuveyt Türk supported Emlak Konut REIC's ongoing construction projects and signed a DIP agreement for Phase 4 of the housing project KİPTAŞ undertook in Silivri, as part of which finance was provided at affordable rates to 263 low-income families. In Q1 of 2020, the construction sector saw the negative impact of the strict measures taken due to the Covid-19 pandemic. However:

Interest rates lowered by the banking sector for housing loans as of June stimulated the construction industry. In the third quarter of the year, construction firms had the chance to finalize their projects thanks to growing demand.

The unit continued to support the construction sector in this period while taking part in the financing of numerous projects. A TL 500 million facility was extended and total risk equaled TL 1 billion in 2020. Despite mounting risks and the challenges faced by the construction industry, analysis methods developed by DIP, measures taken, and tier-based financing model introduced this year helped reduce the NPL volume from 0.75% to 0.55%.

OUR GOALS FOR 2021

The Covid-19 pandemic prevented onsite inspections, aimed at assessing the status of projects with allocated funds, from being conducted. Therefore, a new model will be devised and implemented for a more effective inspection system in 2021.

Through collaboration with the branches, technical information and visual materials of projects will be uploaded on BOA, which will help the department to better analyze the progress of each project. This is how projects will be monitored more effectively, and proactive action taken against possible risks. The progress of projects examined under DIP is monitored manually. A new system is currently being studied to help monitor the processes automatically. The simulation program developed is aimed at monitoring the processes in a systemic manner. This is expected to help finalize projects in a timely manner while enabling actions to be taken against possible risks through the early warning system.

FINANCIAL ANALYSIS AND LOANS BUSINESS DEVELOPMENT DEPARTMENT

Financial Analysis, Intelligence, Financial Institutions Loans, and Loan Coordination & Business Development units now operate under the Financial Analysis and Loans Business Development. The Department worked in full coordination to optimize the 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 2020, 770 financial analysis reports were completed. Customer visits for the purposes of detailing and improving the reports were suspended upon the first confirmed Covid-19 case in Turkey. Field visits had been made to 40 customers by that time. Customer communications were conducted via videoconferences or e-mail during the rest of the year. In addition, controls were performed on 2,350 pieces of financial information entered by the branches into the system. Sectoral reports were prepared for 14 business lines with high-risk exposure for the Bank in 2020.

Technical valuations were also provided to help support the subsidiaries in line with their requests. 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 on reporting.

INTELLIGENCE UNIT

The Financial Analysis Unit continued to issue intelligence reports on corporate and commercial customers. Within this scope, 4,860 intelligence reports were drawn up in 2020. 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 427 million were extended and the ratio of approved checks collected successfully equaled 99%.

FINANCIAL INSTITUTIONS LOANS UNIT

Allocation, monitoring, and reporting functions regarding the use of loans, including foreign trade and treasury products, by domestic and international banks and non-bank financial institutions were performed successfully in 2020.

The primary functions of the Financial Corporate Loans Unit include closely monitoring the countries and financial institutions constituting a credit risk, establishing early warning mechanisms, and making on-site visits as and when required. For example, rolling out an intelligence system where changes to ratings or instant market developments could be monitored for institutions within the portfolio, or issuing country risk analysis reports for the effective management of risks during the Covid-19 pandemic were among the focal points of the unit. The Financial Institutions Loans Unit performed studies for a bank credit rating system and worked to improve the quality of systemic reports in 2020. Infrastructure efforts will continue in the period to come as part of technological developments and the priority will be the development and implementation of analytical models. A strategic project for the Bank, the International Supply Chain Finance - FCI will be launched next year. Financial Institutions Loans will be in charge of loan limit allocations and monitoring processes for non-bank financial institutions that utilize guarantee and finance products under this project.



Allocation, monitoring, and reporting functions regarding the use of loans, including foreign trade and treasury products, by domestic and international banks and non-bank financial institutions were performed successfully in 2020.

**427
TL Million**

The Intelligence Team enabled the extension of funds worth TL 427 million in 2020.



Loans Business Development Team worked to introduce system enhancements and process improvements to boost operational efficiency in line with the Bank's strategies.

LOANS COORDINATION AND BUSINESS DEVELOPMENT UNIT

Loans Coordination and Business Development is in charge of coordination between the Loans Group and internal and external units, and managing systemic enhancements. 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. The Unit worked meticulously to make necessary announcements, and perform monitoring and reporting processes for the official decisions taken during the Covid-19 pandemic to be implemented within the Loans Group as they had a direct impact on customers.

Loans Business Development Team worked to introduce system enhancements and process improvements to boost operational efficiency in line with the Bank's strategies. Efforts aimed at optimizing allocation processes through AI-driven models continued. Key projects and process improvements undertaken in 2020 are as follows:

THE ANALYTICAL LOAN DECISION SUPPORT SYSTEM (LEGAL ENTITY)

The Bank tapped into its strong capabilities and experience in loan evaluations and developed the Analytical Loan Decision Support System based on artificial intelligence (machine learning). The system was rolled out at all branches, allowing a portion of loan requests previously evaluated by Regional Loan Directorates to be finalized directly at the branches. Under this system, financial and non-financial data, as well as internal rating models are used, while branch-authorized limits and guarantee terms are determined specifically for the customer via analytical models. This helps speed up loan allocation processes. With ongoing efforts, the aim is to enhance the authorities granted to branches gradually, maintain a robust credit portfolio, and deliver unprecedented customer experience.

LOANS

In 2020, the Bank enabled the credit card limits to be estimated by AI-based algorithms through the use of bank data including customers' demographic information, KKB intelligence reports, and payment behaviors.

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 2020, out of the 85 thousand retail loan applications received through branches, 75.5% were processed automatically by the system, with 1.50% of the remainder evaluated by the branches, and 23% by the Retail Loans Department. Regarding credit card applications, automatically evaluated requests reached 82% in the same period.

In 2020, the Bank enabled the credit card limits to be estimated by AI-based algorithms through the use of bank data including customers' demographic information, KKB intelligence reports, and payment behaviors. The model helped reduce the number of limit increase requests evaluated by credit allocation employees manually and increase the number of automatic decisions while optimizing credit card limits offered. 85.43% of the credit card applications filed were automatically evaluated.

NEXT-GEN RETAIL REVENUE MODEL

The Retail Revenue Estimate Model, a project rolled out in line with the digitalization and innovation goals of Kuveyt Türk, is now actively used in all retail loan and credit card applications at Kuveyt Türk branches since December 2019. Information collected at the time of application and the quality of customer data improved significantly in a period of one year. Active and effective use of alternative distribution channels, which have become the highlight tools during the Covid-19 pandemic, will continue upon



The Retail Revenue Estimate Model, a project rolled out in line with the digitalization and innovation goals of Kuveyt Türk, is now actively used in all retail loan and credit card applications at Kuveyt Türk branches since December 2019.



85.43% of the credit card applications filed were automatically evaluated.

the integration of the model into relevant channels. İhtiyaç (Needs) Card and Credit Card applications are currently received through alternative distribution channels. The model will soon be used actively to evaluate requests of e-commerce finance. Stakeholder departments will work on the Digital Vehicle and Housing Loan Extensions and Miles& Smiles Projects, which are among the Bank's strategic projects, and integrate them with the model to address the needs in this specific field.

In addition to the projects described above, the total benefit will be improved in 2021 through functions as either a key or a secondary stakeholder in the following projects of strategic importance for Kuveyt Türk:

- Next-Gen Credit Valuation System (CredereArt)
- Unblocking Retail Credit Cards via Robotic Processes
- An Expense Estimation Model Integrated with the Retail Revenue Model
- Dissemination of E-Signature in Document Management
- Fund Extensions via Participation
- Agricultural Banking 2.0
- International Supply Chain Finance - FCI Project
- Value-Driven Performance Management
- Competency Transformation 2030
- Strategy 2025

LAW AND RISK FOLLOW-UP GROUP

Kuveyt Türk continued to stand by customers facing or likely to face financial difficulty due to the economic challenges caused by the Covid-19 pandemic that hit the world and Turkey in 2020.

The NPL ratio of Kuveyt Türk remained below the sector average in 2020, like in the previous years. As of December 31, 2020, the NPL ratios of the banking sector stand at 4.08% while Kuveyt Türk's NPL ratio remains below the sector with 3.71%.

This success was achieved thanks to:

- Active monitoring of clients through early warning signals,
- Taking proactive approaches towards customers in administrative monitoring,
- Improving efficiency through analytical decision support systems in business and decision-making processes,
- Displaying proactive approaches by correctly interpreting the macroeconomic indicators,
- Taking action to raise employees' awareness on risk monitoring.

INSTALLMENT DEFERRALS TO SUPPORT EARTHQUAKE VICTIMS...

Kuveyt Türk continued to stand by customers facing or likely to face financial difficulty due to the economic challenges caused by the Covid-19 pandemic that hit the world and Turkey in 2020. Individual customer requests were evaluated, and solutions provided including re-structuring, change of re-payment plans, and deferrals. Following the first confirmed Covid-19 cases in Turkey in March 2020, the Bank deferred the loan installments due in March and April 2020 to June 2020 without charging additional fees or profit shares for customers who were in need and requested deferrals. This way, Kuveyt Türk continued to support customers in the face of challenging times. The Bank also addressed customer requests for an additional term and restructuring of their debt, while supporting the victims of the tragic Elazığ and İzmir earthquakes in 2020 through loan and credit card installment deferrals/restructuring processes.

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 2020. 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 functions of the decision support systems were enhanced.

Retail and Micro Loans Risk Follow-up Department developed mechanisms involving debt reminders, payment promises, and analytical decisions for the optimization and efficiency of collection processes as part of the Digital Collection Program. As of the end of 2020, digital collection processes include 8 channels and 12 applications. Debt reminder and payment promise functions were introduced to the Mobile Branch, Internet Branch, WhatsApp, and ATMs. The SMS infrastructure was changed to Interactive SMS, which allowed for payment promises to be delivered via SMS. As for the revision of retail loans, approvals for new re-payment plans can now be obtained from the mobile branch, which enables customers to carry out relevant procedures without having to visit a branch. A decision support software for credit card collection modeling processes was deployed. Three processes have been optimized through robotic process automation. The process of handing over the file to attorneys is now run systemically.

STANDING BY CUSTOMERS IN CHALLENGING TIMES...

The Bad Debt Recovery Service, established under the Business Loans Risk Follow-up Department in 2016, continued the collection of write-off risks independent of the customer segment. "Bad Debt Protocol" screens were developed and all protocols migrated to BOA to improve the efficiency of write-off risk collections and facilitate the monitoring of the protocols made. Kuveyt Türk stood by customers throughout the Covid-19 pandemic, which had a huge



Retail and Micro Loans Risk Follow-up Department developed mechanisms involving debt reminders, payment promises, and analytical decisions for the optimization and efficiency of collection processes as part of the Digital Collection Program.

3.71%

The non-performing loan ratio of Kuveyt Türk is 3.71%.

LAW AND RISK FOLLOW-UP GROUP

The system infrastructure was provided for the notification of Commercial TL Loans as requested by the Turkish Central Bank in the first half of the year from the Risk Center of the Banks' Association of Turkey (TBB) so as to monitor the direction of the credit volume in the market.



Enhancements were made on the SME Collection Decision Support System, which has been in use for three years. Preparatory work has begun for the transition to an AI-based system that covers all commercial customers in 2021.

impact on almost the entire year, and supported customers through pioneering and unique practices despite the financial problems faced. Enhancements were made on the SME Collection Decision Support System, which has been in use for three years. Preparatory work has begun for the transition to an AI-based system that covers all commercial customers in 2021. While analytical models were utilized for BRSA and CBK reporting processes, monthly estimates were made for the NPL ratios at the Bank and communicated to Kuveyt Türk's relevant departments and principal shareholder KFH. In addition, an analytical project was initiated to forecast NPLs through macroeconomic data.

Credit Risk Follow-up strives to serve as a role model in the sector through investments in digital and smart solutions. In 2020, it adapted itself to the challenges brought about by the Covid-19 pandemic thanks to its solid technological and operational infrastructure. Uncertainties facing the customers due to the Covid-19 pandemic were defined with the assistance of the early warning system which is currently integrated with the banking system. As the market unfolded numerous uncertainties during 2020, Kuveyt Türk's early warning system took macroeconomic factors into account and generated deliverables on ideal solutions for customers. Steps were taken for the customers whose credit quality deteriorated according to the findings of the early warning system. Problems experienced with customers were differentiated on the early warning system. For the incidents determined to be linked with the Covid-19 pandemic, the Bank offered advantageous solutions to customers. In the last quarter of the year, a competent third-party institution started activities to certify and "validate" the success Kuveyt Türk's early warning system performed on the Bank's practices. Data preparation as required for this "validation process" is handled by the Credit Risk Follow-Up Department.

The system infrastructure was provided for the notification of Commercial TL Loans as requested by the Turkish Central Bank in the first half of the year from the Risk Center of the Banks' Association of Turkey (TBB) so as to monitor the direction of the credit volume in the market. The system developed by the Credit Risk Follow-up Department enabled the daily reporting of the Bank's Commercial TL Loan Extensions, collections, restructured loans, and NPLs to CBRT via the TBB Risk Center. A system was set up for the notification of credit transactions as requested in the second half of the year by CBRT to track the direction of TL and Forex Loans in the market alongside Commercial TL Loans. This system enabled the daily reporting of the Bank's Commercial TL and FX Loan extensions, collections, restructured loans, and NPLs to CBRT via the TBB Risk Center.

AI-DRIVEN APPLICATIONS

Customer checks constitute a significant part of the Bank's collateral structure. Processes involving the acceptance of such checks as collateral continued in 2020. The collateral system is managed with an uncovered check ratio well below the sector average. Thanks to the analytical decision-making processes run on the system, significant savings are attained in labor, while internal and external customer satisfaction is maximized in terms of speed and time. Another important project planned for 2021 is the development of an AI-based system with minimum dependency on manual processes regarding the evaluation of customer checks accepted as collateral. Efforts towards such a system have begun. The Check Intelligence and Collateralization System is expected to improve the automatic decision-making capacity via AI algorithms.



Credit Risk Follow-up adapted itself to the challenges brought about by the Covid-19 pandemic thanks to its solid technological and operational infrastructure.

The Law and Risk Follow-up Department continued to introduce system enhancements and developments on the Lawyer Tracking System (ATS) and UYAP, used by contracted law firms to ensure execution proceedings run more quickly and effectively. ATS-BOA one transformation efforts have been initiated. The same level of traceability, reporting, and process management for the procedures and transactions handled with ATS is intended for the monitoring and management of the legal processes regarding non-performing checks/bills. Accordingly, enhancements on the BOA screens have been completed and ATS integration finalized. The "Check Monitoring System" went live in August 2020. Additional enhancement on the Check Monitoring System and ATS-BOA one will continue in 2021. A request was submitted for the development of a "Legal Follow-up Official Document Control System" to improve the efficiency of traceability, reporting, and other relevant processes regarding the Official Documents received by the Law and Risk Follow-up Department. Performance controls, reports, and document checks as part of the inspections on contracted law firms continued successfully in 2020. A data security project for law firms was launched in collaboration with PWC so as to monitor the development, data security, and working standards of law firms.

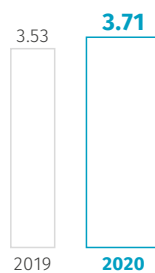
The Collateral Monitoring Department made enhancements to significantly contribute to transaction security and efficiency under the digitalization efforts at the Bank. An upgrade was introduced to remove the data entry step in account and vehicle pledges, and print relevant contracts via a QR code specific to the customer and transaction. The aim is to disseminate this system in 2021. Tramer integration was completed to prevent written-off/heavily damaged vehicles from being collateralized. Works on the e-mortgage process, which will allow for the electronic establishment of a mortgage over real estate on behalf of the Bank continued. New collateral processes, primarily including KT Portföy Mutual Funds and Invoice Assignments, were designed in 2020 to diversify collaterals.

The Real Estate Appraisal Service under the Collateral Monitoring Department commissioned 49,000 reports from appraisal companies with CMB and BRSA licenses in 2020 and ensured their control.

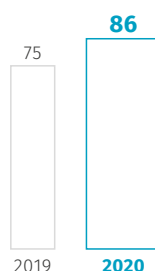


The Law and Risk Follow-up Department continued to introduce system enhancements and developments on the Lawyer Tracking System and UYAP, used by contracted law firms to ensure execution proceedings run more quickly and effectively.

NON-PERFORMING LOAN RATIO (%)



PROVISION RATIO (%)



The relevant BRSA regulation was amended at the beginning of 2020, providing for a longer period for the appraisal firms to issue reports. As a result, the average duration for the compilation of appraisal reports extended compared to 2019, with 2.38 days for residential real estate and 2.46 days for all other types of real estate on average. Warning, control, and comparison mechanisms were developed to comply with the article in the relevant regulation that provided for the cases where it is necessary to draw up multiple reports. Systemic enhancement works were designed and maintained regarding the issuance of single invoices for each appraisal report drawn up.

CUSTOMER RIGHTS AND REGULATORY COMPLIANCE DEPARTMENT

The "Customer Rights and Regulatory Compliance Department" was established as a referral practice in the sector under the Legal and Risk Follow Up Group to protect and uphold customer rights without the receipt of a customer complaint. Pursuant to Article 76 of the Banking Law no. 5411 and Law no. 6502 on the Protection of Consumers, as well as relevant regulations introduced thereunder, the Bank performs all necessary activities to protect the rights of its customers or has such activities performed by third parties. 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 2020. The entire range of new products launched, or systemic 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.

STRATEGY

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.

Strategy and Innovation Group Directorate; HR, Training and Quality Group Directorate; and Corporate Communications Department operate under the Strategy Group of Kuveyt Türk. 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 and adopt 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 duties and 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, macroeconomic outlook, current banking trends, and the competitive environment; 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.



The primary duty and responsibility of the Strategy Planning and Corporate Performance Management Department are to set Kuveyt Türk's mid-and long-term strategies and policies in line with the Bank's mission and vision, macroeconomic outlook, current banking trends, and the competitive environment.



Strategy Planning and Corporate Performance Management Department keeps the product and service tree and channel structure up-to-date and functional.

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 developed 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 products and services, to conduct capacity research within the Bank, to analyze both the effectiveness of the products and services and the profitability level, and to conduct general research. In all these areas, it develops models, conducts comprehensive analyses, and works on scenarios to support relevant teams and the Senior Management, while formulating decision support reports to guarantee the optimum growth of the institution. Some other tasks of the Department include making sure that the Bank's annual budget is prepared by taking the strategic plans and the annual performance program into account, and monitoring and evaluating 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 the 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.

The Bank maintained its sustainable growth performance and attained an asset size above the targets in 2020. An uptick in the economic activity, which came in late 2020 in the aftermath of the developments on the Covid-19 pandemic, is expected to make a significant contribution to a positive start of 2021. The efforts to fight the Covid-19 pandemic involved prioritizing the health of employees and adopting a flexible approach to existing ways of doing business. The Bank concluded 2020 without compromising on the products and services provided to customers. Similarly, the aim for 2021 is to rank among the best-performing financial institutions in NPL ratios by taking asset quality into account. The sustainable and profitable growth strategy will be maintained for funds raised and extended in 2021.

STRATEGIC PROGRAM MANAGEMENT OFFICE

The main duties of Kuveyt Türk's Strategic Program Management Office are to manage the projects in line with the corporate strategy, take necessary steps to initiate the projects so as to reach strategic objectives; and monitor all strategic actions from a single point. In 2020, 18 out of 75 projects within the strategic roadmap were completed, while desired progress was attained in the remaining projects as per the plans, and thus significant contributions made to the implementation of the corporate strategy. A list of projects initiated in 2020 is provided below. Some of these projects have been completed and some are currently ongoing:

Digital Application Center Neova Insurance

Products: This project was implemented to enhance the sales functions of digital channels and improve customer experience. Customers can run motor insurance, traffic insurance, DTIP, Housing, and IMM insurance processes end-to-end as part of the project.

Mobile Branch Video-Calls and Remote

Customer Acquisition: A project was initiated so as to introduce video-call capabilities to the Mobile Branch app, enable remote customer acquisition, and allow customers to have video-calls with the Call Center staff via the mobile branch for certain transactions that can be performed only within the branches.

Next-Gen Request and Resource

Management: Project activities were undertaken to revise the Bank's request management process and improve efficiency in every step of the process.

This ongoing project is intended to optimize the request management process, enhance resource efficiency, and provide an end-to-end, traceable structure.

Innovation Center: Innhouse Innovation Center provides employees a comfortable and distinctive environment and serves as a platform where innovative ideas can flourish. The aim is to support employees' personal development and develop new strategies to carry the industry forward.

Paperless Branch Banking: Mobile approval and on-tablet digital signature efforts were undertaken to eliminate the use of paper and digitize the processes at the branches. The mobile approval function was introduced to customers during the year, and studies for on-tablet digital signatures are soon to be finalized.

Voice Technologies: Meeting customers' financial needs on IVR while providing them the convenience of a conversation was the aim of this project. Set to boost operational efficiency, the first phase of the Voice IVR channel went live and efforts on the next phases are ongoing. Enhancements are ongoing for the Audio Signature, a voice biometric system that enriches customers' IVR experience with audio features end-to-end.

Chatbot: Digital assistants gain popularity as the most common practice of digital transformation. Selim, the digital assistant of the Bank, was launched in 2020. Improving customer experience, digital assistants reduce operational workload. Within this scope, related works are currently conducted on the channel.

Domestic Market Fund Extensions: The new design of the domestic market fund extension system based on efficiency and experience went live at the branches. Enhancements are made for an end-to-end customer experience on the Internet branch.

Fund Extension via Participation: Feasibility studies were performed on fund extensions via participation in line with the vision of providing affordable and new financial solutions. A decision was made to start pilot studies to identify the system requirements.



Kuveyt Türk maintained its sustainable growth performance and attained an asset size above the targets in 2020.

18 Projects

18 out of 75 projects within the strategic roadmap have been completed in 2020.



A project was initiated so as to introduce video-call capabilities to the Mobile Branch app, enable remote customer acquisition, and allow customers to have video-calls with the Call Center staff via the mobile branch for certain transactions that can be performed only within the branches.

STRATEGY

An analytical model was formulated and system integration completed to allow retail customers to run funding processes without the need to document their income.



The Agile approach, an indispensable pillar of the digital transformation journey, was adopted to become agile and transform the Bank at individual, product, team, and institution levels. Pilot studies to this end have been initiated.

13 Projects

The number of digital projects launched in 2019 and completed in 2020 is 13.

Value-Driven Performance Management:

Deploying agile methods, the project is aimed at transforming the culture by developing a pioneering, human-centric performance system in the sector that is fair, transparent, and aligned with values; encourages development; and is adopted by everyone.

Revenue Model BOA Integration: An analytical model was formulated and system integration completed to allow retail customers to run funding processes without the need to document their income.

Agile Transformation: The Agile approach, an indispensable pillar of the digital transformation journey, was adopted to become agile and transform the Bank at individual, product, team, and institution levels. Pilot studies to this end have been initiated. Five agile teams from different sectors currently deploy agile methods since mid-2020.

E-Commerce Finance: This project enables customers while shopping online, to take out funding instantly and pay it back in installments independently of a card product.

Loan Decision Support System: The analytical model developed under the project helps promptly and automatically allocate limits to commercial customers.

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 undertake the following:

- Developing new business models;
 - Disseminating the culture of collaboration;
 - Establishing customer-centric structures;
 - Digitizing processes; and
 - Scouting for digital talent.
- Efforts aimed at these goals are expended continuously.

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 in the roadmap of Kuveyt Türk's Digital Transformation program, 5 were completed in 2019. The number of digital projects launched in 2019 and completed in 2020 is 13. Three new projects were added to the program in 2020, while there are 22 ongoing projects.

Projects completed in 2020:

- Innovation Center
- Digital Advertisement Platform
- Paperless Banking Program - Mobile Approval
- Digital Application Center - Insurance
- Digital Application Center - Katılım Emeklilik
- E-Commerce Finance

- Chatbot
- Chatbot Strategy
- GRS Processes Evaluation
- Revenue Model BOA Integration
- Procurement and Supplier Management
- Mobile Video-Calls
- Senin Bankan Mobile Branch Account Opening via Video Calls

Kuveyt Türk has open banking activities and partnerships with fintechs. A leading bank in open banking practices in Turkey, Kuveyt Türk has data sharing activities with application developers through a broad range of APIs provided on the API Market Platform. For the purposes of improving the fintech ecosystem collaborations, the Digital Transformation and Innovation Department of the Bank plays an active role in fintech integrations. Since the establishment of the department, Kuveyt Türk has held meetings with over 120 fintechs. 30 fintechs were evaluated during the fintech integration process in terms of the innovative business model and customer experience they offered to Kuveyt Türk. As part of the innovative business models offered by fintechs, project efforts were initiated with seven fintech companies. The plan for 2021 is to continue fintech partnerships and provide customers with solutions that make their lives easier.

ROBUST IDEA PLATFORM

Kuveyt Türk compiles the ideas conveyed by employees via the Robust Idea Platform. Once evaluated under the idea management process, these ideas are put into practice. In 2020, the platform for employees' ideas was moved to a new channel and launched as a website, the Robust Idea Innovation Portal, with an upgraded interface. The new platform comes with features that contribute to employees' activities to generate ideas. 5 themes were selected with the calls for papers in certain periods in 2020. One thematic call was on the customer experience on digital channels in the time period when the branches remained closed due to the Covid-19 pandemic. More than 200 ideas were conveyed for the call. Incoming ideas were evaluated and efforts commenced to implement the ideas aimed at minimizing the negative impact of the Covid-19 pandemic. In 2020, 1,500 ideas were shared via the new Robust Idea Innovation Platform.



A leading bank in open banking practices in Turkey, Kuveyt Türk has data sharing activities with application developers through a broad range of APIs provided on the API Market Platform.

120+

Meetings

Kuveyt Türk has held meetings with over 120 fintechs since the inauguration of the Digital Transformation and Innovation Department.



Kuveyt Türk compiles the ideas conveyed by employees via the Robust Idea Platform.

One event Kuveyt Türk attends for years as part of its innovation culture is the KFH Innovation Contest organized among the subsidiaries of KFH. The 2020 edition of the contest was announced on the new platform under the theme of "How Mobile Banking of the Future Should Look Like." 268 incoming ideas were assessed, and three of them were selected to represent Kuveyt Türk in the KFH Innovation Contest.

Kuveyt Türk also inaugurated the Kuveyt Türk Innovation Center in 2020 as part of its efforts to spread the culture of collaboration and innovation. Built in the banking hub in Şekerpınar, Kuveyt Türk's Innovation Center "Innhouse" was opened in February 2020.

Set to support innovative ideas and contribute to employee development, Innhouse will reinforce employees' sense of belonging to Kuveyt Türk and provide an environment where they can come up with projects based on innovative ideas. The center will thus encourage projects and ideas that prioritize customer experience, improve working standards, and shape the finance sector of the future. The center was designed based on the "bio-innovation" approach, which focuses on innovative, instrumental, lasting, and sustainable solutions for humankind's problems inspired by the nature. Materials used in the center are bio-friendly and recyclable.

Innhouse will provide employees with a comfortable and distinctive environment where innovative ideas can flourish while supporting personal development and enabling new strategies that will carry the industry to the future. In addition to Kuveyt Türk employees, Innhouse will also host sector representatives in the events that will be organized at the center. New and original business ideas are indispensable for an organization to be ahead of the competition - the driving approach behind the center. Innhouse currently holds brainstorming sessions, strategy meetings, workshops, digital talks, and events on customer experience.

STRATEGY

Kuveyt Türk organized various events in 2020 to boost the innovation culture and continues the practice of innovation teams that involve people from across different business units.

VALUE-DRIVEN VISION...

Innhouse's manifesto for innovation is built on a collaborative, agile, and innovative vision driven by experience and value generation. In line with this concept, the center features lath, ant, bee, bamboo, and plane tree rooms, in addition to a tribune for mini-conferences, individual study rooms, and social spaces.

Kuveyt Türk organized various events in 2020 to boost the innovation culture and continues the practice of innovation teams that involve people from across different business units. Innovation teams work on selected themes for the purposes of transforming their ideas into products once they reach maturity through innovative approaches such as Customer-Centric Thinking, Lean Entrepreneurship, and Customer Validation.

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. As part of the communication plan, monthly digital bulletins are released and online events are organized with the speakers who are the prominent figures of their respective industries. The motto of digital transformation efforts undertaken in March 2019 was "The Future is with You; Our Route is Digital, Our Focus is People." This underscores Kuveyt Türk's approach where it places people at the heart of digitalization and strives to achieve an easy, swift, seamless, and uninterrupted customer experience through all the activities in connection with digitalization.

PROCESS AND EXPERIENCE DEPARTMENT

Process Design, Robotic Process Automation, Customer Experience, and Infrastructure Development units operate under the Department.



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.

60+

Automations

Over 60 robotic process automations at more than 22 business units have been completed as of the end of 2020.

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

Robotic Process Automation Unit:

Established in 2019, the unit expanded and continued its activities in 2020. Upon the establishment of this unit, robotic coding courses were delivered to involve business units in robotic coding practices. The first deliverables of these courses were attained in 2020, with the robotic processes coded by business units coming live. As of the end of 2020, over 60 robotic process automation from more than 22 departments was implemented. This also paved the way for improved internal and external customer satisfaction, while raising the quality of business delivered.

Customer Experience Unit: The unit aims primarily to ensure that customer experience culture is adopted across the company while providing an end-to-end and uninterrupted banking experience for customers through AI technology with thinking and decision-making capabilities. The Customer Experience Unit organized Turkey's first online workshop in this field - a pioneering initiative in the sector in April 2020. Projects and workshops on the design of product experience were moved by the Unit to online platforms. An NPS measurement system was deployed via the Call Center to identify problematic points, and analyses were commenced on the Mobile Branch experience measurement system.

The Customer Experience Unit performs text analytics on the logs transcribed into texts so as to derive insights from the incoming calls at the call center via the use of advanced AI applications.

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

- Forex and Precious Metal Transactions
- Sukuk
- Mutual Funds
- Equity
- İhtiyaç (Needs) Card
- XTM Self Service Transactions
- Sağlam Card

Infrastructure Development Unit:

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

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

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.

CORPORATE COMMUNICATIONS DEPARTMENT

Operating under the Strategy Group of Kuveyt Türk, the Corporate Communications Department works to implement brand communication practices and corporate social responsibility projects in regard to the Bank's strategic goals and priorities. Also handling Kuveyt Türk's reputation management and promoting new products and services, the Department developed and successfully continued corporate social responsibility projects throughout 2020.

Kuveyt Türk Corporate Communications Department is guided by an awareness of its corporate social responsibilities in all promotional activities and pursues the vision of "growing through values that bind us together." Written into the Bank's mission statement, social responsibility awareness also constitutes the basis of communication activities. All of the communication campaigns under consideration are evaluated and executed in light of ethical banking principles.

A) Advertisement Campaigns in 2020

- The commercial introducing the Sağlam Card, which is a credit card product for retail customers, aired on national TV channels and digital channels in January 2020.
- The commercial promoting a corporate social responsibility project, 1010 Explorer Coding, and Robotic Training, went live on digital channels.
- 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.
- A Ramadan commercial that encouraged people to lend a helping hand to those in need aired on digital channels under the hashtag "#iyiliklerKalıcı."
- A commercial introducing the "Digital Explorer" products for children who know how to save and love to discover aired on national TV and digital channels.
- Another commercial that aired on national TV and digital channels was on Kuveyt Türk's Mobile Branch, which introduced the convenience and innovative products Kuveyt Türk offers to customers.
- Kuveyt Türk released a commercial for the products and services offered to commercial customers that aired on national TV and digital channels.

B) Corporate Social Responsibility Projects in 2020

Kuveyt Türk implements projects with the motto, "We grow through the values that bind us together." In 2020, the Bank intensified its efforts on corporate social responsibility projects to tackle the burden caused by the Covid-19 pandemic and disasters that struck Turkey. While Kuveyt Türk contributes to the development of the banking sector, it also takes ownership of cultural assets based on social values to execute important social responsibility projects.



The Customer Experience Unit performs text analytics on the logs transcribed into texts so as to derive insights from the incoming calls at the call center via the use of advanced AI applications.



Kuveyt Türk released a commercial for the products and services offered to commercial customers that aired on national TV and digital channels.



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

STRATEGY

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, adopt a working approach that is in line with corporate values, and find themselves in an environment that prompts them to be "So Glad."



In 2020, Kuveyt Türk extended support to the "Hope Boxes" project of the Hope Foundation for Children with Cancer (KAÇUV) to meet the needs of children fighting cancer and their families for hygiene during the Covid-19 pandemic.

20
TL Million

Kuveyt Türk donated TL 20 million to the National Solidarity Campaign run with the motto, "We are self-sufficient, Turkey."

In 2020, the Bank continued executing social responsibility projects that add value to society.

- To raise awareness on cancer and offer a glimmer of hope to children undergoing cancer treatment, Kuveyt Türk opened the Second Family Home in Pendik on January 22, 2020, where it offers free-of-charge lodging to children and their families who need to come to Istanbul for cancer treatment as part of the "Support the Hope" project of the Hope Foundation for Children with Cancer (KAÇUV) which it supported since 2013. In addition, Kuveyt Türk extended support to the "Hope Boxes" project of the Hope Foundation for Children with Cancer (KAÇUV) to meet the needs of children fighting cancer and their families for hygiene during the pandemic.
- Kuveyt Türk has extended support to numerous humanitarian aid campaigns since the day of its founding. Similarly, it lent a helping hand to alleviate the sufferings and meet the needs of the victims in the Elazığ Earthquake that struck the city at 8.55 pm on January 24, 2020, donating TL 1 million to the charity campaign of Turkish Red Crescent Society under the theme "Haydi Türkiye! İyilik Sensiz Olmaz (Benevolence Made Possible with You)."
- Kuveyt Türk donated TL 20 million to the National Solidarity Campaign, "We are Self Sufficient Turkey," launched to support those who were hardly hit by the Covid-19 pandemic that impacted the whole year of 2020 and thus in need.
- Acting in line with the vision of "growing through values that bind us together," Kuveyt Türk published a book on the life of composer Hâfız Âmir Ateş, who composed around 2 thousand songs and raised tens of artists in his lifetime. In addition to the book that celebrated his 60 years in arts, the Bank released an album of 2 CDs that include his outstanding compositions ranging from hymns to songs.

- In yet another attempt to leave reference books for the future, Kuveyt Türk added Ayasofya'nın Nişânesi - Kazasker Mustafa İzzet (the Mark of Hagia Sophia - Military Judge Mustafa İzzet) to its list of prestigious artworks of 2020. Penned by researcher and author Murat Özer, the book dwells on the life of Kazasker Mustafa İzzet Efendi, an expert musician and scribe of the 19th century who inscribed on the famous signs of Hagia Sophia.
- Leaving reference books for future generations, Kuveyt Türk released an audiobook titled the Songs of the Birds, an adaptation of Mantıku't-Tayr (the Speech of the Birds) by Ferîdüddîn-i Attâr for students who had to stay and get education at home due to the Covid-19 pandemic.
- Kuveyt Türk donated 16,000 seedlings to the plantation campaign "Breath to the Future" run by the Ministry of Agriculture and Forestry to reforest the lands burned in the wildfires in Hatay.

HUMAN RESOURCES, TRAINING AND QUALITY GROUP DIRECTORATE

Human Resources, Training and Quality Group Directorate comprise the Human Resources Department, HR Business Partners Department, Training and Development Department, Performance Management Department, and Organization and Quality Improvement Department.

HUMAN RESOURCES DEPARTMENT

Considering human resources as its most valuable asset, Kuveyt Türk continued to consistently invest in the HR area in 2020. 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 in 2018, 2019, and 2020. For the past three years, Kuveyt Türk has ranked among the best 30 employers of Europe, in addition to the "Best Employer of Turkey and Finance" award in the research conducted by GPTW.

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 Events: 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 2020. 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 2020, social responsibility activities were conducted to support disadvantaged students, build animal shelters, and raise awareness on the zero waste initiative. During the Covid-19 pandemic, efforts were commenced to assist employees in striking a work-life balance through various events (taking the highest number of steps, cooking the best meal, or playing traditional games with family) organized on the mobile app for internal communications. The clubs will have wider outreach in 2021 in their activities.



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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 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 to each other even after its first issue. The fourth and fifth issues in 2020 took a look into the personal stories of employees and featured interviews on the projects important for the Bank. The "Employees First Council," composed of employees from different functions and positions, has organized meetings once every 45 days since 2014. Throughout 2020, the Council continued to perform activities with 30 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.

HEALTH CAME FIRST DURING THE COVID-19 PANDEMIC!

Kuveyt Türk took prompt action to tackle the Covid-19 pandemic, which spread to Turkey as of March 2020. Accordingly, 95% of head office employees made a shift to working from home, while branches started to work with minimum possible staff on site. The Bank was among the first institutions in the sector to adopt rotation in the working schedule of the branches. With its first focus on the health of employees, the Bank maintained this model until the end of the year, even at the times when confirmed cases dropped in number. To help employees refrain from the means of mass transport, employees with a car were offered financial assistance in oil. Fuel support was provided to those who did not have a car. Taking the health of employees into account, the dress code was put on hold, and employees were allowed to wear casual clothes. Working from home continued both for the Head Office staff and the branches even during the period when the number of confirmed cases was on a downward trend.

Compensation was paid for the employees who continued to work at the office or branches in the second quarter of 2020, a period when the Covid-19 pandemic was felt most heavily.

STRATEGY

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.

From the outbreak of the disease, employees were provided with facemasks and disinfectants, while at the branches plexiglass panels were mounted and protective shields provided to employees. To help with employee motivation in this period, various events and contests were organized on So Glad, the social media channel of the institution. Employees who preferred to have lunch at the branch were invited to challenge their colleagues by uploading the delicious meals they made at the branch. As of June 1, when the cases started to go down and steps were taken towards new normalization, the Bank gradually increased the number of office and branch staff in line with the decisions made by authorities. "Welcome" kits were prepared for the offices and branches to greet customers, while communications focused on all the measures taken. People always come first for Kuveyt Türk. In this period, the health of people was a priority and therefore employees with chronic conditions or the staff whose spouses or relatives are healthcare workers were provided the chance to work from home full time until the pandemic ends. Branches or offices promptly shifted to home-working if any member of the staff tested positive until it was confirmed that other members of the staff were not infected. As the health of employees and customers comes first, this has been the common practice from the start of the pandemic to the times when the cases reached high numbers after August.

"SO GLAD" MOBILE APP KEEPS STRENGTHENING INTERNAL COMMUNICATION

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.



First held in 2016, the contest "Paintings by Small Hands," entered its fifth 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.



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.

First held in 2016, the contest "Paintings by Small Hands," entered its fifth 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.

In 2020, the Interim Managers' Meeting held annually was organized on the online platform, where Kuveyt Türk CEO Ufuk Uyan, Assistant General Manager for Retail Banking Group Mehmet Oral, Assistant General Manager for SME Banking Abdurrahman Delipoyraz, and Assistant General Manager for Corporate and Commercial Banking Ahmet Süleyman Karakaya delivered presentations. The online meeting was projected on TV at the branches simultaneously, which enabled the employees to watch the presentations of the Senior Management.

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 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. In addition, "Value-Driven Performance" was commenced in 2020 as an "agile project." The plan is to continue this practice in 2021 and thus help improve employees' performance measurement system, boost internal feedback and development, and reach a performance aligned with the corporate culture.

360° PERFORMANCE MEASUREMENT...

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, as well as with the employee itself, 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, identify employees performing at various levels, and 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 include private health insurance, which also covers the employee's spouse and children, a private pension system with company contribution, clothing assistance, and a family support package.

Some of the other Human Resources initiatives that prompt the "So Glad" response 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 to the basket based on employee feedback, boosting employee satisfaction further.
- 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 field 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.



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



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.

STRATEGY

Having concluded 2020 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 2021.



In 2021, work towards HR analytics will continue through the development of systemic processes that utilize big data.



Kuveyt Türk is committed to remaining a center of attraction within the banking industry with its “Development-Driven Career” opportunities and “Competitive Salary Package.”

The goals of the Human Resources Department for 2021 are as follows:

- The Career Architecture project commenced in 2020 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.
- Kuveyt Türk's Human Resources Department concluded 2020 with actions that prompted the “So Glad” response. For 2021, the Department will be focused on enhancements for the “Sepetim” flexible benefits scheme, a trailblazing practice in the banking industry. Launched in 2017, the scheme is revised every year in the light of employee requests and opinions.
- Launched as an agile project in 2020, Value-Driven Performance is ongoing and will help set the “Tone of Kuveyt” in performance. A performance system built on feedback, development, and trust is aimed for roll out through pilot practices in the second half of 2021.
- Digitalization will remain the top agenda item in the near future, and Human Resources will also set its eyes on digitalization. In 2021, system processes will be improved for the purposes of HR analytics so as to enable the department to tap into its data treasure.
- 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.

- 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 BUSINESS PARTNERSHIP 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 15 Regional Directorates and the Head Office departments, HR Business 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 Business 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 a general aptitude and English proficiency tests. The candidates who finalize these processes are evaluated by the Assessment Center. Under the Assessment Center, the 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.
- 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. The 'D3 Academy Program' was designed for candidate inspectors with the motto 'the Audit of the Future'. Candidates will have the chance to experience all business processes in all the areas of the Bank while exploring the future audit mechanisms as part of the program. 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.

- Kuveyt Türk made a shift to the working from home model covering 50% of the branches' working schedule during the pandemic. In this period, HR Business Partners followed up this process, while working towards the continuity of the model, using relevant communication channels, and helping branches adapt to the new order. HR Business Partners had exchanges with the branch staff to hear the impact of the pandemic from them. Later, they pioneered the actions aimed at improving the measures taken at the branches to help prevent the pandemic. When any of the branch staff tested positive for Covid-19, prompt action was taken to ensure that contacts of positive cases were shifted to working from home for a period of two weeks; the branch was disinfected on the day of confirmation for Covid-19, and an alternate team of people at home would be redirected to branches to guarantee uninterrupted service.
- Throughout the Covid-19 pandemic, HR Business Partners met with candidates and responded to their questions in the virtual career fairs. As part of the measures taken, recruitment processes were re-designed end-to-end and made online for the whole year, with the safety of candidates coming first. Alongside online interviews and evaluations, special hiring programs, assessment stages of MT programs, as well as interviews with the senior management that involved a panel for assessment, were also held online. 15-day orientation training for new recruits was delivered online in a prompt fashion.



Kuveyt Türk made a shift to the working from home model covering 50% of the branches' working schedule during the pandemic. In this period, HR Business Partners followed up this process, while working towards the continuity of the model, using relevant communication channels, and helping branches adapt to the new order.



Throughout the Covid-19 pandemic, HR Business partners met with candidates and responded to their questions in the virtual career fairs.

The goals of HR Business Partnership Department for 2021 are as follows:

- The Career Architecture project commenced in 2020 is aimed at equipping employees with future competencies and providing an exemplary initiative in the banking sector. The new career structure will be disseminated to all employees and career paths determined in 2021.
- The plan is to improve the employer brand communication via the employer brand team, talent programs, career opportunities of the Bank via universities, social institutions, and social media.
- As digitalization is more and more critical for business processes in the world, HR business analytics teams will be formed to design mechanisms for the automation of recruitment processes.
- Efforts are underway to improve the quality of talent programs and to discover and develop internal and external talents. For this purpose, a talent management team has been set up to help the candidates take firm steps during their career journeys.
- A stakeholder of 'Value-Driven Performance', HR Business Partners plan to release the findings of a fairer and more sustainable performance system at Kuveyt Türk - a key deliverable of the project. As of 2021, the aim is to integrate the findings into the corporate performance system and communicate its details to employees.
- HR Business Partners will continue regular branch and department visits to provide an environment conducive for chats with employees while introducing practices that improve employee experience and prompt them to be "So Glad" at Kuveyt Türk.

TRAINING AND DEVELOPMENT DEPARTMENT

Kuveyt Türk Banking School pursues the mission of "setting an employee profile that is eager to implement the corporate strategy, and equipped with the competencies required in this era." 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.

STRATEGY

318 newly recruited staff took the Core Banking Training Journey in 2020.

As part of all these activities, multi-dimensional and hybrid training methods are employed to keep up with current trends. The school delivered all courses via virtual classes on the digital training platform due to the Covid-19 pandemic in 2020. Within this scope, 1,275 virtual class courses were held covering 548 topics and approximately 97,497 hours in 2020. Besides, some 60,119 hours of digital training featuring over 250 original contents were provided.

318 NEW EMPLOYEES JOINED OUR FAMILY

318 newly recruited staff took the Core Banking Training Journey in 2020. 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 175 employees receiving 4,321 hours of training in total. With 120 graduates up to date, the Data Analyst Training Program admitted 110 new students in 2020. The Data Scientist Training Program held in 2019 for the first time deemed 12 employees eligible for graduation who produced analytical models in their projects. In 2020, the program continued with 33 new participants. 671 employees were included in the training programs aimed at reinforcing the technical know-how of sales and marketing staff in the areas of sales, credit, and risk. 73 employees completed the Career Development Program covering 30 days and four modules organized for candidate branch managers. In addition, 176 employees joined TOEFL and foreign language courses.



All training courses were delivered on the digital training platform based on virtual classes due to the Covid-19 pandemic in 2020.

1,275

Virtual Courses

1,275 virtual training courses on 548 topics were organized for employees in 2020

Emphasizing the utilization of in-house resources, Kuveyt Türk selects competent, knowledgeable, and experienced candidates in their respective fields to undergo internal trainer accreditation training in order to support and develop internal trainers. As of 2020, the internal training ratio was 52%. Under the Internal Trainer Accreditation Program, 23 people were accredited and received their certificates. Designed to draw high potential candidates to the Bank, Management Trainee Programs were enhanced in 2020 through recruitments for the Internal Audit Group and Internal Control Department. New talent groups were formed: "D3 Academy" for the Internal Audit Group and "Internal Control Academy" for the Internal Control Department. Learning journeys specifically designed for these groups were delivered in 2020.

"LEARNING AGILITY" IS THE MAIN THEME...

In 2020, the Banking School continued investments to improve its digital infrastructure and enhanced the LMS system catalog structure to prioritize user experience. The Banking School video portal was rolled out with integrations between the LMS video portal and BOA, which enabled easy access to training courses by employees.

Kuveyt Türk Banking School's learning and development activities were deemed worthy of 10 awards in 10 categories - 4 Gold, 3 Silver, and 3 Bronze - at the Brandon Hall Excellence Awards. In addition, it won awards in three categories at the TEGEP Training and Development Platform Association Awards, concluding the year with a total of 13 national and international awards.

Having designed its training programs for 2021 with the main theme of "Learning Agility," Kuveyt Türk aims to extend learning and development to all aspects of life, equip employees with the skills of the future, and reach an employee profile that

set and pioneer the trends rather than simply adapt to the future banking trends. Efforts for a Kuveyt Türk Banking School portal system are underway for deployment in 2021 to offer an end-to-end digital learning experience, gather all services under a single umbrella, and provide a wealth of content and outstanding user experience.

ORGANIZATION AND QUALITY DEVELOPMENT DEPARTMENT

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

- Conducting customer surveys,
- Conducting projects and studies in order to improve the service quality,
- 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 System (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 ISO 18295 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 2020 showed that Kuveyt Türk attained its targets in key areas such as service quality and customer satisfaction. The 68% staff participation rate in the Internal Customer Satisfaction Survey, which included questions on business, communication, and overall satisfaction, has confirmed employees' trust in the Bank. According to the results of the Internal Customer Satisfaction Survey, the general average was 4.00 out of a possible 5 in 2020.

Quality and Customer Satisfaction undertook the following activities in 2020:

- In 2020, 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 sixth 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. An Interactive Ethical Training Course of 12 modules was prepared and assigned to all employees on the Kuveyt Türk Banking School platform. Ethics cases were created in infographics and employees were asked to resolve the cases through various questions.
- 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 2020 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.
- A Supplier Satisfaction Survey was conducted to find out the most satisfactory firms, with the employee feedback being conveyed to these companies.



According to the results of the Internal Customer Satisfaction Survey, the general average was 4.00 out of a possible 5 in 2020.

68%

68% of the employees participated in the Internal Customer Satisfaction Survey.



The Ethical Banking Survey was conducted for both internal and external customers to find out the Bank's Ethical Banking score.

STRATEGY

Changes were made to the marketing and sales organizations to facilitate the adaptation to changing market conditions and improve customer and employee experience via analytical studies.



In 2020, 305 Quality Findings - Corrective Preventive and Remedial Actions (DÖF-CPR) were issued. Compasses were developed for 30% of them, while 16% was put into practice.

1.51
Business
Days

Queries and suggestions by customers were resolved in 1.51 business days on average.

- A new survey system was adopted and English questions were added to post-transaction satisfaction questions sent to customers. This allowed foreign customers to receive the surveys in English. An NPS question was also included in the final part of surveys, prompting customers to share a promoter score after every transaction. The new system brought along a participation rate of 16%, while 291,383 customers provided feedback as of 2020.
- In 2020, 305 Quality Findings - Corrective Preventive and Remedial Actions (CPR) were issued. Compasses were developed for 30% of them, while 16% was put into practice. CPRs were issued for 40% of the complaints, which dropped by 44%. Among the main factors for the decline are the efforts towards correcting, preventing, and remedying (CPR), and the improvements in customer satisfaction processes.
- 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 contributes to the increase in customer satisfaction.

In 2020, the average span of complaint handling actions undertaken by the Customer Satisfaction Center was 1.9 business days. This represents a drop of 0.95 days compared to 2019. Queries and suggestions by customers were resolved in 1.51 business days on average. Quicker response to customer complaints, questions and suggestions helped increase customer satisfaction.

ORGANIZATION DEVELOPMENT

Changes were made to the marketing and sales organizations to facilitate the adaptation to changing market conditions

and improve customer and employee experience via analytical studies. New group directorates were established in marketing sectors, and new product-based marketing directorates in addition to segment-based marketing directorates were introduced to further focus on strategic products. Sales departments were also established with a view to focusing on field sales management. For better communication of the Bank's product and segment strategies to the branches, regional coordination teams were transformed into segment-based sales teams so as to help them assume a more effective strategy transfer and communication function between the Head Office and branches.

The branch business model was revised and efforts commenced for a new business model to improve customer experience and increase employee efficiency in the light of digital transformation. With a view to helping the Bank manage busy times, some tasks of four Head Office units were assigned to branch staff. This was aimed at reducing the workload on Head Office Units and equipping branch staff with new competencies. Volunteering customer relations employees at the branches with minimum workload were involved in the project. 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 renewal of certificates.

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.

BANKING SERVICE GROUP

Managing business processes to improve work efficiency at Kuveyt Türk, and executing the necessary technology updates are also the responsibilities of the Operations Center.

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, Payment Systems Operations, 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 numbers and transaction volumes, the Operations Center undertakes investments to enhance its corporate capacity and workforce competence.

ADMINISTRATIVE SERVICES GROUP DIRECTORATE

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

ADMINISTRATIVE SERVICES AND PURCHASING DEPARTMENT

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

Purchasing: 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



The Administrative Services and Purchasing Department consists of Purchasing, Administrative Affairs, and Communication-Archive-Logistics Services, and builds and executes Kuveyt Türk's supply and service processes.



Purchasing Management (Solicitation – Order – Supply – Invoicing) was transferred to the Bank's end-to-end ERP structure.

demand management system. As part of Purchasing, 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.

Purchasing Management (Solicitation – Order – Supply – Invoicing) was transferred to the Bank's end-to-end ERP structure. The e-tender feature was acquired and integrated with the ERP software renewed end-to-end to run procurement processes more transparently and monitor and report the whole process, from a procurement request to delivery, more easily. Once this digital transformation project for procurement went live, the integration helped improve the transparency of tenders, save time, and reduce costs.

All product and service procurements, including vehicles, ATMs, software, mobile phones, technical services, cleaning, food, catering, travel, and transport, were in compliance with the rules specified. Tenders regarding the construction, comprehensive renovation, and relocation processes for rented branches were completed. In addition, a tender for the comprehensive overhaul of the Head Office building was carried out, and procurements for the mosque construction next to the Kuveyt Türk Banking Hub were completed. Deals were struck on the periodic disinfection of Head Office locations and branches to prevent interruption to the services and any impact the staff and customers may experience due to the Covid-19 pandemic. Protective equipment including facial masks, gloves, plexiglass coverings on tellers, hand disinfectants, disinfectant stands, and facial shields were procured. 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.

BANKING SERVICE GROUP

Supply planning, inventory, and shipment management for about 650 different products are conducted with a focus on efficiency, even during the Covid-19 period, 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.

Supply planning, inventory, and shipment management for about 650 different products are conducted with a focus on efficiency, even during the Covid-19 period, 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.

Administrative Affairs: The 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. There are also general cleaning and tea services organized for the Regional and Branch Directorates, and transport services organized for the staff working at the Head Office and the Banking Base, as well as the facilities services including sports for healthy living, technical facilities, cleaning services, and landscaping services.



Where possible, suppliers for maintenance and repair services were also merged, contributing to improved quality and reduced operating costs.



Dispensers for disinfectants were mounted and disinfectant stands introduced to promote the use of disinfectants within the workplaces.

In addition to the standard services, the fight against the Covid-19 pandemic and the measures taken in relation to it pervaded the working environment and services in 2020. The Business Continuity Committee convened on March 18, 2020, and made the following evaluations and decisions:

- Practices involving banners and tapes on minding and protecting the social distance were implemented.
- Dispensers for disinfectants were mounted and disinfectant stands introduced to promote the use of disinfectants within the workplaces.
- The Head Office, Banking Hub, Regional Directorates, and all the branches were disinfected at certain intervals. Relevant branches and areas were disinfected in line with the Covid-19 cases reported.
- Social areas, training and meeting rooms, and commercial areas were closed during the Covid-19 pandemic to reduce the density of staff.
- As for preventive measures, masks in sealed plastic packages were distributed on a daily basis for the Head Office and Banking Hub employees.
- Packaged meals were delivered to the Head Office and Banking Hub employees to ensure healthy and hygienic nutrition.
- Necessary measures were taken in all shuttles to ensure that Head Office and Banking Hub staff commute between work and home with minimum risk. The shuttle service routes were updated weekly as per the residential address of the staff members working in alternating schedules. Transfer vehicles with a capacity of 27 people were suspended from service, and user capacities were reduced.
- The Tea Service Request System was developed for the Head Office and Banking Hub employees. A digital service network named "Çaycı (Teamaker)" is planned for deployment after the Covid-19 pandemic.

- In the meantime, project activities were carried out to improve and enhance support services provided. Efforts aimed at the requests, needs, and satisfaction of the employees are undertaken diligently.

CONSTRUCTION AND REAL ESTATE DEPARTMENT

The Construction and Real Estate Department undertakes necessary works to rent, blueprint, and execute the construction of new service points at selected locations in line with Kuveyt Türk's strategy. In 2020, the department oversaw the rental contracts for 480 service points, while completing and opening 21 service points.

15 of existing service points were relocated or went through a complete overhaul, and one regional directorate was moved to a new location. Various partial renovation and/or modification works were performed in line with the needs of branches or new business models. 9,050 requests conveyed from branches into the Branch Facilities unit over the course of the year were logged and resolved. The construction of the Ahmet Yasin Mosque, a social responsibility project of the Bank, was completed and opened for worship. 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 2020 to realize the sales, marketing, and business model development policies of Kuveyt Türk on the field.

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.

Since 2010, Kuveyt Türk has collaborated with Neova Sigorta, the only insurance company in Turkey that implements the principles of participation insurance, i.e. "tekâfül," with due care in all operations and deals. In addition, since 2014, the Bank has collaborated with Katılım Emeklilik, Turkey's first life/retirement insurance company in the interest-free system. These collaborations have expanded and continued in 2020. 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 2020:

- Kuveyt Türk started selling insurance via the Mobile Branch and e-branch channels thanks to its analyses on customers' insurance needs and digitalization efforts. Kuveyt Türk customers can get an offer and take out policies for DTIP, Housing, Traffic, Motor Insurance, Voluntary Liability, Personal Accident, and PPS products.
- Studies were commenced for data integration between Kuveyt Türk and the Insurance Monitoring and Information Center. This helps monitor the warranty insurances of customers who have policies issued by agencies other than Kuveyt Türk on the system.

The goals of Insurance Transactions Unit for 2021 are as follows:

- The Unit plans to boost sales and diversify the products via the Mobile Branch.
- Transactions falling under the scope of the Robotic Project will be performed automatically.
- Training programs aimed at improving the technical competencies and sales skills of the branch staff will continue to run.
- Systemic enhancements to help easier and quicker sales of insurance products, as well as efforts to extend the coverage of products as per customers' needs will continue in 2021.



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.

9,050 Calls

9,050 requests conveyed from branches into the Branch Facilities unit over the course of the year were logged and resolved.



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.

BANKING SERVICE GROUP

A second Main Vault for backup was established to minimize the risks associated with the Covid-19 pandemic.



In 2020, 201 million banknotes were counted in the main vault located in Istanbul, collected in group transactions at Istanbul and Anatolian branches.

The 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. Within this scope, 51 branches were transformed in 2020, raising the number of total branches transformed to 137. A Queuing System, BOA Sıramatik, was developed and efforts for Bank-wide deployment continued. 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 8% as of the end of 2020; lobby ATMs were installed at 330 branches. The plan is to finalize the works for 97 branches and launch Lobby ATMs at these branches by the end of the year.

The Cash Operations Unit: It meets Kuveyt Türk branches' group need for banknotes and precious metals. The unit serves 193 branches in Istanbul and 241 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. The Service performs banknote dispatch and receipt transactions requested by the Treasury Department.

In 2020, the Service carried out the following activities in line with the digitalization efforts:

- Adding a confirmation link for the CIT firm's employees on the Group Transfer Request Screen;
- Performing the Cash Management System notifications to the Central Bank under the Robotic project;
- Establishing a second Main Vault for backup to minimize the risks associated with the Covid-19 pandemic.

FOREIGN TRADE AND TREASURY OPERATIONS DEPARTMENT

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 services 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 imports, foreign exchange transfers, cash against documents, letter of credit, and External Guarantee transactions, as well as correspondent bank services for vostro accounts.

330
Branches

Lobby ATMs were installed in 330 branches.

In 2020, the number of transactions performed by Foreign Trade Operations grew 26% year-on-year. Cash-against-document transactions, LC transactions, and External Guarantee transactions are now monitored via digital channels so as to address growing customer needs in the face of the Covid-19 pandemic. The plan for 2021 is to diversify the foreign trade services provided on digital channels. A software development project was initiated involving the internal resources of Kuveyt Türk for the International Supply Chain Finance-FCI product planned for roll-out in 2021. The department studied the infrastructure, training, and organization aspects of the product. It also played an active role in the studies on an interest-free finance model that was conducted in coordination with national and international experts on this topic. During the Covid-19 pandemic, the Department attended webinars organized in the sector to follow up on the developments across the globe. With customer satisfaction and benefits in mind, projects aimed at handing the transactions over to robotic processes were conducted successfully. More robotic projects are planned for 2021.

Treasury Operations Unit operates through three subdivisions: Foreign Exchange and Money Market Operations, EFT and Capital Markets Operations, and Precious Metal Market 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. The number of operations conducted by the Treasury Operations Unit increased by 37% in 2020 compared to the previous year.

The online management of RPS refund processes by customers on digital channels; adaptation of EFT-RPS warning mechanisms to the system; integration of BOA ELÜS screens with TÜRİB; as well as integration with the FAST money transfer system were among the activities finalized by the unit in 2020. It aims to complete the projects regarding the modernization of the Retail Payment System (RTS) infrastructure and the introduction of robotic processes to the system in 2021.



In 2020, the number of transactions performed by Foreign Trade Operations grew 26% year-on-year.

37% Increase

The number of operations conducted by the Treasury Operations Unit increased by 37% in 2020 compared to the previous year.



System enhancements and improvements for the operational processes of DDS were finalized in 2020.

CREDIT OPERATIONS DEPARTMENT

The Credit Operations Department conducts operations relating to retail, SME, and corporate finance facilities, subsidized financial lease transactions, and guarantee letters in line with Kuveyt Türk's business principles and legal regulations. Under this scope in 2020;

Corporate and Commercial, SME, Retail Credit Operations carried out the following:

- Deployed a VPN connection for working from home in alternating schedules and ensured the successful adaptation to alternating schedules during the Covid-19 pandemic.
- Performed intensive Credit Guarantee Fund operations that were deployed under the economic stability package introduced during the Covid-19 pandemic.
- Increased the volume of Retail Loan Operations three folds owing to the attractive rates offered to consumers during the Covid-19 pandemic while tackling the current workload successfully thanks to the support of other operation services.
- The new Fund Extension project, which involves the digitalization of extension processes, went live at all branches.
- Screen tests to allow customers to initiate projects via digital channels were completed and made ready for a pilot practice as part of the new fund extension project.
- System integration was made for automatic inquiries. The integration enables e-invoices to be saved in the XML format for a Revenue Administration inquiry as part of the project on Participation Banks' Central Invoice Registration System.
- System enhancements and improvements for the operational processes of DDS were finalized.
- The pilot stage of Unconfirmed Supplier Finance transactions was completed and brought live in all branches.
- System enhancement and upgrade efforts for Export Finance transactions are ongoing.
- Retail Credit Operations continues the enhancements to help receive applications for vehicle and housing purchases by consumers on mobile and Internet channels. The aim is to enable customers to take out housing and vehicle loans on digital channels in the next phases of the project.

BANKING SERVICE GROUP

As part of the Subsidized Transactions Projects, improvements were made in the processes of transactions involving investment incentive certificates.

- Enhancements are ongoing under the effort-capital sharing project. The next phases of the project are intended to enable fund extensions to commercial customers.

Subsidized Transactions Service:

- As part of the Subsidized Transactions Projects, improvements were made in the processes of transactions involving investment incentive certificates. Two employees will be appointed to the subsidized transactions service under this project so as to provide consulting to customers and branches on subsidized transactions and operations.
- The service reached the testing stage of integrations for free zone transaction documents and micro-exports (E-commerce Customs Declaration). The plan is to launch this system once the Ministry shares the templates.

Leasing Service:

- GTIP (Harmonized System Code) inquiry fields were added to the proposal screens of leasing projects. This enabled VAT to be determined at the stage of project proposals.
- Partial clarifications will help draw up multiple repayment plans for customers during projects. Development efforts to this end are ongoing.
- Integration with the Association of Financial Institutions will automatize contract registry processes, while the process of development is run with relevant units.
- Efforts were initiated to establish a Leasing Hotline that will operate for the purposes of providing customers with information on ongoing leasing projects and operations involving leasing transactions. Activities are ongoing to devise the infrastructure of the Leasing Hotline.



GTIP (Harmonized System Code) inquiry fields were added to the proposal screens of leasing projects. This enabled VAT to be determined at the stage of project proposals.

29%

29% of the letters of guarantee were issued electronically in 2020.

Letter of Guarantee Service:

- Checks and approves letters of guarantee and reference letters issued by the Bank for compliance with the legislation, corporate principles, and fund allocation decisions,
- Provides Head Office confirmation letters for the letters of guarantee and letters of reference,
- Enters into the system the letters of guarantee and letters of reference conveyed by the branches.
- And forwards e-letters of guarantee to relevant counterparts with an e-signature via the system.

75% of the LG applications were submitted by customers via the Corporate Internet Branch in 2020.

The Bank completed the integration with all e-letter of guarantee systems. 29% of LGs were issued electronically and forwarded to respective parties via e-letter of guarantee systems in 2020.

PAYMENT SYSTEMS OPERATIONS DEPARTMENT

ADC Operations, Card/Clearing Operations, and Expense Disputes, Corporate Collections, and Reporting are the three units operating under the Payment Systems Department.

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

Merchant Services: In 2020, top levels of customer satisfaction were achieved through higher response rates in POS installations and in troubleshooting.

Key activities conducted under Merchant Services in 2020 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 95%.
- A reporting mechanism was established that helps report high-risk sectors/activities in POS transactions to VISA.
- Ingenico Tetra POS devices (Move/3500 - Move/5000F - Desk/5000) were put into use in service delivery. Cebim POS products were raised from 26,814 to 31,744 in number.
- POS Field Dashboard Report (Efficiency & Operability) by region/branch was brought into service on BOA.
- 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: As of the end of 2020, there are a total of 1,080 ATMs, including 586 external ATMs, 70 offsite ATMs, and 424 lobby ATMs. The number of XTMs is 89.

The key improvements regarding ATM/XTM operations in 2020 were as follows:

- PVIM project and ATM Troubleshooting and Process automation;
- BOA-CIT integration reduced the number of manual receipts and prevented accounting-related mistakes.
- ATM Availability Report was integrated with BOA.
- Cash Optimization Analytics Report was drawn up.

Card/Clearing Operations and Expense Disputes: conducts operations involving card/clearing and expense disputes.

Card/Clearing Operations: The 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 2020:

- Under the Miles & Smiles Project, testing processes for card parameter definitions, printing, authorization and clearing, and accounting were completed and brought live.

- Analyses were conducted on customers who receive printed statements. Customer calls were made via the Call Center, as a result of which printed statements were reduced and efficiency ensured.
- The Unit also took part in the activities regarding the Card-POS transformation 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.

A Chargeback Dashboard Report was issued by Card Clearing Operations - Expense Disputes in 2020.

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

Corporate 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.

The following projects were carried out by Corporate Collections in 2020:

- Enhancements for the version upgrades of existing corporations and integrations with new institutions were completed.
- HGS (Fast Transit System) Instant Collection Project was conducted.
- HGS Income-Expense Analyses were made.
- Integration with Tetra was completed for the HGS Infrastructure.
- Retirement salaries can now be moved to the Bank via BOA.

Reporting and Certification: The unit is in charge of Card, POS, and 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.



As of the end of 2020, there are a total of 1,080 ATMs, including 586 external ATMs, 70 offsite ATMs, and 424 lobby ATMs.



New screens were designed under the POS/Card transformation project; user tests were commenced to provide full-time support to the project.

BANKING SERVICE GROUP

In 2020, projects of the units under the Payment Systems Operations Department were carried out, and reporting and certification processes managed.



In 2020, the number of incoming video calls to the XTM Center increased by 16% to reach 226,543.

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

In 2020, projects of the units under the Payment Systems Operations Department were carried out, and reporting and certification processes managed.

In addition:

- Missing certifications of BINs were completed.
- Card (Issuer) and POS (Acquirer) certifications were completed under the Card-POS transformation project.
- BINs and certifications were obtained under the Miles & Smiles project.

CALL CENTER DEPARTMENT

The Kuveyt Türk Call Center carried out the following projects in the 2020 accounting period:

- The scope of Selim - a chatbot launched in 2019 - was extended in 2020. Once Selim went live on new platforms, over 3.6 million targeted questions were answered in a total of 1.2 million calls in 2020.
- Playing an active role in digital transformation, the Call Center offered four services once only available at Branches via the "Video Call" feature and made a significant difference in customer experience.
- Steps are taken to improve the experience via digital solutions so as to measure existing levels of customer experience and generate customer insights.
- Thanks to the integration of paperless banking, XTM Center approved 1.7 million contracts digitally in 2020.
- The audiovisual infrastructure between the XTM Center and XTM devices was upgraded, resulting in a better and more quality experience for customers.

- Banking transactions initiated on the XTM devices at branches are now directly handled by the XTM center, without redirecting approvals. This adds to the speed of transactions and boosts customer satisfaction.
- In 2020, the number of incoming video calls to the XTM Center increased by 16% to reach 226,543.
- The XTM Center served 2,218 hearing-impaired customers in 2020.

MEASURES TAKEN DURING THE COVID-19 PANDEMIC...

Customer behavior changed in the face of the Covid-19 pandemic. Customers turned to digital channels after the outbreak of the Covid-19 pandemic to get information, assistance, and convey their product and service requests -- activities they formerly carried out physically in person. In an attempt to adapt to this rapid change, the Bank shifted to working from home in a period as short as one week thanks to its infrastructure and experience. This allowed the Bank to protect the health of employees and maintain business continuity. The scope of services was expanded through new service channels and workflows to address the needs of customers who were unable to leave home during the Covid-19 pandemic. Upon the paperless banking integration of the XTM Center, customers were allowed to approve their contracts online. This minimized physical contact, protected the health of customers and employees, and helped finalize transactions in a more swift fashion.

SOLUTION-ORIENTED SERVICE APPROACH

Well aware of the importance of quality and uninterrupted service delivery, Kuveyt Türk has analyzed customer needs promptly and accurately. The easily accessible Call Center has offered solution-oriented services from the first communication onwards and handled incoming calls with an average response time of 26 seconds. With 10,3 million contacts, it delivered a performance of

97.4% in the Call Response Rate, which is one of the key performance indicators for call centers. The XTM Center performed above the sales targets in Mobile Banking, Credit Card, and Debit Card transactions. While digital transformation digitizes customer conversions, users are now able to initiate the process of becoming a customer via Kuveyt Türk Mobile. Delivering a much faster and easier outcome, Kuveyt Türk aims to offer an experience whereby it digitizes the entire process upon the amendments to be introduced to the banking law. Kuveyt Türk generates customer-centric solutions in the light of new technologies. Accordingly, the Voice Signature project is intended to make customers' lives easier, offering much higher levels of security than conventional encryption methods and recognizing the customer by their voice. It is a priority for the Bank to increase the number of end-to-end digital solutions, invest in digital platforms, and offer a unique experience to customers. The plan is to utilize face recognition and fake ID detection features which will add to the security of remote banking transactions performed via XTM and the Mobile Communication Center.

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 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 requirements and enters the information into the system. In 2020, blocking procedures started to be approved centrally. Due to the Covid-19 pandemic in 2020, general data entries dropped by 18%, whereas vehicle pledges rose by 28%, housing collaterals by 117%, and KGF collateral entries by 158%. As orders can now be redirected to digital channels, standing EFT/wire transfer orders dispatched to the center dropped by 67%. Retail customers are able to give confirmation via mobile approval for standing cash payment and EFT/wire transfer orders. Transactions are performed more swiftly, once the customer contract is scanned with a QR code and



The XTM Center performed above the sales targets in Mobile Banking, Credit Card, and Debit Card transactions.

**26
Seconds**

The Call Center handled incoming calls with an average response time of 26 seconds.



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

the current contract is selected on the transaction redirecting screen. Manually-handled notifications are now managed by the robotic process.

CENTRAL ACCOUNT OPENING

The Central Account Opening Service is in charge of customer identification and processes and updates for real/legal persons who are foreign nationals and for Association/ Foundation Accounts, in addition to its responsibility for International Black List checks. In 2020, account opening procedures for foreign retail accounts dropped by 41% due to the Covid-19 pandemic, while account updates saw an increase of 50% and international blacklist checks an increase of 107%. The Central Account Opening Service started to forward allowance payment applications and monthly notifications in connection with the Housing and Dowry Accounts to the Ministry of Treasury and Finance and Ministry of Family and Social Policies. Works with regards to the regular reporting of ETBİS (E-Commerce Information System) transactions to the Ministry of Trade have been completed. Approvals for citizenship procedures and the procedure of blocking capital subscriptions are handled centrally.

Clearing Service: The number of checks issued to customers after clearing the limit/risk checks of the Bank's approval mechanisms reached 827,660, the number of other banks' checks sent to collection via clearing reached 513,764 and their sum amounted to TL 21.3 billion; the number of Kuveyt Türk checks collected via clearing was 422,196 and their sum TL 19.9 billion; the number of other banks' checks in foreign currencies sent to collection via clearing was 11,041, and their sum USD 304.2 million, the amount of Kuveyt Türk checks drawn in foreign currencies received via clearing reached 16,871 and their sum amounted to USD 507.4 million.

The number of bills collected through branches and correspondent banks reached 136,231 and their sum equaled TL 1.8 billion.

Notifications of bills to the Risk Center are now made automatically and on a daily basis.

Collections of correspondent bills are automatized thanks to the Robotic project.

BANKING SERVICE GROUP

Senin Bankan Customer Relations Representative Field Team performed distribution activities with 51 people in 12 provinces.

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

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

It is in charge of:

- Customers' account opening operations 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 4 billion and the number of customers to 361,609 in 2020.

Senin Bankan Customer Relations Representative Field Team performed distribution activities with 51 people in 12 provinces.

Four Senin Bankan operational processes were handed over to the robotic process.

A deal was struck with an alternative courier firm.

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 GIB, SGK, Customs and the E-Seizure systems of SDIF.



Four Senin Bankan operational processes were handed over to the robotic process.

The letters submitted to the Official Correspondence Service were forwarded to the relevant business units through the banking application. The process of implementing seizure letters from Enforcement Offices and creating response letters to them was automated. All of the injunctions with regards to the letters can now be implemented via the RYS module.

Targets for 2021:

- Activities will be conducted for robotic technology in KGF transactions.
- Works are planned to utilize the Document Reader technology for transaction orders.
- System enhancements are scheduled for confirmation of transaction orders by commercial customers via mobile approval.
- As for the E-Mortgage project, integration and testing for integration with the Land Registry Office are ongoing. BOA-Takbas integration was completed as part of the pilot study. The plan is to roll this practice out at the branches in 2021.
- A better customer experience is among the goals once the integration is made with the structure that allows customer documents to be approved via mobile approvals and tablet signatures.
- Analytical models featuring ID recognition and artificial intelligence will help optimize risk management in account opening procedures for foreign nationals.
- The introduction of check inventories into the system is among the plans.
- Tasks assigned via e-mail will be displayed in the workflows on BOA.
- Regarding checkbook requests, works will be performed on relevant screens with a view to diversifying requests as per the type of checkbook.
- Joint studies will be carried out with other banks to enable clearing procedures for FX checks without a physical exchange.

**361
Thousand
People**

Kuveyt Türk
reached 361,609
Senin Bankan
customers in 2020.

- Account opening options for SMEs and foreign nationals will be introduced to the Senin Bankan Branch. Efforts will be undertaken to ensure retail accounts can be opened via video calls.
- A structure will be developed to improve operational efficiency in connection with attachment letters.
- The efficiency of blocking screens will be improved and enhancements made to minimize risks.
- Certain standards are followed and complied with in the letters sent to official institutions.
- Transformation is aimed at e-attachment procedures of the Ministry of Justice and Municipalities.

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.

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

In order to bolster anti-fraud structures the following activities were undertaken in 2020:

- **Fraud 360:** It is a project to analyze transactions performed at the branches involving a fraud risk.
- **IBM Safer Payments:** The project is intended to detect risky transactions on digital channels more effectively and efficiently.

- **Transaction Orders Code of Practice:** It was developed to run the transaction orders and proxy transactions in a more secure and corporate manner at Kuveyt Türk. The Code lays out the type of transactions eligible for standing orders, their limits, and processes.
- **Fraud Analysis under the New Fund Extension Project:** A Fraud analysis module was developed to detect and examine possible fraud incidents that may arise from the Bank's new fund extension structure.
- **Foreign Banking Project:** It is aimed at determining transaction limits, types, and processes of the Bank's customers who are foreign nationals.
- **TNB Integration:** An integration with the Notaries Union of Turkey (TNB) was carried out to enable digital queries on proxies.
- All ATMs were equipped with apparatus that prevents duplications.
- The number of SMS, OTP, and Date of Birth queries on ATMs was reduced thanks to the analytical model within the Fraud module.
- The losses incurred due to credit card and POS fraud dropped compared to the previous year.
- Awareness-raising notifications and communications were made during the Fraud Awareness Week between November 15 and 21.

ACTIVITIES CONDUCTED DURING THE PANDEMIC

- **Salary and cash payments for customers aged above 65:** A process was established whereby customers aged over 65 under curfew could receive salary and cash payments by contacting the Vefa Social Support Line.
- **Customers aged above 65 without valid GSM number:** For customers aged above 65 who were under curfew and did not have a valid GSM number, confirmation calls were made to the number shared via the Vefa Social Support Line.
- **Remote GSM number prioritization:** Customers with multiple GSM numbers registered in the system were enabled to prioritize their phone numbers by placing orders without having to visit a physical branch.



Product and Customer Security Department heads the External Fraud Committee within the corporate structures.



A Transaction Orders Code of Practice was developed to run the transaction orders and proxy transactions in a more secure and corporate manner at Kuveyt Türk.



Integration with the Notaries Union of Turkey was carried out to allow digital queries on proxies.

BANKING SERVICE GROUP

In line with the Bank's strategies, 260 projects and enhancements as well as 2,721 modification tasks were completed over the Core Banking Software Platform and digital channels and brought live in 2020.



Notifications were made to customers and staff to raise their awareness of new methods of fraud associated with the pandemic.

- **Increasing Mobile Branch limits via the Call Center:** Mobile Branch limits could previously be increased only at branches. Customers are now able to increase their limits via the Call Center.
- **Internal & External security communications:** Communications were made for customers and employees to raise awareness on new methods of fraud linked with the pandemic.

The following projects are scheduled under the Product and Customer Security Department in 2021:

- IBM Safer Payments module will help establish a Branch-level fraud structure and monitor the transactions performed on this channel.
- A new Fraud module will be developed under the Card Payment Systems Transformation Project.
- Integration is planned with a product capable of detecting malware on devices so as to boost the security of the Mobile Branch.
- Integration of analytical models into the channels where fraud incidents are examined is among the plans.

INFORMATION TECHNOLOGIES GROUP

Kuveyt Türk Information Technologies operates in close alignment with the Bank's strategies and goals. Its mission is to provide sustainable technology in Banking services while offering ideal IT solutions for new business requirements and creating added value. Information Technologies pursues the vision of serving as an IT Group that is capable of quick adaptation to change, developing high-tech solutions, leading the sector, and providing trust. The Group will continue services with the aim of developing adjustable, robust, sustainable, and secure

high-tech solutions with an employee-oriented approach.

In line with the Bank's strategies, 260 projects and enhancements as well as 2,721 modification tasks were completed over the Core Banking Software Platform and digital channels and brought live in 2020. In 2020, 38,751 incidents and 24,134 service requests from end-users were closed and as a result of the pandemic, calls rose by 5% compared to the previous year. Call resolution satisfaction reached 94% and approximately 82% of incoming calls were resolved at IT-Service Desk in 2020.

A QUICK SHIFT TO WORKING FROM HOME

As the impact of the Covid-19 pandemic was felt more clearly as of March, Information Technologies staff started to work at home full time or in alternating schedules in parallel with the decisions made by the Bank. The Information Technologies companies of the Bank had experience in remote working in the previous periods due to various reasons and therefore did not face a considerable negative impact in their productivity or ways of doing business. No change was made to project realization goals, and the Group made use of methods such as remote meetings with the teams in conducting joint activities and monitoring daily progress on projects. Employees who had to be at the Bank due to the nature of their job provided on-site support in alternating schedules with backup teams on standby.

In the meantime, Information Technologies also undertook efforts to address the requirements of remote working, including allocation of notebooks to people working at home, a capacity increase of remote connections (VPN), and capacity extension

94%

In 2020, the satisfaction level with the resolution of incoming calls reached 94%.

of data lines to prevent latency in remote access. As a result, some 2,500 people had seamless VPN access simultaneously. In addition, Skype and desk phones were integrated to help respond to the incoming calls at the Bank while the staff was based at home. Teams application was made available alongside Skype for remote meetings.

In an attempt to improve the quality of Information Technologies, a more proactive approach was adopted to resolve the audit findings. Consequently, 44% of the findings were resolved before the committed deadline. As part of the enhancements, software development lifecycle analyses were carried out; rooms for improvement were detected through process mining activities. As part of the quality controls of the software development lifecycle, an SDLC Quality Control Report was drawn up to report on compliance and a 5% improvement was attained in compliance with quality. Monthly load tests were performed and performance trends monitored for the applications developed to improve quality.

THE ONLY BANK WITH TWO R&D CENTERS

Kuveyt Türk Participation Bank is Turkey's only bank with two R&D centers and boasts ten years of R&D experience in the banking and finance industry. Kuveyt Türk R&D Center makes significant contributions to university-industry cooperation. Within this scope, the senior staff delivers lectures and seminars in the undergraduate and graduate departments of Yıldız Teknik University, Marmara University, Kocaeli University, Yalova University and Konya Karatay University. Joint activities were undertaken for graduation projects with the Department of Industrial Engineering at Bilkent University.

Partnerships with universities and R&D projects supported by the European Union and TÜBİTAK create added value for the Bank as well as Turkey. Accordingly, the Bank worked on 27 R&D Projects, 26 with internal resources and one subsidized. 12 scientific papers were published as a result of these efforts. Moreover, 67 Kuveyt Türk employees were granted graduate training support.



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27 R&D Projects

The Bank worked on 27 R&D Projects, 26 with internal resources and one subsidized.



Kuveyt Türk Participation Bank is Turkey's only bank with two R&D centers and boasts ten years of R&D experience in the banking and finance industry.

In 2020, the Lonca Entrepreneurship Center was transformed into a truly digital entrepreneurship center with processes designed as per the new normal amid the Covid-19 pandemic. The 5th term, during which a total of 9 ventures were supported, started in March and ended in October when Demoday was broadcast live on online platforms. The plan is to initiate the 6th term in January 2021 and support 10 additional ventures at a minimum. Part of the training courses, which are entirely online, was held in a camp format. Over 30 days of training were delivered. TL 360 thousand as cash donations were provided to support startups in preparing their products throughout 2020. More than 200 mentoring meetings were arranged with more than 100 mentors in the mentoring network. In the same period, the number of services received from local and international cloud systems equaled USD 30 thousand. Some TL 100 thousand was allocated for PR support. To help promote entrepreneurs, startups were given the chance to make presentations on platforms such as "Innovation Hub." Demoday, which was organized for the presentations of the graduates in the 5th term, went live on Webrazzi, an entrepreneurship, and tech news source, and has reached over 5,000 people up to date.

Some of the key projects undertaken by Information Technologies in 2020 include:

APPLICATION DEVELOPMENT PROJECTS

COLLATERAL MANAGEMENT AND CONTROL SCREEN ENHANCEMENT

Boosting internal and external customer satisfaction, reducing redundant e-mail/ phone/Skype traffic, and improving the efficiency of business controls were among the goals. The Department made sure that transactions forwarded under the "urgent" option were displayed with an urgent tag and on top of the open tasks within the Business Management Pool.

BANKING SERVICE GROUP

A joint invoice registration center was established under the Participation Banks Association (KKB) to prevent invoices from being financed by multiple banks and help perform e-invoice controls through a joint integration with the Revenue Administration.

ACCEPTANCE OF INVESTMENT FUNDS AS COLLATERAL

Mutual Funds within KT Portföy started to be accepted as collateral. This was a new addition to the collateral portfolio which was diversified with the lease certificates issued by the Bank, lease certificates issued by the Ministry of Treasury and Finance, as well as the electronic product bills (ELÜS) corresponding to agricultural products.

E-MORTGAGE SYSTEM

Mortgage transactions will be performed online thanks to the integration with the Land Registry and Cadastre Office. Regarding mortgages on real estate sales and mortgages on collaterals, attorneys will not have to visit the Land Registry Office on behalf of the Bank. Collateral transactions will be performed in an uninterrupted fashion thanks to this integration.

ADJUSTMENTS FOR THE PARTICIPATION BANKS' INVOICE REGISTRY SYSTEM (KBFKS)

A joint invoice registration center was established under the Participation Banks Association (KKB) to prevent invoices from being financed by multiple banks and help perform e-invoice controls through a joint integration with the Revenue Administration. Kuveyt Türk Participation Bank was integrated into the system, which ensured necessary controls are made in invoice entries and invoices are registered in the central system.

INFLATION-INDEXED LOAN CONTRACTS

In fund extension processes, profit rates are determined upfront and this rate remains unchanged during the extension period. With this new product, the profit rate will be updated according to the



Mortgage transactions will be performed online thanks to the integration with the Land Registry and Cadastre Office.



Early warning systems are designed to detect customers' financial deterioration in an early fashion.

inflation rates announced. This will enable customers to enjoy certain advantages for the funding they take out when inflation rates go down. If they go up, however, the difference is charged to customers within certain limits.

EARLY WARNING SIGNALS SYSTEM

Early warning systems are designed to detect customers' financial deterioration in an early fashion. This project was intended to preserve the credit quality of the Bank's customers and automate monitoring processes.

RECEIPT OF DEFERRAL/REVISION/ TAWARRUQ REQUESTS FROM MOBILE AND INTERNET BRANCHES

With the Installment Deferral Campaign initiated for certain projects to help curb the impact of extraordinary situations such as the Covid-19 pandemic and earthquakes, the aim was to forward deferral requests via digital channels without having to visit a branch. Mobile and Internet Branches now redirect customer requests, including the Reason for Request, Installment Choice, and Deferral Date, to the workflow of the relevant portfolio manager.

LETTERS OF GUARANTEE

Procedures of redirecting LG entries to OPM were introduced on LG screens. Electronic notifications of e-letters were separated from the procedure of taking these letters in printed form. E-letter of guarantee procedures were integrated into MeBoss to help create entries for such letters automatically. The Project is intended to facilitate the processes of defining and printing letters of guarantee.

THE NEW DDS DESIGN

DDS product screens were separated from the screens of direct fund extension products and customized. As a result, customer transactions were accelerated, while customer satisfaction was raised

thanks to a flexible mechanism that helps address customer-specific requests quickly. Detailed information, instructions, and new listings on the screens of the project reduced the operational burden of the staff who perform these procedures at the branches.

INVOICES AS COLLATERAL

To allow customers to use their invoices as collateral, infrastructure was developed where customers can upload their invoices to the Kuveyt Türk systems and have them approved as collateral in funding once necessary controls are performed. Uploading multiple invoices via the SFTP channels has been made possible, while the approval of such invoices as collateral at branches now takes place automatically.

SUPPLIER FINANCE ENHANCEMENTS

Definition screens for the supplier finance product were separated from direct fund extension screens. Product-specific definitions and limit information can now be managed on a single screen, allowing users to carry out transactions quickly. Operational convenience was provided to customers who now have the chance to obtain a general assignment guarantee for supplier finance. The obligation of obtaining separate assignments for each order has been eliminated.

DIGITAL APPROVAL OF SWIFT PAYMENT ORDERS

Standing orders for transactions are prone to exploitation and abuse. This project enabled SWIFT payment orders to be approved by customers via digital channels (mobile branch, internet branch). As a result, the Bank and customers were prevented from incurring losses.

INTRADAY AND OVERDRAFT LIMIT/LOAN PROJECT

A structure was developed to ensure transactions are performed in an uninterrupted fashion even when account balances are not sufficient for KFH. With this structure, TL payment orders forwarded via Ripple xCurrent and SWIFT were paid to the beneficiary although no funds were available in the KFH account.

IBKB (EXPORT PROCEEDS ACCEPTANCE DOCUMENT) PROJECT

Pursuant to the communique on exports, exporters are obliged to document that their proceeds are generated overseas. Banks are in charge of monitoring these export proceeds and report those not transferred within the specified time period to the authorities. Previously monitored through DABs (foreign currency purchase certificates), this process is now tracked with IBKBs (Export Proceeds Acceptance Documents).

TNB-KUVEYT TÜRK PARTICIPATION BANK PROXY INTEGRATION

Prior to any transactions by proxy at the branches, the staff calls the Notary officer who issued the proxy to confirm the validity of the document. In the case of failure of the notary officer to respond promptly, the proxy must be checked within the archives physically, which is time-consuming. The integration with the Notaries Union of Turkey allows for instant proxy inquiries and prevents potential fraud incidents.

INTEGRATION WITH THE MESSAGE MANAGEMENT SYSTEM (İYS)

Kuveyt Türk has completed integration with the Message Management System established to check commercial messages. Permits given by citizens for receiving messages via commercial channels were checked on the System to make sure that only permitted messages were sent by the Bank.

NOTIFICATION OF BILLS

Notifications on covered and protested bills were previously made in files twice a month. This has been moved to the instant notification system. The circulation of a bill is now instantly notified to the Credit Registry Bureau (KKB) thanks to this structure. Notifications also allow for instant feedback from KKB. When customers' bills are inquired at multiple banks, the current status of the bill is forwarded so as to boost customer satisfaction.



DDS product screens were separated from the screens of direct fund extension products and customized. As a result, customer transactions were accelerated, while customer satisfaction was raised thanks to a flexible mechanism that helps address customer-specific requests quickly.



The integration with the Notaries Union of Turkey allows for instant proxy inquiries and prevents potential fraud incidents.

BANKING SERVICE GROUP

The Easy Addressing Service is an added-value service set to improve customers' user experience with payment systems such as EFT, PÖS (Retail Payment System-RPS), and FAST where fund transfers are made.



Instant and Continuous Transfer of Funds (FAST) is a new system where citizens can transfer money between their accounts at different banks within seconds and 24/7.



Customers are now allowed to choose between the option of calculations at medium price and calculations at a trading price so as to prevent the problems linked with the different margins of trading prices in the market.

SINGULAR SALARY SCREENS

The infrastructure of employees' screens for salary customers has been renewed. Existing screens are now simplified, allowing procedures to be handled swiftly on a single screen. Once screens were adjusted at the Branches, support was provided to renew the interfaces of the Internet Branch. This enabled customers to perform salary transactions on different channels easily.

ELECTRONIC ACCOUNT BOOK ENHANCEMENT

Aimed at sending account books online, this project also ensures that information on whether a customer requests or rejects account books is retained. Confirmation is sought from customers who reject an account book and this is stored in the system. The project enabled customers to send electronic account books from digital channels via e-mail. Customers are now able to obtain their electronically-signed account books for any additional accounts they may have.

KOLAS (EASY ADDRESSING SYSTEM) LAYER INTEGRATION

The Easy Addressing Service is an added-value service set to improve customers' user experience with payment systems such as EFT, PÖS (Retail Payment System-RPS), and FAST where fund transfers are made. This service matches customers' account numbers (IBAN) registered at multiple payment system participants with an address that they can remember easily (Easy Address: phone number, e-mail address, Turkish ID number, Tax ID, Foreign National ID number, Passport Number). It then allows customers to use these addresses instead of an account number for transfers of funds.

TURKISH CENTRAL BANK 24/7 FUND TRANSFER SYSTEM (FAST)

Instant and Continuous Transfer of Funds (FAST) is a new system where citizens can transfer money between their accounts at different banks within seconds and 24/7.

INCREASING THE SOURCES FOR FOREIGN CURRENCY AND MARGIN PRICING

When there is an interruption in the flow of data from a data source, exchange rates for customers will be set based on the data of other sources. Customers are now allowed to choose between the option of calculations at medium price and calculations at a trading price so as to prevent the problems linked with the different margins of trading prices in the market.

REAL PERSON INVESTMENT FUND FINANCE

Studies were conducted on an investment fund finance that customers in need of cash can utilize. Customers will be able to request finance to purchase short-term funds and convert them into cash when they wish. As part of this process, operational steps are taken automatically in integration with MKK (Central Registry Agency).

UPDATES TO ACCOUNT OPENING SCREENS FOR THE CAPITAL MARKET

As the number of accounts opened rises significantly, missing or erroneous customer data results in an operational burden. Now, account opening controls by MKK are run prior to the account opening process. This prevents account openings by people with missing or erroneous customer/person data. Necessary instructions for customers who enter incomplete data have been introduced to the screens of the mobile branch and tellers.

MOBILE CONTRACT APPROVALS

Customer approvals with a wet signature are rather costly in terms of operations, use of paper, and backup efforts for the Bank. In an attempt to prevent such costs, infrastructure was developed that enables customer approvals to be obtained via mobile apps. Customer approvals are now obtained more securely and less costly thanks to this infrastructure.

VIDEO CALLS

It is a service that connects customers to the call center staff via the video call feature on the mobile branch. This project enabled customers to use the mobile branch to update GSM numbers and update ADC transaction limits (provided there is a confirmation) -- procedures that were once completed at the branch only. If any problem occurs in getting a confirmation, customers can connect to the call center via the video call feature and carry out these procedures just like at the branch.

THE VIDEO CALL SERVICE FOR DISABLED CUSTOMERS ON KUYEYT TÜRK WEBSITE

This feature helps disabled customers to report lost/stolen cards via the website. To request a call, hearing-impaired customers type in name and surname and Turkish ID number on the relevant page of the website. At the Call Center, customer representatives trained in sign language receive the request and start a video call with the customer. Then, the customer representative opens the relevant screen and cancels the card reported without getting a security confirmation from the customer. A truly accessible experience is made possible thanks to this project.

SINGLE PASSWORD

The Internet Branch password and PIN for mobile channels used on all the digital platforms of Kuveyt Türk will be replaced by a "Single Password" of six digits to eliminate the complexity of multiple passwords and offer a better customer experience. This password will be used in all transactions on all channels.



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Miles&Smiles products were introduced to Credit Cards and Debit Cards, while customers were enabled to apply for debit, retail, and commercial credit cards on digital channels.

INTERNET BRANCH MOBILE CONFIRMATION (LOGIN WITH NOTIFICATION)

It is offered to customers with enabled mobile devices as an alternative to short messages (SMS) for confirmation at the stage of Internet Branch logins. This confirmation mechanism is named Mobile Confirmation and provides an infrastructure for customer confirmation not only for Internet Branch logins but also for procedures to be carried out on channels such as Phone Banking and IVR. It also has helped reduce the operational burden of short messages.

MILES & SMILES CARD PROJECT

Miles&Smiles products were introduced to Credit Cards and Debit Cards, while customers were enabled to apply for debit, retail, and commercial credit cards on digital channels. Mechanisms were introduced where customers can request advance miles for credit cards.

REVENUE MODEL INTEGRATION ON DIGITAL CHANNELS

Via digital channels, information is collected on the occupations of retail customers to estimate their revenue and thus allow them to apply for credit cards and financing products.

E-COMMERCE FINANCE PROJECT

E-commerce payments can currently be made via the mobile branch once a QR is produced upon money transfer if integration with external companies is in place. This project, however, allows the customer to take out instant funding for payment thanks to the integration with the revenue model.

DOCUMENT UPLOADS TO MOBILE AND INTERNET BRANCHES

Documents, once collected via e-mail correspondences, are moved to the digital channels. When a customer is requested to forward a document, the workflow initiated will involve a mobile document upload by the customer. The Paperless Banking Project is aimed at digitizing and mainstreaming document uploads.

BANKING SERVICE GROUP

Image processing tools were utilized to forward the official documents on Divit (document management system) to the core banking system BOA so as to reduce the cost of multiple data entries and thus improve efficiency.

VOICE IVR

Efforts were undertaken to introduce a Voice IVR structure in place of the traditional key-driven IVR. The functionality of addressing the caller by his/her name was introduced through text-to-speech if s/he is a customer registered at the Bank (or if not a customer, through requesting their Turkish ID number). This interactive platform taps into a Natural Dialogue (ND) infrastructure in a QA format and determines the transaction customers want to perform. In addition, it redirects customers to the relevant menu on key-driven IVR. This is how customers perform transactions quickly, without getting lost in pressing keys and choosing between the menu announcements.

PENSIONER LINE

Customers who want to reach the Pensioner Line can call 0262 723 49 19 to speak to the customer representative and get consulting on pensions.

HGS ONLINE PAYMENT PROJECT

Customers' account balance is checked online on toll roads and at the booths of bridge exits. Customers are now able to pass the bridge with instant top-up on their accounts if their funds are insufficient.

ABBY OFFICIAL CORRESPONDENCE PROJECT

Image processing tools were utilized to forward the official documents on Divit (document management system) to the core banking system BOA so as to reduce the cost of multiple data entries and thus improve efficiency.

CUSTOMER SERVICES WITH QR CODE

Customers will be able to enjoy fast-track, buggy, and lounge services at Istanbul Airport by scanning their QR codes on the "Special Services" menu on the mobile app.

NEXT-GEN XTM PROJECT

Next-gen vault-free XTM devices enable non-cash banking transactions to be performed via a video-conference



The use of paper was significantly reduced when the document approval feature was introduced for the touch screens of XTM devices as part of the Paperless Banking project.



Members of the Chamber of Merchants and Craftsmen, as well as farmers, are now able to file applications at the Senin Bankan branch, an online application channel, from the website.

connection with the customer representative. No vault is used in these devices, reducing the cost of devices and operations.

XTM PAPERLESS BANKING APPROVAL SYSTEM

The use of paper was significantly reduced when the document approval feature was introduced for the touch screens of XTM devices as part of the Paperless Banking project.

SENİN BANKAN SME PROJECT

Members of the Chamber of Merchants and Craftsmen, as well as farmers, are now able to file applications at the Senin Bankan branch, an online application channel, from the website. Integration with ESBİS is complete, helping run controls on real and active entries.

SENİN BANKAN CARD PROJECT

On the "Application Page," a confirmation will be requested from the customers who filed applications for opening accounts, which prompts them to confirm that a preliminary approval process will run for the card application. After an account is opened, card allocation processes are triggered for Sağlam Card applications.

KT BANK AG PROJECTS

NEW PAYMENT SYSTEMS DIRECTIVE 2 (PSD2) AND APIGO INTEGRATION

ApiGO, an Architech product, enabled full integration with PSD2, a system aimed at efficient, quick, and secure operations on the international payment market. All API services required under the New Payment Systems Directive 2 (PSD2) are made available for third-party providers (TPP).

BOA 360 T INTEGRATION/KT PLUS

KT Plus, an app by 360 T, provides a platform where Kuveyt Türk and its customers can trade at more affordable rates. Automatically integrated into BOA, this system has improved operational

efficiency, reduced the risk of human errors, ensured service delivery to a broader base of customers, and mitigated position risks.

MOBILE BANKING TRANSFORMATION

A version upgrade is underway regarding the mobile transformation project that will ensure technology transformation, infrastructure transformation, performance improvement, and enhanced security on iOS and Android mobile branches. This will also make the Bank more competitive and boost user satisfaction.

ISO20022 (SWIFT/TARGET2)

ISO 20022 is a global and open-source standard for payment messaging. It sets a shared language and model for payment data all around the world. The standard also provides a better data quality than other standards. Adaptable to new requirements and approaches, the standard is developed globally. For KT Bank AG, this infrastructure and BOA transformation is handled with the Bank's in-house resources.

CHANGE OF THE SMS TRANSMISSION FIRM

After the provider of SMS services was changed for KT Bank AG, processes involving new bidders, infrastructure, and technology adaptation were completed. As a result, a deal was made with a new company and integration finalized.

INFRASTRUCTURE, INFORMATION SECURITY AND SYSTEM PROJECTS

Security and system-related measures were taken in the 2020 accounting period. All critical updates were installed on operating systems. Vulnerabilities have been eliminated. New versions of tens of apps were introduced to servers and clients in parallel with requests. Efforts were undertaken to automate the manual tasks performed by infrastructure teams. Configuration works were carried out on all monitoring applications so as to ensure effective monitoring of critical infrastructure systems. Critical servers were included in the monitoring inventory. Special automation developed helped boost the capabilities of the monitoring team.

IDENTITY & ACCESS MANAGEMENT

Identity and access management is intended to centrally manage and approve the authorities of Kuveyt Türk staff on applications, and thus prevent the abuse

of power on applications; centrally manage the authority requests of the outsourced companies' staff and cancel such authorities on time so as to protect the Bank's data against unauthorized access. The first phase of the project is complete.

SECURITY AWARENESS ACTIVITIES

Security awareness courses, developed in a manner to address the specific tasks performed by the staff, were organized and completed by employees.

CHANGE OF DDOS PROTECTION INFRASTRUCTURE

Growing cybersecurity attacks and developments in the industry are taken into account by the Bank. Growing line capacities have been changed. The new product has been found to provide protection in the drills performed.

CHANGE OF SOAR CYBER INCIDENT MANAGEMENT CENTER APP

The current SOAR infrastructure was replaced with a more advanced system so as to keep a record of cyber incidents and automate preliminary procedures and certain actions. Running in integration with part of our systems, the new infrastructure can take action 24/7 as per the action plan defined to it.

EDR (ENDPOINT DETECTION AND RESPONSE)

Actions and processes run on our systems are collected and processed in a central system through an agent installed on end users' PCs and server systems. Security analysts examine cyber incidents and intervene in them for the users in and outside the office.

THREAT INTELLIGENCE MANAGEMENT (TIM) MODULE

Data from different sources of cyber intelligence is managed and processed centrally. Central management helps enrich intelligence, improve its quality and prepare it for use by third parties. This is how security analysts make better decisions while examining cyber incidents.

MASKED CUSTOMER DATA

In the development and testing environments of the Banking system, customer names and surnames, as well as customer numbers have been mixed and anonymized. This helped the Bank to reach full compliance with the laws, decrees, and regulations under the Personal Data Protection Law and BRSA, while access to personal data was prevented.



A version upgrade is underway regarding the mobile transformation project that will ensure technology transformation, infrastructure transformation, performance improvement, and enhanced security on iOS and Android mobile branches.



Security awareness courses, developed in a manner to address the specific tasks performed by the staff, were organized and completed by employees.

BANKING SERVICE GROUP

A system was developed that helps monitor a third-party request end-to-end on API Banking.



Utilizing internal resources to prepare the data of development and testing environments, a Test Data Management infrastructure named MassKing was introduced.

CORPORATE ARCHITECTURE GOVERNANCE EFFORTS

CORPORATE ARCHITECTURE META MODEL

has been updated. Process efforts were undertaken for the server, network devices, and business architecture. Catalog data was updated as stipulated in the communicate of BRSA. Topologies were drawn. Architectural workshops were held and a Technology Radar prepared.

TEST DATA MANAGEMENT INFRASTRUCTURE (MASSKING)

Utilizing internal resources to prepare the data of development and testing environments, a Test Data Management infrastructure named MassKing was introduced.

BOA ONE SURVEY TRANSFORMATION

The survey system was moved to BOA One. The new survey with a Web interface was created in the design editor in a manner to meet the requirements of the Bank. Recipient groups can now be created based on organization or role from the target group screens. In addition, workflow surveys can be defined and implemented without the support of IT. Survey results can also be reported in a visually-effective manner.

BOA REQUIREMENTS AND TEST MANAGEMENT

Requirements, analysis, and test scenarios run on HP QC ALM can now be managed via BOA One. An organization-specific standard was established for setting out requirements. A forward-looking standard that is open to improvement has been generated for analyses. The writing quality of requirements has also been improved; a testable and reusable structure has been established.

NOTIFICATION CENTER ENHANCEMENTS

Enhancements involved the migration of all templates of short messages and e-mails sent by the Bank for notification purposes to the Notification Center. English templates were included in the notifications sent to external customers. Controls were put in place to prompt customer approval for notifications involving sensitive data. Studies were conducted to make sure the defined notifications were submitted to the approval of legislative, marketing, and relevant business units.

API BANKING ENHANCEMENTS

A system was developed that helps monitor a third-party request end-to-end on API Banking. A new app was designed whereby our software teams can test the APIs made available for public use. APIs for balance inquiry, account activity, statement, money transfer, and FX trading went live to help broaden the user base of API banking.



Requirements, analysis, and test scenarios run on HP QC ALM can now be managed via BOA One.

FINANCIAL AFFAIRS

The primary objective of the Financial Affairs Group is to perform its functions with an outstanding service quality through its sound technological infrastructure and competent staff.

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 ensuring its sound operation,
- 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 MIS Reporting and Regulatory 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.



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 is in charge of fulfilling the Bank's financial and tax obligations.

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 incomes and expenses of participation pools; and introducing systemic improvements.

TAX MANAGEMENT AND CONSULTANCY

The Tax Management and Consultancy service administers 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 Communiqués, tax laws, and other applicable regulations. The service successfully adopted the core changes introduced in 2019, including a registry system for the provisions under TFRS 9, registry of lease contracts under TFRS 16, and the establishment of an accounting system for new financial products, in the accounting system of the Bank.

FINANCIAL AFFAIRS

The Financial Control Department executes its functions through Financial Control and Risk Analysis, Treasury Control, Expense Management, IFRS 9 and Provisions, and General Accounting Reconciliation units.

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, 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:

FINANCIAL CONTROL AND RISK ANALYSIS UNIT

- The unit is in charge of the following: 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



In 2020, Financial Control and Risk Analysis had the system produce numerous control reports, and thus detected systemic or operational errors and shortcomings promptly while making sure they were addressed by relevant business units.



The Financial Control and Risk Analysis Unit developed an e-mail notification system to help monitor the daily changes in the Bank's revenues and expenses, enabling incidental situations to be detected early.

all transactions within the framework of uniform accounts chart, relevant legislations, and communiques,

- Controlling and analyzing the Bank's fund and banking incomes 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 existing products and launch new products.

In 2020, Financial Control and Risk Analysis had the system produce numerous control reports, and thus detected systemic or operational errors and shortcomings promptly while making sure they were addressed by relevant business units. In addition, the unit developed an e-mail notification system to help monitor the daily changes in the Bank's revenues and expenses, enabling incidental situations to be detected early.

GENERAL ACCOUNTING RECONCILIATIONS

- The service works to establish accurate records by checking whether the maturity offered to the customer is in compliance with the customer's account; and performing controls on the accounts chart, 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;
- Ensuring the effective monitoring of the Bank's foreign exchange and precious metals position, and liquidity;
- Monitoring and checking pricing for treasury products such as FX, precious metals, and sukuk;

- Analyzing the results of treasury transactions and reporting on risks, profitability, and shortcomings;
- Preparing treasury reports requested by the Senior Management and KFH.

In 2020, "Early Warning System" and "Collateral Management" projects were completed.

Collateral Management: Forward treasury transactions with the residents overseas are monitored on a daily basis; a pecuniary guarantee is obtained to reduce the credit risk arising from such transactions. Over 300 transactions were made within this scope and counterparty risk of USD 30 million on average was reduced.

Early Warning System (EWS): Simultaneous and continuous controls are performed by the system, while automatic e-mails are forwarded to relevant persons if warnings are triggered as per the scenarios defined on the system. EWS features 30 controls, primarily including exchange rate continuity, exchange rate consistency, pricing, and position monitoring, with new controls added every day.

EXPENSE MANAGEMENT UNIT

- Conducting controls and analyses for the accurate and appropriate budgeting of expenses necessary for the Bank's activities, and for their provision with convenient costs that do not exceed the budget;
- Making sure that measures and action are taken to address risks or areas that need improvement as detected in cost optimization processes;
- Developing, and providing coordination for, the Contract Management System in a manner to cover the processes of service providers and outsourced services;
- Approving or rejecting requests for procurements of goods and services 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, Detecting extraordinary expenses and making sure necessary measures are taken.



Simultaneous and continuous controls are performed by the system, while automatic e-mails are forwarded to relevant persons if warnings are triggered as per the scenarios defined on the system.

30
USD Million

In 2020, the counterparty risk was reduced by USD 30 million on average.



As for the procurements of goods and services within the limits of authorities granted, Kuveyt Türk's interests were observed, cost optimization achieved and savings attained.

As for the procurements of goods and services within the limits of authorities granted, Kuveyt Türk's interests were observed, cost optimization achieved and savings attained.

IFRS 9 AND PROVISIONS

- Accurate classification of financial assets as per the business model of the Bank;
- Implementation of IFRS 9 calculations in line with the IFRS 9 standard and IFRS 9 policy of the Bank;
- Coordinating Expected Credit Loss (ECL) calculations for BRSA and CBK; aligning the data with the trial balance; conducting calculations and reporting;
- Checking the ECL; submitting the results and analyses thereof at the Provisions Committee;
- Oversight of relations with auditors, system providers, and other external stakeholders in the IFRS 9 process; coordinating ad-hoc requests regarding calculations.

In 2020, the IFRS 9 Provisions Unit completed the IFRS 9 Strategic Solution project and deployed it as of August 2020 for calculations under the BRSA. The project helped conduct ECL calculations in an earlier fashion.

In 2021, Financial Control will intensify efforts on digital technologies to automate tasks and controls, renew the contract system as per new regulations, perform weekly ECL calculations, and further contribute to Kuveyt Türk's strategic goals.

BUDGET AND REPORTING GROUP DIRECTORATE

The Group Directorate executes its functions through Budget and MIS Reporting, and Regulatory and International Reporting departments.

BUDGET AND MIS 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 plays 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.

FINANCIAL AFFAIRS

The Budget and MIS Reporting 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 MIS Reporting Unit was established.



Executive Reporting presents the executive financial reports required by the senior management to the interested parties through the Management Information System (MIS/YBS) screens.



The audit reports for IFRS were prepared annually and BRSA reports quarterly (in solo and consolidated formats); these were then submitted to the relevant institutions and disclosed to the general public.

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.

MIS Reporting Unit: Budget and MIS 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 MIS 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 Regulatory 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 and reports 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.

REGULATORY 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 2020, the Regulatory 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 shareholder 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 at 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 (in solo and consolidated formats); these were then submitted to the relevant institutions and disclosed to the general public.

It is a priority for the department to make the most of technology in drawing up and presenting reports. While monitoring the digital transformation in the industry, it reflects the opportunities that technology brings along in its functions. Within this scope, robotic coding courses were delivered throughout the year, and activities began to include reports in the robotic automation process. This ensured quicker preparation of reports and more efficient use of labor. In 2021, the unit plans to incorporate more reports in robotic automation, whilst tapping into technology and improving the service quality.

The Department consists of two units that fulfill the functions of Regulatory Reporting and International Reporting.

Regulatory 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 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 explanations and footnotes, which must be



The Regulatory Reporting Unit conducts its activities under two main categories of Financial Reporting and Independent Audit.



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 Kuveyt Türk website.

published every three months. The reports are presented to the regulatory institutions and the general public after the auditor provides an opinion.

The unit is in charge of communication and coordination with the Risk Center of the Banks Association of Turkey. It works in alignment with business units to make sure all notifications and reports requested by the Risk Center are forwarded timely and thoroughly.

The Unit ensures that the financial reports, financial statements within the scope of independent audit, as well as relevant explanations and footnotes 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: Below is a summary of the activities conducted by the unit:

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 (CBK).

FINANCIAL AFFAIRS

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 shareholders' equity.

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 shareholders' equity. The stress test data is calculated and Risk Reporting Package (RRP) studies performed as part of KFH risk management.

Financial information is obtained for Fitch, which determines the Bank's international rating, while data and reports requested by KFH to be submitted to various rating agencies are also compiled and submitted for evaluation.

INVESTOR RELATIONS DEPARTMENT

The Kuveyt Türk 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 exercise 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:



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 exercise of share ownership rights.



Investor Relations is also in charge of maintaining relations with subsidiaries and affiliates.

Relations with Shareholders:

- Ensuring coordination between local and foreign shareholders and the Bank;
- Conducting sale and transfer transactions 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, communiques, 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 of asset leasing companies at the website; adding the disclosures on KAP to the website, and conducting necessary follow-up activities.
- Joint efforts were expended with relevant departments in the lease certificate issuance process of Asset Leasing companies that issue lease certificates on behalf of the Bank.
- Regarding the lease certificate of TL 10 billion, which Kuveyt Türk will issue as a beneficiary, efforts were undertaken with the relevant unit to obtain approval on the issuance ceiling from the Capital Markets Board. As a result, the CMB approval on the ceiling was obtained.
- Under the Law on the Protection of Personal Data, registration at VERBİS (Data Controllers' Registry System), which was due in 2020, was completed for Asset Leasing companies; personal data inventories were formed.
- Investor Relations also successfully handled the process of selling & buying and assignment of shares among the Bank's shareholders.
- The Department continued its activities without respite in a rather challenging year. It handled notifications and works that were required in relation to the Capital Market activities while organizing the General Assembly and Extraordinary Assembly meetings in a timely and thorough manner.
- It also provided the support needed in its own areas of expertise during the joint projects of the Bank.
- The Investor Relations Department aims to observe the Bank's objectives and Corporate Governance Principles, monitor the current trends and technology developments in the field of investor relations, follow up the laws, take due care of shareholders' rights, and successfully finalize its activities in line with the principles of transparency and full disclosure.

Investor Relations mainly undertook the following activities in 2020:

- The Investor Relations Department successfully organized the 2019 General Assembly meeting on March 26, 2020 -- shortly after the outbreak of the Covid-19 pandemic-- without having to postpone the meeting.
- In 2020, discussions were held on replacing some Board Members. The process was successfully finalized during the Extraordinary General Assembly on July 16, 2020.



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RISK, CONTROL AND COMPLIANCE GROUP

As part of the 2020 control plan and program, various business segments, units, branches, subsidiaries, processes, products, and services of Kuveyt Türk were monitored and examined by applying a proactive and dynamic attitude with materiality criterion and a risk-oriented approach, and results of these efforts were reported.



The control programs of branches were determined with a risk-based approach and in line with the criterion of materiality.

INTERNAL CONTROL DEPARTMENT

The Internal Control Department is in charge of the internal control function within the Bank. The Department was established under the Audit Committee and Risk Committee 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 local 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 Central Internal Control;
- Head Office and Information Systems Internal Control;
- Participation Banking Control and Compliance

This structuring aims at business-based specialization and improvement of effectiveness, adequacy, and efficiency of control systems and their operations through constant controls.



Meanwhile, all the systems employed in the Department's activities were developed by the Internal Control System and Business Development Service, enabling internal control staff to receive instant technical support.

As part of the 2020 control plan and program, the various business segments, units, branches, subsidiaries, processes, products, and services of the Bank were monitored and examined by applying a proactive and dynamic attitude with materiality criterion and a risk-oriented approach, and results of this work were reported.

Branches and Central Internal Control:

The control programs of branches were determined with a risk-based approach and in line with the criterion of materiality.

In the first months of 2020, on-site controls were initiated in risk areas determined and relevant branches. Due to the global outbreak of the Covid-19 pandemic, however, control activities were swiftly moved to an agile business model enabling central and daily operations. Regarding the centrally-run internal controls, all the branches of the Bank were included in samples as per their transaction volume and risk evaluation. Analyses and continuous controls specific to the pandemic were performed.

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 activities, the branch personnel was consistently informed on the internal control system and operational risks.

Internal Control System and Business

Development: Operating under the Branches and Central Internal Control Unit, the service is at the disposal of the entire Internal Control organization. In parallel with the Bank's digitalization efforts, the Internal Control Department has also prepared and continuously improved its systemic and technical capabilities for alignment with digital transformation in its activities. Within this scope, all the systems employed in the Department's activities were developed by the Internal Control System and Business Development Service, enabling internal control staff to receive instant technical support.

All scenario scripts and data requests, as well as preparations for controls during the Covid-19 pandemic, were tackled by this service as required by the Department's other units in control activities.

Head Office and Information Systems

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. All planned activities continued remotely and via online platforms during the Covid-19 pandemic.

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 initiative in this regard was performed by four different control services set up within the Department.

IT processes and activities were examined and evaluated in relation to various business processes and products, new products and services, internal and external audit findings, and the internal control system and activities. 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 2020 independent external audit operations were coordinated, the findings and related actions found in the relevant audit 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.

Participation Banking Control and Compliance: The unit was established under the Department so as to achieve compliance with the Communiqué on Compliance with the Principles and Standards of Interest-Free Banking. The unit is intended to ensure compliance between the Bank's existing or planned activities, new products, and transactions with the principles and standards of interest-free banking. Compliance with the decisions of the Advisory Committee, as well as controls aimed at such compliance, are also among the tasks of the unit.



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The 2020 independent external audit operations were coordinated, the findings and related actions found in the relevant audit reports were tracked, and assistance was provided in order to resolve the matters specified in the findings.

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 Department maintained its efforts to tackle risks faced by the Bank in 2020.

Credit Risk Management and Modeling:

Activities regarding the management of credit risk, preparation of a credit policy, and follow-up on the implementation of this policy within the Bank for the purposes of effective risk management are tackled in coordination with the relevant units of the Bank. The credit policy is implemented as per the Board's decision and infrastructure for effective risk management systems is established for risk management activities.

Internal credit risk limits, specified as per the Board's decision in parallel with the Bank's risk appetite, are measured; and periodical reports are presented to the Risk Committee. Global and domestic economic and industry developments are considered in revising the internal risk limits annually, while early warning limits are determined to ensure effective and timely management of risk limits. The actualization of country, concentration, maturity, sector, default rate, legal status, collateral, geography, currency type risks within the scope of internal risk limits are analyzed. The results are reported to the Senior Management, and action is taken if and when necessary. So as to take accurate and prompt action towards this direction, the infrastructure work for monitoring internal risk limits instantly and automatically was completed, enabling more effective management of risk exposure.

RISK, CONTROL AND COMPLIANCE GROUP

The performance of existing rating models was monitored via quantitative and qualitative measurement methods in 2020. This helped revise models as per the results of validation while maintaining their capabilities of representation and differentiation and making sure they reflect the current period during which they have been used.

Cyclic default probability models were developed for corporate and retail portfolios in 2017 for the purposes of using internal risk models in the calculations for capital requirements on the basis of the Bank's changing segment structure. The deliverables of rating models have started to play a defining role in the Bank's decision-making processes constituting a credit risk. In this context, it began to be actively deployed in the credit loss provisions, decision support processes; allocation, pricing, and risk monitoring practices. Thus, an internal rating-based (IRB) risk culture began to emerge across the Bank.

The performance of existing rating models was monitored via quantitative and qualitative measurement methods in 2020. This helped revise models as per the results of validation while maintaining their capabilities of representation and differentiation and making sure they reflect the current period during which they have been used. On the other hand, the distribution and concentration of PD values calculated after rating models were monitored monthly on portfolio, sector, and segment basis to track the risk trend of the credit portfolio. The plan is to bring together application and behavioral models under a single umbrella and adopt an integrated rating system in 2021. As for retail portfolios, the plan is to renew scorecards used at the stage of loan applications, develop application-specific rating models for certain product segments, and thus establish a rating process based on PD measurements.

Necessary updates were made to the models developed for three key components of expected credit loss calculations, namely Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) after the adoption of TFRS 9 standard. In



Necessary updates were made to the models developed for three key components of expected credit loss calculation, namely Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) after the adoption of TFRS 9 standard.



In an attempt to generate instant LGD projections for the future, correlations will be made between macroeconomic variables and LGD rates, and enhancements will continue on the model.

2020, an LGD model based on internal collection data was developed and deployed. In an attempt to generate instant LGD projections for the future, correlations will be made between macroeconomic variables and LGD rates, and enhancements will continue on the model.

In coordination with Risk Monitoring and Loan sectors, models were established for the measurement and management of credit risk within the framework of early warning systems in order 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 within the scope of IFRS-9. The correlation between macroeconomic variables and delay behaviors of the performing loan portfolio was modeled and incorporated into early warning models. This helped harmonize the short-term trends of the loan portfolio with current projections.

Possible risks new products or processes may cause on the loan portfolio or rooms for improvement were assessed; feedback was provided to product and process owners to ensure risk is kept at manageable levels. To manage the country risk the debtors within the Bank's loan portfolio may face due to their overseas operations, country limits were reviewed annually. Limits in countries, where the Bank has limited risk appetite, were revised downwards. 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.

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 2020. The aim is to continue with validation activities in the 2021 accounting period. Validations were automated to monitor PD models regularly within the IRB approach, and periodic validations were carried out. The plan for 2021 is to continue enhancements so as to ensure regular monitoring of the models for IFRS 9. The Unit continues 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 Kuveyt Türk's Risk Committee, and monthly reports are sent to the BRSA and the Bank's main shareholder, Kuwait Finance House. Market risk-weighted assets are calculated under the Basel III standard method.

On a consolidated and an 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 2020. Stress test and scenario analysis efforts are performed periodically and presented at the meetings of the Risk Committee. Besides, market risk, counterparty credit risk, and liquidity risk stress tests were implemented simultaneously and on a monthly basis.



IFRS 9 and IRB compliant Validation efforts regarding the three key components of expected credit loss calculation (PD, LGD, and EaD) were substantially finalized in 2020.



The market risk is considered periodically at Kuveyt Türk's Risk Committee, and monthly reports are sent to the BRSA and the Bank's main shareholder, Kuwait Finance House.



The sukuk and other investment portfolios are regularly monitored, and reported to the Risk Committee, and every month to the Bank's main shareholder, Kuwait Finance House.

Sukuk and other investment portfolios are regularly monitored, and reported to the Risk Committee, and every month to our main shareholder, Kuwait Finance House. 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 2020. These studies are expected to continue in the coming years.

In 2020, work was undertaken to comply with operational risk policies and procedures of the Bank's main shareholder, 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 Risk 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.

RISK, CONTROL AND COMPLIANCE GROUP

In 2020, works were carried out for alignment with the Regulation on the Information System of Banks and Electronic Banking Services introduced by BRSA.

IT Risk: Conducting the assessment work of the risks for Information Technology activities arising from changes in technology, the Risk Management Department undertakes important roles in risk monitoring and risk activity follow-up. In 2020, works were carried out for alignment with the Regulation on the Information Systems of Banks and Electronic Banking Services introduced by BRSA.

In 2020, 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 2020. The Bank's incident response and business continuity plans are updated and department-specific plans are formed. Throughout the Covid-19 pandemic, the Bank's Business Continuity Senior Management Committee convened regularly and proactively to discuss important topics and determine the measures within the Bank to fight against the pandemic.

COMPLIANCE DEPARTMENT

The Compliance Department conducts activities in the internal systems area so as to ensure that compliance risk is effectively managed and kept under control; risks are determined before they occur and prevented, and the Bank's operations are continuously carried out accordingly and in compliance with the laws on Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT), other relevant legislation and regulations. Operating in affiliation with the Risk Committee, and reporting the results of its efforts to the Committee, the Compliance Department has two main functions.

LEGAL COMPLIANCE CONTROL UNIT

- Monitoring the changes to laws that pertain to the Bank's operations; monitoring and reporting the Bank's alignment with these amendments in its operations;
- Checking the compliance of all existing and planned activities, new products, the services and transactions of the Bank with the Banking Law, other regulations, and banking practices in the industry.
- Executing compliance control function under compliance program and annual compliance control plan,

- Monitoring the compliance of the Bank's overseas branches and affiliates subject to consolidation with the laws that are binding for them.

AML/CFT COMPLIANCE UNIT

- Ensuring that the Bank's operations are conducted in compliance with the laws and regulations on AML/CFT.
- Conducting AML/CFT risk management, monitoring and control efforts,
- Detecting suspicious transactions and notifying the public authorities,
- Providing training and consulting to Head Office departments and branches on subjects related to AML/CFT regulations,
- Ensuring the compliance of the Bank's operations, new products, services, and transactions with AML/CFT regulations,
- Observing the compliance of subsidiaries and overseas branches with AML/CFT regulations.

INTERNAL AUDIT GROUP

The Internal Audit Group, whose compliance with international internal audit standards is certified by independent bodies, submits periodic reports to the Board of Directors via the Audit Committee.

The mission of the Internal Audit Group is to preserve and enhance the Bank's corporate value through risk-oriented and objective assurance activities, recommendations and insights.

The vision of the Group is to contribute to the Bank in achieving its strategic objectives with assessments and suggestions and to be viewed as an exemplary internal audit function in the industry due to its outstanding professional and ethical practices.

Internal Audit Group, whose compliance with international internal audit standards is certified by independent institutions, and submits periodic reports to the Board of Directors via the Audit Committee. Internal Audit Group 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.

Internal Audit Group performed its 2020 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.

Internal Audit Group also performed specific tasks to assist the Management in the proactive assessment and mitigation of the risks arising from the Covid-19 pandemic, which hit the world and Turkey alike in 2020. In that period, approvals were obtained for the revisions needed in the internal audit plan that was set out at the beginning of 2020.



Internal Audit Group performed its 2020 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.



Internal Audit Group places great emphasis on technology in all areas so as to continuously develop its services and contribute to the digital transformation of the Bank's processes through consulting and audit activities.

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.

Internal Audit Group 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.

As a result of the changes introduced in November 2020 and approved by the Board of Directors, the Audit Committee took over the internal systems responsibility for the Internal Audit Group; and the Risk Committee, established in place of the Internal Systems Committee, took over the responsibility for other units within internal systems. Within the new structure, the Group reports to the Audit Committee.

The Internal Audit Group places great emphasis on technology in all areas so as to continuously develop its activities and contribute to the digital transformation of the Bank's processes through consulting and audit services. In the meantime, it ensures the participation of the Internal Auditors in data analyst, data science, and other relevant training and certification programs offered by the Bank, and digitizes its internal processes to the maximum extent possible.

In 2020, the recruitment and talent management processes of the Group were successfully run in line with the Group's strategies and needs.

AWARDS

In 2020, we were deemed worthy of numerous prestigious awards in Turkey and Europe thanks to the invaluable members of the Kuveyt Türk family.



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 2020, 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 efforts for our society will bring along many more awards in 2021 and thank everybody who made an effort for us to be recognized with these awards.

With regards,

UFUK UYAN

Member of the Board of Directors
and Chief Executive Officer

AWARDS IN 2020

KUVEYT TÜRK IS IN THE EUROPE'S BEST EMPLOYERS LIST!

Operating with the motto, "Employees first, people first," Kuveyt Türk was included in the "Europe's Best Employers 2020" list by Great Place to Work Institute, one of the world's most prestigious organizations in the field of human resources. Turkey's first financial institution to be included in the list, Kuveyt Türk has also become the first Islamic finance bank ever to be on this list in Europe.

Kuveyt Türk also won two awards at Turkey's Best Employers 2020, organized by Great Place to Work Institute Turkey. Ranking first in the category of "5000+ Employees," Kuveyt Türk was named the "Best Employer of Turkey" for the third time and thus accorded a significant achievement, while winning the "Best of Finance" special sector award for the third time in a row. In addition, Architech, a fully-owned Kuveyt Türk technology subsidiary, ranked among the best employers in the category of "50-250 Employees."

KUVEYT TÜRK: "THE MOST REPUTABLE" BRAND OF THE YEAR

Reputation and Brand Value Performance Measurements under the ONE Integrated Marketing Awards were finalized. Assessments by the public jury named Kuveyt Türk the "Most Reputable" brand in its own category as the pioneering financial institution of Turkey.

Co-organized by Marketing Turkey and AKADEMETRE, the ONE Integrated Marketing Awards is a standard-setter in the marketing sector. The awards of 2020 were presented in a ceremony held in Istanbul on January 9, 2020.

TURKEY'S MOST ETHICAL COMPANY

Kuveyt Türk was chosen as the most ethical company in Turkey for the sixth time in a row. Turkey's leading financial institution, Kuveyt Türk was deemed worthy of the award for the sixth time in a row at the "ETİKA 2019 Turkey's Most Ethical Companies" organization held by EDMER to raise awareness on ethics and code of conduct.

TWO INTERNATIONAL AWARDS FOR KUVEYT TÜRK'S HUMAN RESOURCES PRACTICES

Kuveyt Türk received awards in two categories at the 2020 Stevie Award for Great Employers, one of the most prestigious business awards in the world. Kuveyt Türk's "Sepetim," a trailblazing benefit scheme in the industry, won the silver award, while its internal communication practices won the bronze award.

10 BRANDON HALL AWARDS FOR KUVEYT TÜRK BANKING SCHOOL

Launched in 2017 as a novel practice in the banking industry, Kuveyt Türk Banking School continued training courses for employees at full speed, even during the pandemic. Alongside professional and skill development courses, employees are provided programs in many fields including Data Analyst Training Program, Data Scientist Training Program, and Digital Competencies Development Program.

Kuveyt Banking School, where learning transforms into an asset, was deemed worthy of 10 awards, four of them gold, at the Excellence Awards organized by Brandon Hall, one of the most prestigious consulting firms in the world, thanks to its successful practices.



Kuveyt Türk won two awards at Turkey's Best Employers 2020, organized by Great Place to Work Institute Turkey.



Kuveyt Türk was chosen as the most ethical company in Turkey for the sixth time in a row.

BOARD OF DIRECTORS



HAMAD ABDULMOHSEN AL MARZOUQ

Chairman of the Board of Directors

Hamad Abdulmohsen Al Marzouq graduated from the University of Southern California in 1985 and obtained an MBA from the Claremont Graduate University. 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 Chairman 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.



NADİR ALPASLAN

Vice Chairman 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 Credit Committees.



AHMAD S. AL-KHARJİ

Member of the Board of Directors

Mr. 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 a Member of the Credit Committee, Corporate Social Responsibility Committee, and Remuneration and Nomination Committee.



MOHAMAD AL MIDANI

Member of the Board of Directors

Mr. Al Midani graduated in 1988 from 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 and Corporate Governance Committee.



SALAH ABDULLATIF AL MUDHAF

Member of the Board of Directors

Salah Abdullatif Al Mudhaf graduated from Kuwait University's Department of Business Administration 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 Risk Committee.



SHADI AHMED YACOUB ZAHARAN

Member of the Board of Directors

Mr. Zahran received his Master of Business Administration (MBA) Degree in Finance from the University of Manchester in the United Kingdom in 2014. He received his Bachelor's Degree in Accounting from the University of Jordan in 1992. Mr. Zahran is a member of the Board of Trustees of the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) and a Board Member of the General Council for Islamic Banks and Financial Institutions (CIBAFI). Mr. Zahran holds several specialized professional certificates including Certified Public Accountant (CPA) from the state of Illinois in the U.S. since 1996, an Auditing License from the Council of the Auditing Profession in Jordan since 1996, Certified Bank Auditor (CBA) from Bank Administration Institute (BAI) since 1999, and Certified Islamic Professional Accountant (CIPA) from the Accounting and Auditing Organization for Islamic Financial Institutions since 2006. Mr. Zahran previously held several executive positions at Ahli United Bank Group including General Manager Finance in Kuwait from 2009 until 2014 and Head of Group Financial Controlling at Ahli United Bank in Bahrain from 2005 until 2009. Mr. Zahran previously held the position of Head of Financial Systems Management & Operations Department at Al Rajhi Bank in the Kingdom of Saudi Arabia from 2000 until 2005. In addition, Mr. Zahran previously worked as an External Auditor at the international external audit firm Ernst & Young. Mr. Zahran is currently the Group Chief Financial Officer at Kuwait Finance House since 2014. In addition, Mr. Zahran is the Vice Chairman of KFH Capital Investment Company and Board Member at Kuwait Finance House Bahrain. Mr. Zahran was appointed a Member of the Board at Kuveyt Türk Katılım Bankası A.Ş. in July 2020. He is also the Chairman of the Audit Committee, and a Member of the Credit Committee and Corporate Social Responsibility Committee.

BOARD OF DIRECTORS



BURHAN ERSOY

Member of the Board of Directors

Burhan Ersoy graduated from 19 Mayıs University in Samsun. He started his business life in Merzifon Agricultural Equipment Institution in 1976. In 1984, he worked at Ankara Education Center Directorate, and in 1986, he worked as the Branch Manager of the Ministry of National Education Personnel General Directorate, Central Appointment Department. Between 1988 and 1991, he served as the State Ministry Consultant. From 1991 to 1996, he worked as the Branch Manager of the Prime Ministry General Directorate of Personnel and Principles and as the Deputy Head of the Press and Public Relations Department of the Prime Ministry. As of 1997, Mr. Ersoy took office as a Consultant at various public institutions, the Grand National Assembly of Turkey (GNAT), and the State Ministry. Later on, he served as the Head of Department at the Prime Ministry General Directorate of Legislation Development and Publication. In 2003, he was appointed as the Deputy General Manager of the General Directorate of Foundations. Having served as a Board Member at various organizations, Mr. Ersoy is a member of the Board of Trustees at Fatih Sultan Mehmet Foundation University, and a Board Member at Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (REIC). Since February 1, 2020, Ersoy is the Director-General of Foundations and Chairman of the Foundations Council. Mr. Ersoy was appointed a Board Member at Kuveyt Türk Katılım Bankası A.Ş. in July 2020 and is currently in charge of Ethical Banking.



GEHAD MOHAMED ELBENDARY ANANY

Member of the Board of Directors

Gehad Mohamed Elbendary Anany received his Finance & Risk Management Diploma from the University of Wales in the U.K. in 2014. He received his Bachelors of Commerce Degree in Accounting from Tanta University in Egypt in 1996. Mr. Anany has completed specialized training programs in Enterprise Leadership from Insead University, Network Leadership Program from IMD University, and Advanced Risk Management from Wharton University. Mr. Anany holds numerous specialized professional certificates including the International Certificate in Banking Risk and Regulation (ICBRR) from the Global Association of Risk Professionals (GARP) in 2009. Mr. Anany previously held several executive positions at Kuwait Finance House including General Manager for Risk Management from 2016 until 2018, Assistant General Manager for Portfolio & Enterprise Risk Management from 2013 until 2016, Head of Enterprise Risk Management Unit from 2012 until 2013. Mr. Anany is currently the Group Chief Risk Officer at Kuwait Finance House and has over 20 years of experience in Risk Management, Auditing, and Internal Control Systems in Financial Institutions. Appointed a Board Member at Kuveyt Türk Katılım Bankası A.Ş. in July 2020, Mr. Anany is also the Chairman of the Risk Committee and a Member of the Remuneration and Nomination Committee.



UFUK UYAN

Member of the 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 Executive Vice President in 1993 and then appointed 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 the Board of Directors
and Chief Executive Officer

His resume is presented in the Board
of Directors section on page 118.



AHMET KARACA

Executive Vice President
Financial Affairs

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 wrote an MA thesis on International Banking and Capital Markets. Mr. Karaca joined Kuveyt Türk Katılım Bankası A.Ş. 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

Karakaya graduated from the Business Administration and Finance Department at Istanbul University, Faculty of Economics, and 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



BİLAL SAYIN

**Executive Vice President
Loans**

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.



HÜSEYİN CEVDET YILMAZ

**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 Chief Risk Officer since 2012.



İRFAN YILMAZ

**Executive Vice President
Banking Services 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 32 years ago, Mr. Albayrak has been serving as the Executive Vice President at Kuveyt Türk since 2005. He managed the Banking Service Group until October 2012 and he was assigned as the Executive Vice President of Treasury and International Banking as of the same date.



NURETTİN 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 the banking, financial leasing, and insurance industries for 16 years. He worked as the Vice Head of Department and Head of Department (Legal) in the 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 also served as a Board Member at KT Portföy Yönetim A.Ş. and at Neova Sigorta A.Ş. in 2015-2018, and March 2018-October 2020, respectively. Upon a Board decision dated October 21, 2020, Mr. Kolaç was appointed the Chairman of the Board at Neova Sigorta A.Ş. He is a chairman and member of several working committees in professional associations for the banking industry. With 32 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 DEMİR
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." In 2020, he obtained his second MA degree at Marmara University's Business Administration Program offered by the Social Sciences Institute, writing a thesis titled "Behaviors of Participation Banking Deposit Customers." 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 the Project Management and Quality Department between 2001 and 2004. He was appointed the Project Management and Quality Manager in 2005 and he went on to serve as the Information Technologies Group Manager with the new organizational structure 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 Architech 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.

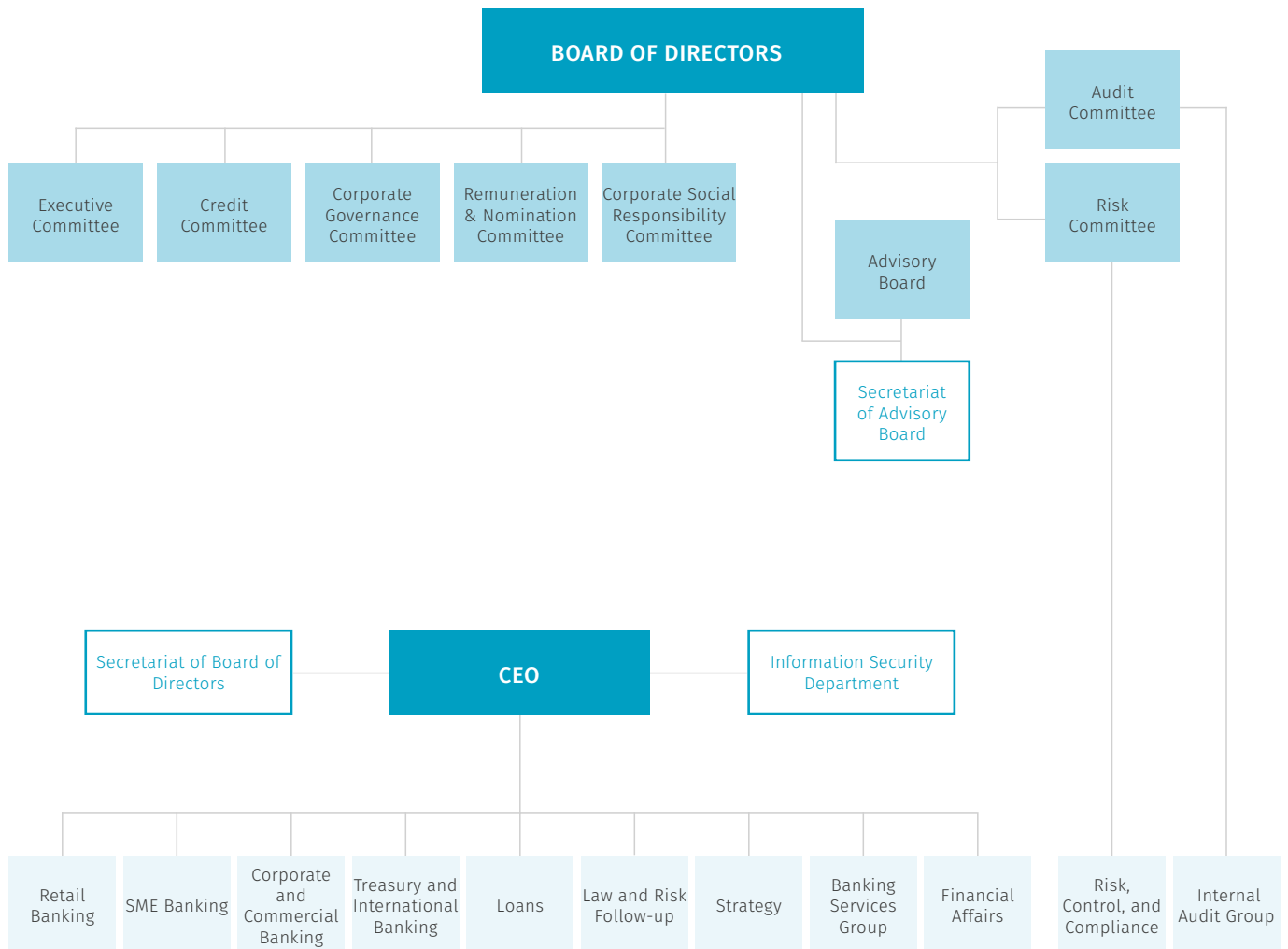


ABDURRAHMAN DELİPOYRAZ

**Executive Vice President
SME Banking**

Mr. Delipoymaz 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 Intelligence Department until 2000. Mr. Delipoymaz 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,

2020 was hit due to the fluctuations arising from a macroeconomic outlook and global economic activity overshadowed by the pandemic.

The second half of the year saw a gradual transition to a new normal backed by the action central banks and public authorities took. Driven by its strong capital structure and dynamic corporate governance approach, Kuveyt Türk worked without respite to add value for shareholders in this period.

Propelled by the strong shareholding structure of our principal shareholders, Kuwait Finance House (KFH), and General Directorate of Foundations, the Bank made pioneering contributions to the participation finance sector and injected momentum into the Turkish banking sector's digital transformation process through exemplary practices.

Kuveyt Türk in 2020

Kuveyt Türk boasts 32 years of experience in products and services developed in line with the principles of participation finance. In 2020, the Bank further increased its profitability and maintained consistent growth, while raising its net profit by 26.17% year on year, which corresponds to TL 1.4 billion. Kuveyt Türk's total funds raised reached TL 122.2 billion, representing an 42.90% YoY hike and funds extended rose to TL 79.05 billion with an increase of 36.47%. Raising shareholders' equity to TL 8 billion by 17.2% and asset size to TL 152 billion by 45.82%, Kuveyt Türk ranks 10th in the banking sector and maintained its lead among other participation finance institutions in terms of asset size.

In a pandemic-ridden 2020, Kuveyt Türk made it a focal point to protect the health of customers and employees, and made sure to address customers' financial needs via digital channels thanks to its swift and solution-oriented technology infrastructure.

Expectations from 2021

Having reached its 32nd anniversary in the 2020 operating period, Kuveyt Türk aims at a growth of more than 20 percent in the funds provided in 2021, and will continue to focus on products and services for foreign trade customers, especially in order to bring foreign currency resources to the real sector effectively. In addition, 2021 will try to be a period in which sectoral diversity is increased on the financing side, especially in the agriculture, tourism and energy sectors. 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.

Kuveyt Türk strives to maintain its lead in Turkey's participation finance sector thanks to its solid capital and liquidity structure, high asset quality, dynamic corporate governance approach, customer service model based on continuous development, growing technology investments, intensive digital transformation efforts, solid subsidiary network and steps taken to open up to international markets.

We would like to thank our expert, well-educated, young and dynamic 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	Duty	Education
H. Cevdet Yılmaz	Chief Risk Officer	Bachelor's Degree
Bahattin Akça	Head of Internal Audit Group	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 Office

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 Chief Risk Officer since 2012.

BAHATTİN AKÇA

Head of Internal Audit Group

Mr. Akça graduated from (English) Business Administration Department at Istanbul University in 1996. He began his career as Assistant Auditor at Kuveyt Türk in 1996 at the Internal Audit Group. Akça served as the Head of Internal Control between 2003 and 2007. Since September 2007, he has been the Head of Internal Audit Group.

FADIL ULUŞIK

Head of Internal Control

Mr. Uluşık 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. Uluşık 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 Economics 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 in 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	Duty	Assignment Date
Shadi Ahmed Yacoub Zahran	Chairman, Member of the Board of Directors	04.11.2020
Mohamad Al Midani	Member, Member of the Board of Directors	15.05.2015
Nadir ALPASLAN	Member, Vice Chairman of the Board of Directors	24.12.2019

ROLES AND RESPONSIBILITIES

- Receiving regular reports on the fulfillment of the duties from Internal Audit units and Independent audit organizations;
- 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.

RISK COMMITTEE

Name and Surname	Duty	Assignment Date
Gehad Mohamed Elbendary Anany	Chairman, Member of the Board of Directors	04.11.2020
Salah A E Al Mudaf	Member, Member of the Board of Directors	24.12.2019

ROLES AND RESPONSIBILITIES I

- Performing the tasks assigned as an internal control officer in relation to risk management, internal control, and compliance pursuant to the provisions of the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks;
- Establishing internal systems for risk management, internal control, and compliance; ensuring their effective, sufficient, and appropriate functioning;
- Reviewing the strategies, policies, regulations and guidelines on the activities of internal systems units in its remit before submittal for the Board's approval; ensuring their effective implementation and maintenance;
- Coordinating the internal systems units in its remit;
- Notifying the Board to make sure necessary measures are taken to timely address and eliminate the errors or shortcomings in the practices of the internal systems units within its remit, as spotted by the Banking Regulation and Supervision Agency or independent auditors; evaluating such errors or shortcomings to coordinate internal control activities in the areas where identical or similar errors and shortcomings may arise;
- Updating itself regarding the risk exposure of the Bank and the means of measuring and managing such risks;
- And making sure adequate capital is maintained vis-a-vis the risks exposed through designing, establishing, and guaranteeing the implementation of ICAAP.

CREDIT COMMITTEE

Name and Surname	Duty	Assignment Date
Hamad Abdulmohsen Al Marzouq	Credit Committee Chairman	24.09.2014
AHMAD S. Al Kharji	Credit Committee Member	09.09.2020
Ufuk Uyan	Credit Committee Member	16.06.2009
Nadir Alpaslan	Credit Committee Member	09.09.2020
Shadi Ahmed Yacoub Zahran	Credit Committee Member	09.09.2020

ROLES AND RESPONSIBILITIES

- It serves as a senior management committee in charge of discussing and finalizing credit requests of up to 10% of the Bank's equities.

ADVISORY BOARD

Name and Surname	Duty	Assignment Date
Prof. Dr. M. Abdurrezzak Tabatabai	Chairman of Advisory Board	27.01.2020
Assoc. Prof. Enver Şuayb Abdusselam	Deputy Chairman of Advisory Board	27.01.2020
Halil Günenç	Member of Advisory Board	27.01.2020
Prof. Dr. Mubarak Alharbi	Member of Advisory Board	27.01.2020
Assoc. Prof. Abdullah Durmuş	Member of Advisory Board	27.01.2020
Mehmet Odabaşı	Member of Advisory Board	27.01.2020

DUTIES AND POWERS

- Responding to, and/or providing alternative solutions for, the questions forwarded to the Committee as per the methods and processes determined by the Bank (Board and/or CEO) in relation to the principles of interest-free banking.
- Following up the decisions and standards introduced by the Advisory Board, and global developments in the field of interest-free banking.
- Working in collaboration and coordination with internal audit units so as to audit the compliance of the Bank's operations with the principles of interest-free banking.
- Providing opinions and suggestions on the draft contractual texts for processes involving new products;
- Organizing educational and informative seminars for the staff to guarantee Bank-wide adoption and expansion of the interest-free banking culture.
- Representing the Bank in conferences, symposiums, and other events pertaining to the Board's areas of activity upon the Bank's written assignment;
- Discussing the matters requested by the Audit Committee for examination; passing decisions on such matters; and informing the Head Office accordingly.
- Passing decisions specific to the Bank regarding the principles and standards of interest-free banking and their implementation; Presenting the periodic reports covering the decisions it passed to the Advisory Board.
- Reviewing internal guidelines in terms of compliance with the principles and standards of interest-free banking.
- Reviewing, examining, and approving the Bank's standard contracts and appendices on products and services in relation to the principles and standards of interest-free banking.
- Providing an opinion on the principles and standards of interest-free banking to the Bank and its subsidiaries regarding real or corporate service providers in the field of law, audit, and other relevant topics.
- Providing information on the activities of the Advisory Committee within the period so that they are covered in the Bank's annual report; providing evaluations on the compliance of Kuveyt Türk's operations with the principles and standards of interest-free banking.

SENIOR MANAGEMENT COMMITTEES

ASSETS AND LIABILITIES COMMITTEE

Name and Surname	Duty
Ufuk UYAN	Chairman, Member of the Board of Directors, CEO
H. Cevdet Yılmaz	Member, Chief Risk Officer
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
Kamil Kibar	Member, Group Manager, Treasury

ROLES AND RESPONSIBILITIES

This is the senior management committee responsible for the Bank's assets-liabilities and financial management. Meets weekly on a regular basis.

PARTICIPATION IN COMMITTEE MEETINGS

The Board of Directors convenes when necessary in line with the Articles of Association and takes decisions based on requirements. The Board of Directors convened seven times in 2020.

The Audit Committee oversees the effectiveness, adequacy, and functioning of the Bank's internal systems as per applicable laws, and takes necessary action accordingly. The Audit Committee convened nine times in 2020, two of them were together with the Advisory Committee members.

The Risk Committee held seven meetings in 2020.

The Credit Committee held seven meetings in 2020.

The Assets and Liabilities Committee held seven meetings in 2020.

The Advisory Committee held fifty-two meetings in 2020.

All the committee meetings were held online due to the Covid-19 pandemic. Unless they had 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 262 and 392 of the annual report.

SUPPORT 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)
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.:	Card customization and enveloping works; statement printing and enveloping services
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
Collecturk Alacak Yönetimi ve Danışmanlık A.Ş.:	Provision of call services by company employees to Bank's debtors (card)
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
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 a maximum of USD 100 million
Provision Bilgi İşlem San. ve Tic. A.Ş.:	Application, Development, Maintenance, and Support Service for Credit Card and POS System
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)

SUPPORT SERVICES

Desmer Güvenlik Hizmetleri Tic. A.Ş.:	Transportation of Senin Bankan number-embossed Anonymous debit cards from Bileşim A.Ş. to Kuveyt Türk Banking Base
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 kilobar)
Architech Bilişim Sis.ve Paz. A.Ş.:	Software development, source rental, and provision of consultancy services
Architech 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 the 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)
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
MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. Tic. A.Ş.:	Check printing 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
R2 Servis Elektrik Elektronik ve Bilgi Teknolojileri San. Tic. A.Ş.:	Onsite support services for cash register POS
Mikrosaray Mikrobilgisayar Paz. Ve Tic. A.Ş.:	Onsite support services for cash register POS
Saha Bilgi Teknolojileri Eğitim San. Tic. Ltd. Şti.:	Software Technical Consulting, Testing Automation Services
Secure Future Bilgi Teknolojileri ve Hiz. Tic. A.Ş.:	Provision of BRSA Penetration Test services
Hugin Yazılım Teknolojileri A.Ş.:	Cash register POS services
Tem Kuryecilik Kırtasiye Bilgisayar Gıda ve Taşımacılık San. Tic. Ltd. Şti.:	Courier Service Contract
Aras Kurye Servisi A.Ş.:	Senin Bankan Distribution and Transport Services
Ekol Grup Koruma Güvenlik Eğit. Hizm. A.Ş.:	Outsourcing backup security officers in place of those on leave/off duty with a medical report

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 2020 - 31 December 2020.

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 BASA (BASA 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 3 March 2021 and 16 February 2021 on the full set consolidated and unconsolidated financial statements of the Group and the Bank, respectively, for the period of 1 January 2020 - 31 December 2020.

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 Communiqué 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:

- 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.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its 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.
- 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 Communiqué 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 Communiqué 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 (uBRSA), circulars, interpretations published by BASA and "BASA 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 BASA 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.



ANNUAL REPORT STATEMENT OF RESPONSIBILITY

IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD OF TURKEY

The Annual Report prepared in accordance with the Capital Market Board regulations for the period 01.01.2020 - 31.12.2020 we declare that; they have been examined by us, within the framework of the information we have in our field of duty and responsibilities in our company, they do not contain any material deficiencies that may result in an untrue statement or misleading as of the date of disclosure, according to our information we have within the framework of our duties and responsibilities in our company, the financial statements prepared in accordance with the Communiqué, fairly reflect the Bank's assets, liabilities, financial position and profit and loss and the development and performance of the business and the financial position of the business, with significant risks and uncertainties.

Sincerely,

HAMAD ABDULMOHSEN AL MARZOUQ
Chairman of
the Board of Directors

NADİR ALPASLAN
Vice Chairman

MOHAMAD AL MIDANI
Member of
the Board of Directors

SALAH ABDULLATİF AL MUDHAF
Member of the
the Board of Directors

SHADİ AHMED YACOUB ZAHARAN
Member of
the Board of Directors

GEHAD MOHAMED ELBENDARY ANANY
Member of
the Board of Directors

AHMAD S. AL KHARJI
Member of
the Board of Directors

BURHAN ERSOY
Member of
the Board of Directors

UFUK UYAN
Member of
the Board of Directors/CEO

AHMET KARACA
Executive Vice President
Financial Affairs

REVIEW OF THE AUDIT COMMITTEE ON INTERNAL SYSTEMS

The Audit Committee was established by the Board of Directors in line with the Banking Law No. 5411 and the Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process.

While the responsibilities of the Board of Directors within the scope of internal systems were previously carried out by the Internal Systems Committee, internal systems responsibilities were redefined with the Board of Directors resolution dated November 04, 2020. In this context, the name of the Internal Systems Committee was changed to the Risk Committee, and the Risk Committee has taken internal systems responsibilities for the Internal Control Department, the Risk Management Department and the Compliance Department. The internal systems responsibility for the Internal Audit Group was assumed by the Audit Committee since that date. Within the organizational structure of the Bank, the units in the scope of internal systems are positioned under the Board of Directors through these committees. The Audit Committee convened 9 times in 2020, two of them were together with the Advisory Committee members.

INTERNAL AUDIT GROUP

The Internal Audit Group has carried out its activities in 2020 in line with the requirements of its business plan and expectations of stakeholders. Head of the Internal Audit Group and three vice presidents serve as the management staff of the Internal Audit Group.

According to the International Standards for the Professional Practice of Internal Auditing (Standards), which are put forth by the Institute of Internal Auditors (IIA), the internal audit activity is expected to implement a Quality Assurance and Improvement Program (QAIP). One of the requirements of this program is to confirm, through external assessments that should be conducted at least once every five years, that the internal audit activity is conducted in accordance with the Standards and that the internal auditors act in accordance with the Code of Ethics. In that framework, it had been documented, by an independent audit institution, that the activities of the Internal Audit Group are being carried out in accordance with the Standards in 2018.

In 2020, risk assessments were 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 and legal or administrative investigations were performed by the Internal Audit Group in the required matters and cases. In addition, a "pandemic period audit and consultancy program" was carried out in order to proactively evaluate the risks arising from the pandemic term and to reduce their impacts. Furthermore, in the scope of the Management Declaration Audit, a comprehensive assessment of general information system controls and business controls with regard to their efficiency, adequacy and compliance has been conducted. This 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.

Within the scope of the Communiqué on Compliance with the Principles and Standards of Interest-Free Banking, a risk assessment has been made regarding that the Bank's activities are carried out in accordance with the principles and standards of interest-free banking and the decisions of the Advisory Committee together with the effectiveness and adequacy of the compliance function. Risk-focused audit activities were carried out based on the assessment results, and the results were successfully presented to the Audit Committee and the Board of Directors. In addition, the Audit Committee and the Advisory Committee met twice in 2020 to discuss the reports on interest-free banking compliance and audit activities together with actions taken against the findings in these reports and the aforementioned audit results were successfully presented to the members of the committee at these meetings.

In the audits and other engagements performed throughout the year, deficiencies and errors (if any) were revealed and opinions and recommendations were put forth 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 accordance with the Internal Audit Group's follow up policies and the results have been presented to the related authorities in required circumstances. Moreover, a summary of internal audit reports, general evaluations and other information about the activities of the Internal Audit Group have been quarterly submitted to the Audit Committee, Board of Directors and, until 04 November 2020, the Internal Systems Committee. These reports have also been sent to the BRSA.

INTERNAL CONTROL DEPARTMENT

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 the activities of domestic and foreign branches, headquarters units and subsidiaries to reduce, manage, monitor and control of the risks exposed 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 together with the Bank's Management.

REVIEW OF THE AUDIT COMMITTEE ON INTERNAL SYSTEMS

In accordance with the Bank's strategic targets, policies, internal and external regulations, Internal Control Department organized its activities into three different groups: "Branches and Central Internal Control," "Head Office and Information Systems Internal Control," "Participation Banking Compliance". This structure based on specialization regarding business lines, increased the efficiency, proficiency and compliance of operations and control systems through continuous controls. Within the scope of 2020 Control Program, the Bank's various business lines, units, branches, processes, new products, services were analyzed, monitored and the results were reported to the Senior Management with a proactive and dynamic approach 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 relevant business units, identified any potential risks to the processes, provided consultancy in designing and establishing controls to counter and reduce these risks contributing to the development of the internal control environment and internal control systems across the Bank.

In addition, Internal Control Department, within the context of Participation Banking Compliance function, conducted effective and adequate activities regarding the compliance about Interest Free Banking Principles and Standards and Advisory Committee Resolutions.

Because of pandemic process, the activities conducted were realized via remote control and examination methods.

Information on the activities of the Internal Control Department was successfully submitted to the Audit Committee until 04 November 2020, and then to the Risk Committee.

RISK MANAGEMENT DEPARTMENT

Risk Management Department effectively undertook the tasks of ensuring that the risks faced by the Bank are identified, measured, monitored and managed in 2020.

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 Audit Committee in 2020. Endeavor continues to develop internal rating models to use the 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. 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. The deployment of Strategic Solution automation for the calculation of expected credit loss has been finalized in coordination with the Financial Affairs sector. In 2020, the performance of the existing rating models was monitored and revisions were made in the models where necessary. Loss Given Default models based on internal default and recovery data have been completed. The model outcomes of Credit Conversion models ensured to be up to date through reviewing.

Besides, some impact analysis have been conducted in response to the outbreak of global-wide pandemic at the beginning of 2020 which may pose risks on Bank's credit portfolio. In this regard, management overlays have been applied on expected credit loss model by doing joint assessments with credit and marketing departments on the economic sectors which have been affected by the pandemic, thereby ensuring the calculation of credit allowances in a prudent manner in advance as a result of potential credit losses that may occur in future. On the other hand, some simulations have been carried out for loss allowances on credit portfolios through assessing the level of severities of different economic sectors under various stress scenarios.

Following the completion model development 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, the implementation of Early Warning System have been monitored and for the sake the enhancement of the system recommendations have been given to the responsible departments by conducting risk analysis.

The validation studies for both IFRS 9 and IRB approach of the models for the three main components of expected credit loss calculation (PD, LGD and Ead) have been largely completed in 2020. It has been aimed to continue periodic validation studies in the year 2021. Validation automation has been developed for regular monitoring of PD models for the IRB approach and periodic validation study was carried out. In 2021, it is aimed to continue the development of automation for regular monitoring of models for TFRS 9. Preparation of model and process validation guides for the execution of validation activities is ongoing.

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 in the Audit Committee until 04 November 2020, and then in the Risk 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 with 2019 year-end data 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 until 04 November 2020, and then in the Risk 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 Risk 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 Risk 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.

COMPLIANCE DEPARTMENT

Compliance Department conducts activities in order 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 in accordance with these changes is monitored and reported. Compliance status to regulations that foreign branches and consolidated subsidiaries are subject to are monitored.

All activities, products and transactions that are currently provided or in development are monitored for compliance with Banking Law, the anti-money laundering and combating the finance of terrorism (AML/CFT) regulations and other relevant regulations, Bank policies, rules and Banking practices.

Efforts to ensure compliance of Bank's activities with AML/CFT regulations are carried out, Bank policies and procedures are established, risk management, monitoring and control activities are conducted with a risk-based approach and identification, follow-up and reporting of suspicious activities to the relevant official authority are performed. Bank employees are provided with consultancy on AML/CFT related subjects and training programs are organized regarding relevant regulations in order to increase the awareness and knowledge of employees. Compliance of the subsidiaries and foreign branches with AML/CFT regulations is observed.

Shadi Ahmed Yacoub ZAHARAN
Audit Committee Chairman

Nadir ALPASLAN
Audit Committee Member

Mohamad AL MIDANI
Audit Committee Member

ADVISORY BOARD'S ASSESSMENT ON THE BANK'S COMPLIANCE WITH INTEREST-FREE BANKING PRINCIPLES AND STANDARDS

Praise be to Allah and prayers and salat and salam be on the Prophet, his family, and his followers.

Esteemed Shareholders,

The Advisory Board reviewed the products, contracts, and practices of Kuveyt Türk Participation Bank as raised in the Advisory Board meetings during the period that ended on December 31, 2020. Similarly, the Advisory Board undertook activities to present opinions with regard to fatwas and decisions to ensure Kuveyt Türk Participation Bank's compliance with the principles of participation banking. As stated by the Advisory Board, the Management of the Bank is responsible for checking and auditing the compliance of contracts and practices with the principles of participation banking.

Taking the reports, information, disclosures, questions, and other matters presented to the Advisory Board throughout the year into account, Kuveyt Türk was found to act generally in compliance with the principles of participation banking, decisions/standards of the Advisory Board, and the decisions of the Advisory Committee. Revenues generated in a manner to contradict participation banking principles were held in the punitive account. The Advisory Board thanks the Senior Management, relevant units, and employees for their support and compliance with the Advisory Board's decisions, and wish that Allah increase your good deeds and grant you success in your works.

May Allah's mercy and blessings be upon you.

ASSESSMENT ON FINANCIAL STATUS, PROFITABILITY, AND SOLVENCY

Kuveyt Türk Participation Bank's total assets increased by 45.8% reaching TL 152.3 billion as of year-end 2020, while the shareholders' equity rose 17.2% and reached TL 8 billion. Concordantly, the Bank's capital adequacy ratio was above the legal requirement at 21.3%. 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 KUYEYT 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 2020	Ratings
Long-term Foreign Currency	B+
Short-term Foreign Currency	B
Long-term Local Currency	BB-
Short-term Local Currency	B
Support Rating	4
Viability Rating	B+
Outlook	Negative
Long-term National Credit Rating	AA (tur)

INFORMATION ON RISK MANAGEMENT POLICIES

CREDIT 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, collateral, geography, currency type are performed and Risk Committee is informed with the regular reports prepared for the Bank portfolio within the internal risk limits.

MARKET RISK MANAGEMENT POLICY 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 Implementing Procedures 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 in the process of defining risk limits are the responsibilities of the Senior Management.

Risk policies and implementing procedures 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 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 hedging transactions.

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 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. The establishment of necessary tracking and control procedures in order to ensure regulatory compliance and prevent unacceptable situations are determined by 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 materiality criterion. Also, the code of practice on actions to be taken if early warning limits are determined and these limits are exceeded is 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 activities are performed 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 Risk Committee.

Policies and implementing procedures defined within operational risk management and on-the-job training provided for employees 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-Assessment Policy was established in order 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-mitigating transactions are evaluated in order to allow the determination of problems before the occurrence of substantial losses for the Bank. In this regard, operational risk incidents above the defined threshold value, and detailed information of such incidents are recorded; at the same time, Risk Control Self-Assessment works are performed to define the potential operational risks.

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(TL thousand)	2016	2017	2018	2019	2020
Profit Sharing Income	3,110,435	3,850,986	5,997,843	7,471,511	9,327,690
Profit Sharing Expense	1,440,566	1,716,773	2,850,053	3,975,600	3,118,614
Net Fee and Commission Income	152,970	241,002	349,546	468,907	350,721
Other Revenues	469,153	477,101	1,111,204	2,060,416	1,219,495
Other Expenses	1,628,780	2,003,383	3,482,483	4,609,967	5,926,609
Tax Provision	(121,246)	(174,942)	(256,245)	(305,429)	(452,402)
Net Profit for the Period	541,966	673,991	869,812	1,109,838	1,400,281
Total Assets	48,476,955	57,123,095	74,232,325	104,439,345	152,290,315
Total Shareholders' Equity	3,912,064	4,591,151	5,438,553	6,821,290	7,995,097
Capital Adequacy Ratio (%)	18.16	17.66	17.68	19.32	21.26

KUVEYT TRK KATILIM BANKASI ANONİM ŐİRKETİ

INDEPENDENT AUDITOR’S REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020, 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, 2020 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 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 Bank 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.

Key Audit Matter	How the matter is addressed in our audit
<i>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment of financial assets and related important disclosures</i> As disclosed in footnote 1.5 of Section 3; the Bank measured expected credit losses for financial assets by TFRS 9 “Financial Instruments Standards”. 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 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 redesigned 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 brought by 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 profit share payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Bank’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 Bank’s historical performance, Legislation and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis - Evaluating the impact of the Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses together with forward-looking estimates and significant assumptions. - 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.

4) 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.

5) 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.

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 assess 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.



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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.

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 2020 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.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

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
Partner

February 16, 2021
Istanbul, Turkey

Index

Section One General information

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	149
II.	Shareholding structure, shareholders jointly or individually having direct or indirect control over the management and supervision of the Bank and the disclosures on any related changes in the current period, if any, and information about the Group that the Bank belongs to	149
III.	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	149
IV.	Information on qualified shareholders	150
V.	Explanations of the Bank's services and field of operations	150
VI.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries	150

Section Two The unconsolidated financial statements

I.	Unconsolidated Balance sheet (Statement of financial position)	152
II.	Unconsolidated Statement of off-balance sheet items	154
III.	Unconsolidated Income Statement	155
IV.	Unconsolidated Statement of income/expense items accounted under shareholder's equity	156
V.	Unconsolidated Statement of changes in shareholders' equity	157
VI.	Unconsolidated Statement of cash flows	158
VII.	Unconsolidated Profit distribution table	159

Section Three Accounting principles

I.	Explanations on basis of presentation	160
II.	Explanations on strategy of using financial instruments and foreign currency transactions	163
III.	Information on subsidiaries and associates	164
IV.	Explanations on forward transactions and option contracts and derivative instruments	164
V.	Explanations on profit share income and expense	164
VI.	Explanations on fees and commission income and expenses	164
VII.	Explanations on financial assets	165
VIII.	Explanations on offsetting of financial assets and liabilities	166
IX.	Explanations on sale and repurchase agreements and lending of securities	166
X.	Explanations on assets held for sale and discontinued operations and related liabilities	167
XI.	Explanations on goodwill and other intangible assets	167
XII.	Explanations on tangible assets	167
XIII.	Explanations on leasing transactions	168
XIV.	Explanations on provisions and contingent liabilities	169
XV.	Explanations on liabilities relating to employee benefits	169
XVI.	Explanations on taxation	170
XVII.	Explanations on additional disclosures on borrowings	171
XVIII.	Explanations on share certificates issued	171
XIX.	Explanations on acceptances and availed drafts	171
XX.	Explanations on government grants	171
XXI.	Explanations on segment reporting	171
XXII.	Explanations on other matters	171

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

I.	Explanations on equity items	172
II.	Explanations and Disclosures related to credit risk	177
III.	Explanations on currency risk	190
IV.	Explanations related to stock position risk	192
V.	Liquidity risk management and liquidity coverage ratio	193
VI.	Explanations on leverage ratio	200
VII.	Explanations on fair values of financial assets and liabilities	201
VIII.	Explanations on the activities carried out on behalf and account of other persons	201
IX.	Explanations on hedge accounting practices	202
X.	Explanations on risk management	204
XI.	Securitization positions	219
XII.	Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions	219
XIII.	Qualitative explanations on market risk	219
XIV.	Explanations on business segments	224

Section Five Explanations and notes on the unconsolidated financial statements

I.	Explanations and notes related to assets	226
II.	Explanations and notes related to liabilities	243
III.	Explanations and notes related to off-balance sheet contingencies and commitments	251
IV.	Explanations and notes related to the statement of income	255
V.	Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity	260
VI.	Explanations and notes related to cash flow statement	260
VII.	Explanations and notes related to the risk group of the Bank	262
VIII.	Domestic, foreign and off-shore branches or equity investments and foreign representative offices	263
IX.	Significant events and matters arising subsequent to balance sheet date	263

Section Six Other Explanations

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	264

Section Seven Independent Auditor's Report

I.	Explanations on the limited review report	264
II.	Notes and disclosures prepared by the independent auditor	264

**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2020**

Address of the Bank's Head Office : Büyükdere Cad. No: 129/1 34394 Esentepe Şişli / İSTANBUL
 Phone and facsimile number of the bank: 0212 354 11 11 - 0212 354 12 12
 Web page : www.kuveytturk.com.tr
 E-mail address : kuveytturk@kuveytturk.com.tr

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' Audit 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

Shadi Ahmad Yacoub ZAHARAN
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

Cemil AKBEBEK
Official and International
Reporting Manager

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

Name-Surname/Position: Mustafa ERDEM / Senior Official Reporting Manager

Telephone: 0212 354 75 24

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR-ENDED 31 DECEMBER 2020

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

SECTION ONE

GENERAL INFORMATION

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

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

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

As of 31 December 2020, 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 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	-
Shadi Ahmed Yacoub ZAHARAN	Member of BOD and chairman of the audit committee	25/09/2020	04/11/2020		Master	-
Nadir ALPASLAN	Vice President of BOD and member of Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	0.010%
Burhan ERSOY	Member of BOD	18/06/2020			Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S A A AL KHARJI	Member of BOD	26/03/2014	24/09/2014	09/09/2020	Master	-
Gehad Mohamed Elbendary ANANY	Member of BOD	25/09/2020	09/09/2020		Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	0.057%
Ahmet KARACA	Assistant General Manager, Financial Control	12/07/2006			Master	0.001%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.004%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.017%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005			Doctorate	0.009%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.001%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.010%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.005%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.005%

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 2019 – 0.12%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

4. Information on qualified shareholders

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,863,098	%62.24	2,863,098	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	861,086	%18.72	861,086	-
Total	3,724,184	%80.96	3,724,184	-

As of 31 December 2020, 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 2020, the Bank is operating through 435 domestic branches (31 December 2019 – 431) with 6,000 employees (31 December 2019 – 5,955). 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. Unconsolidated Balance Sheet (Statement of Financial Position)
- II. Unconsolidated Statement of Off-Balance Sheet Items
- III. Unconsolidated Income Statement (Statement of Profit/Loss)
- IV. Unconsolidated Statement of Income/Expense and Other Comprehensive Income
- V. Unconsolidated Statement of Changes in Shareholders' Equity
- VI. Unconsolidated Statement of Cash Flows
- VII. Unconsolidated Statement of Profit Distribution Table

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

			Audited Current Period 31.12.2020			Audited Prior Period 31.12.2019		
			TL	FC	Total	TL	FC	Total
	ASSETS	Note						
I.	FINANCIAL ASSETS (Net)		17,678,002	41,874,104	59,552,106	4,803,455	37,903,612	42,707,067
1.1.	Cash and Cash Equivalents		1,170,297	29,286,305	30,456,602	1,781,590	24,099,321	25,880,911
1.1.1.	Cash and Balances with Central Bank	(5.1.1.)	1,144,427	23,503,483	24,647,910	1,768,747	17,124,339	18,893,086
1.1.2.	Banks	(5.1.3.)	26,317	5,783,150	5,809,467	12,983	6,977,847	6,990,830
1.1.3.	Money Markets		-	-	-	-	-	-
1.1.4.	Expected Credit Loss (-)		447	328	775	140	2,865	3,005
1.2.	Financial Assets at Fair Value Through Profit or Loss	(5.1.2.)	996,392	6,843,055	7,839,447	104,688	3,907,054	4,011,742
1.2.1.	Government Debt Securities		315,651	6,735,347	7,050,998	77,977	3,863,617	3,941,594
1.2.2.	Equity Instruments		-	-	-	-	-	-
1.2.3.	Other Financial Assets		680,741	107,708	788,449	26,711	43,437	70,148
1.3.	Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	15,382,767	5,412,306	20,795,073	2,898,407	9,732,060	12,630,467
1.3.1.	Government Debt Securities		15,299,606	5,190,032	20,489,638	2,792,631	9,313,887	12,106,518
1.3.2.	Equity Instruments		8,056	40,405	48,461	11,237	27,346	38,583
1.3.3.	Other Financial Assets		75,105	181,869	256,974	94,539	390,827	485,366
1.4.	Derivative Financial Assets		128,546	332,438	460,984	18,770	165,177	183,947
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss		128,546	332,438	460,984	18,770	165,177	183,947
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	50,885,111	28,668,356	79,553,467	32,535,710	25,009,784	57,545,494
2.1.	Loans		52,228,515	21,814,537	74,043,052	33,532,383	21,686,066	55,218,449
2.2.	Leasing Receivables	(5.1.10.)	2,360,266	2,650,730	5,010,996	1,406,165	1,301,355	2,707,520
2.3.	Other Financial Assets Measured At Amortized Cost	(5.1.6.)	-	5,931,297	5,931,297	-	2,630,914	2,630,914
2.3.1.	Government Debt Securities		-	5,931,297	5,931,297	-	2,630,914	2,630,914
2.3.2.	Other Financial Assets		-	-	-	-	-	-
2.4.	Expected Credit Loss (-)		3,703,670	1,728,208	5,431,878	2,402,838	608,551	3,011,389
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(Net)		519,087	-	519,087	473,326	-	473,326
3.1.	Held For Sale		519,087	-	519,087	473,326	-	473,326
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1,481,015	-	1,481,015	564,853	-	564,853
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.)	1,461,015	-	1,461,015	544,853	-	544,853
4.2.1.	Unconsolidated Financial Subsidiaries		1,437,335	-	1,437,335	521,173	-	521,173
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	20,000	-	20,000
4.3.1.	Joint Ventures Valued Based on Equity Method		20,000	-	20,000	20,000	-	20,000
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)		1,161,631	1,173	1,162,804	1,033,995	957	1,034,952
VI.	INTANGIBLE ASSETS (Net)		190,532	-	190,532	133,955	25	133,980
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		190,532	-	190,532	133,955	25	133,980
VII.	INVESTMENT PROPERTIES (Net)		24,987	-	24,987	25,146	-	25,146
VIII.	CURRENT TAX ASSETS		-	-	-	-	-	-
IX.	DEFERRED TAX ASSETS	(5.1.15.)	748,336	-	748,336	358,097	-	358,097
X.	OTHER ASSETS	(5.1.17.)	790,979	8,267,002	9,057,981	658,556	937,874	1,596,430
	TOTAL ASSETS		73,479,680	78,810,635	152,290,315	40,587,093	63,852,252	104,439,345

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

			Audited Current Period 31.12.2020			Audited Prior Period 31.12.2019		
			TL	FC	Total	TL	FC	Total
	LIABILITIES	Note						
I.	FUNDS COLLECTED	(5.2.1.)	33,499,285	88,673,699	122,172,984	35,410,329	50,084,058	85,494,387
II.	FUNDS BORROWED	(5.2.3.)	2,868,946	8,719,946	11,588,892	923,177	4,468,500	5,391,677
III.	MONEY MARKETS		185,225	-	185,225	-	-	-
IV.	SECURITIES ISSUED (Net)		-	-	-	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		1,390,486	286,320	1,676,806	129,690	294,447	424,137
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	1,390,486	286,320	1,676,806	129,690	164,719	294,409
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.6.)	-	-	-	-	129,728	129,728
VII.	LEASE PAYABLES	(5.2.5.)	340,115	3,910	344,025	315,732	10,446	326,178
VIII.	PROVISIONS	(5.2.7.)	1,170,443	400,358	1,570,801	850,649	240,346	1,090,995
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves For Employee Benefits		418,183	659	418,842	301,593	446	302,039
8.3.	Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4.	Other Provisions		752,260	399,699	1,151,959	549,056	239,900	788,956
IX.	CURRENT TAX LIABILITIES	(5.2.8.1.)	348,052	-	348,052	224,425	-	224,425
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.)	-	4,590,265	4,590,265	-	3,380,983	3,380,983
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	4,590,265	4,590,265	-	3,380,983	3,380,983
XIII.	OTHER LIABILITIES	(5.2.4.)	1,289,708	528,460	1,818,168	1,023,193	262,080	1,285,273
XIV.	SHAREHOLDERS' EQUITY	(5.2.11.)	7,904,654	90,443	7,995,097	6,742,813	78,477	6,821,290
14.1.	Paid-in Capital		4,595,131	-	4,595,131	3,995,766	-	3,995,766
14.2.	Capital Reserves		25,124	-	25,124	24,489	-	24,489
14.2.1.	Share Premiums		23,250	-	23,250	23,250	-	23,250
14.2.2.	Share Cancellation Profits		1,874	-	1,874	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		(51,258)	-	(51,258)	(19,082)	-	(19,082)
14.4.	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		(87,218)	90,443	3,225	127,237	78,477	205,714
14.5.	Profit Reserves		1,970,146	-	1,970,146	1,469,025	-	1,469,025
14.5.1.	Legal Reserves		284,943	-	284,943	228,723	-	228,723
14.5.2.	Statutory Reserves		-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		1,617,135	-	1,617,135	1,170,797	-	1,170,797
14.5.4.	Other Profit Reserves		68,068	-	68,068	69,505	-	69,505
14.6.	Profit or Loss		1,452,729	-	1,452,729	1,145,378	-	1,145,378
14.6.1.	Prior Years' Profits or Losses		52,448	-	52,448	35,540	-	35,540
14.6.2.	Current Period Net Profit or Loss		1,400,281	-	1,400,281	1,109,838	-	1,109,838
14.7.	Minority Shares	(5.2.12.)	-	-	-	-	-	-
	TOTAL LIABILITIES AND EQUITY		48,996,914	103,293,401	152,290,315	45,620,008	58,819,337	104,439,345

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2020

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Note	Audited Current Period 31.12.2020			Audited Prior Period 31.12.2019		
			TL	FC	Total	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)		86,652,466	78,342,083	164,994,549	67,365,973	56,289,772	123,655,745
I.	GUARANTEES AND WARRANTIES	(5.3.1.)	7,470,036	4,393,458	11,863,494	6,938,439	4,962,863	11,901,302
1.1.	Letters of Guarantee		6,997,497	2,593,297	9,590,794	6,592,042	3,414,624	10,006,666
1.1.1.	Guarantees Subject to State Tender Law		210,252	41,900	252,152	218,286	62,740	281,026
1.1.2.	Guarantees Given For Foreign Trade Operations		408,225	60,079	468,304	375,091	79,315	454,406
1.1.3.	Other Letters of Guarantee		6,379,020	2,491,318	8,870,338	5,998,665	3,272,569	9,271,234
1.2.	Bank Loans		5,503	35,493	40,996	8,546	46,489	55,035
1.2.1.	Import Letter of Acceptances		5,503	35,493	40,996	8,546	46,489	55,035
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		14,424	1,670,598	1,685,022	10,567	1,363,442	1,374,009
1.3.1.	Documentary Letters of Credit		-	756,822	756,822	86	371,829	371,915
1.3.2.	Other Letters of Credit		14,424	913,776	928,200	10,481	991,613	1,002,094
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		452,612	94,070	546,682	327,284	138,308	465,592
1.7.	Other Warranties		-	-	-	-	-	-
II.	COMMITMENTS	(5.3.1.)	54,000,945	2,301,565	56,302,510	52,151,025	1,894,212	54,045,237
2.1.	Irrevocable Commitments		6,228,351	2,301,565	8,529,916	4,795,885	1,894,212	6,690,097
2.1.1.	Forward Asset Purchase and Sales Commitments		776,146	2,301,565	3,077,711	455,887	1,891,166	2,347,053
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3.	Loan Granting Commitments		555,059	-	555,059	358,094	-	358,094
2.1.4.	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5.	Commitments For Reserve Deposits Requirements		-	-	-	-	-	-
2.1.6.	Payment Commitments For Checks		1,372,786	-	1,372,786	1,305,235	-	1,305,235
2.1.7.	Tax and Fund Liabilities From Export Commitments		-	-	-	-	-	-
2.1.8.	Commitments For Credit Card Expenditure Limits		3,503,366	-	3,503,366	2,656,398	-	2,656,398
2.1.9.	Commitments For Credit Cards and Banking Services Promotions		3,237	-	3,237	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	-	17,757	17,757	3,046	20,803
2.2.	Revocable Commitments		47,772,594	-	47,772,594	47,355,140	-	47,355,140
2.2.1.	Revocable Loan Granting Commitments		47,772,594	-	47,772,594	47,355,140	-	47,355,140
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2.)	25,181,485	71,647,060	96,828,545	8,276,509	49,432,697	57,709,206
3.1	Derivative Financial Instruments Held For Risk Management		-	-	-	-	2,451,906	2,451,906
3.1.1	Fair Value Hedges		-	-	-	-	-	-
3.1.2	Cash Flow Hedges		-	-	-	-	2,451,906	2,451,906
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held For Trading Transactions		25,181,485	71,647,060	96,828,545	8,276,509	46,980,791	55,257,300
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1,083,945	2,130,485	3,214,430	512,110	1,242,703	1,754,813
3.2.1.1	Forward Foreign Currency Buy Transactions		785,976	843,754	1,629,730	276,131	603,627	879,758
3.2.1.2	Forward Foreign Currency Sell Transactions		297,969	1,286,731	1,584,700	235,979	639,076	875,055
3.2.2	Other Forward Buy/Sell Transactions		24,097,540	69,516,575	93,614,115	7,764,399	45,738,088	53,502,487
3.3	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		478,587,067	203,218,899	681,805,966	381,449,255	165,631,022	547,080,277
IV.	ITEMS HELD IN CUSTODY		13,171,821	20,387,564	33,559,385	11,299,056	14,947,964	26,247,020
4.1.	Customers' Securities Held		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		3,145,487	7,054,819	10,200,306	2,891,875	424,980	3,316,855
4.3.	Checks Received for Collection		8,485,888	1,082,506	9,568,394	6,828,688	869,224	7,697,912
4.4.	Commercial Notes Received for Collection		1,540,446	312,851	1,853,297	1,578,493	280,131	1,858,624
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	11,937,388	11,937,388	-	13,373,629	13,373,629
V.	PLEDGED ITEMS		465,403,607	182,743,974	648,147,581	370,138,560	150,613,354	520,751,914
5.1.	Marketable Securities		149,465	-	149,465	194,245	111,336	305,581
5.2.	Guarantee Notes		101,128	2,996,008	3,097,136	101,727	2,402,814	2,504,541
5.3.	Commodity		14,297,126	913,904	15,211,030	8,938,138	701,641	9,639,779
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		147,051,571	3,715,371	150,766,942	124,206,037	2,983,314	127,189,351
5.6.	Other Pledged Items		303,804,317	175,118,691	478,923,008	236,698,413	144,414,249	381,112,662
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES		11,639	87,361	99,000	11,639	69,704	81,343
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		565,239,533	281,560,982	846,800,515	448,815,228	221,920,794	670,736,022

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

3. INCOME STATEMENT

			Audited Current Period 01.01.2020- 31.12.2020	Audited Prior Period 01.01.2019- 31.12.2019
		Notes		
I.	PROFIT SHARE INCOME	(5.4.1.)	9,327,690	7,471,511
1.1.	Profit Share on Loans		6,174,377	6,012,483
1.2.	Profit Share on Reserve Deposits		37,473	86,722
1.3.	Profit Share on Banks		122,188	249,554
1.4.	Profit Share on Money Market Placements		-	-
1.5.	Profit Share on Marketable Securities Portfolio		2,602,952	800,637
1.5.1.	Fair Value Through Profit or Loss		313,832	66,463
1.5.2.	Fair Value Through Other Comprehensive Income		2,118,146	655,442
1.5.3.	Measured at Amortised Cost		170,974	78,732
1.6.	Finance Lease Income		342,754	259,612
1.7.	Other Profit Share Income		47,946	62,503
II.	PROFIT SHARE EXPENSE		3,118,614	3,975,600
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	1,923,295	3,038,951
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	781,567	871,989
2.3.	Profit Share Expense on Money Market Borrowings		354,479	2,514
2.4.	Expense on Securities Issued		-	-
2.5.	Profit Share Expense on Lease		59,273	62,146
2.6.	Other Profit Share Expense		-	-
III.	NET PROFIT SHARE INCOME (I - II)		6,209,076	3,495,911
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		350,721	468,907
4.1.	Fees And Commissions Received		784,516	769,720
4.1.1.	Non-Cash Loans		136,800	144,524
4.1.2.	Other		647,716	625,196
4.2.	Fees And Commissions Paid		433,795	300,813
4.2.1.	Non-Cash Loans		29	22
4.2.2.	Other	(5.4.13.)	433,766	300,791
V.	DIVIDEND INCOME	(5.4.3.)	68	2,841
VI.	NET TRADING INCOME / LOSS	(5.4.5.)	571,361	1,274,256
6.1.	Capital Market Transaction Gains/Losses		45,028	32,116
6.2.	Gains/Losses From Derivative Financial Instruments		(2,213,019)	465,170
6.3.	Foreign Exchange Gains/Losses		2,739,352	776,970
VII.	OTHER OPERATING INCOME	(5.4.6.)	648,066	783,319
VIII.	GROSS OPERATING PROFIT (III+IV+V+VI+VII+ VIII)		7,779,292	6,025,234
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	3,237,473	2,615,137
X.	OTHER PROVISIONS (-)	(5.4.8.)	309,703	57,904
XI.	PERSONNEL EXPENSES (-)		1,202,037	1,026,615
XII.	OTHER OPERATING EXPENSES (-)		1,177,396	910,311
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		1,852,683	1,415,267
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.)	1,852,683	1,415,267
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(452,402)	(305,429)
18.1.	Current Tax Provision		(781,806)	(401,181)
18.2.	Deferred Tax Income Effect (+)		134,484	194,309
18.3.	Deferred Tax Expense Effect (-)		463,888	290,061
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.11.)	1,400,281	1,109,838
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.)	1,400,281	1,109,838
25.1.	Group's Income/Loss		1,400,281	1,109,838
25.2.	Minority Interest Income/Loss (-)		-	-
	Earnings Per Share Income/Loss		-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2020

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

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

		Audited Current Period 31.12.2020	Audited Prior Period 31.12.2019
I.	CURRENT PROFIT (LOSS)	1,400,281	1,109,838
II.	OTHER COMPREHENSIVE INCOME	(217,757)	280,882
2.1	Other Comprehensive Income Not Reclassified Through Profit Or Loss	(32,176)	(5,786)
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	(40,220)	(7,233)
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	8,044	1,447
2.2	Other Comprehensive Income Reclassified Through Profit Or Loss	(185,581)	286,668
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	(249,886)	393,645
2.2.3	Cash Flow Hedge Income/Loss	11,514	(21,235)
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	52,791	(85,742)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	1,182,524	1,390,720

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2020
(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																	
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Accumulated Other Income																	

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)

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CASH FLOW AS OF 31 DECEMBER 2020

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

6. STATEMENT OF CASH FLOWS

	Note	Audited Current Period	Audited Prior Period
		01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Assets And Liabilities From Banking Operations		4,759,362	2,919,896
1.1.1 Profit Share Income Received		8,328,926	8,005,455
1.1.2 Profit Share Expense Paid		(2,987,106)	(3,917,151)
1.1.3 Dividends Received		68	2,841
1.1.4 Fees And Commissions Received		839,827	769,720
1.1.5 Other Income		1,848,073	2,170,443
1.1.6 Collections From Previously Written Off Loans		351,422	431,694
1.1.7 Payments to Personnel And Service Suppliers		(1,317,534)	(1,099,923)
1.1.8 Taxes Paid		(865,421)	(726,502)
1.1.9 Others		(1,438,893)	(2,716,681)
1.2 Changes in Assets And Liabilities From Banking Operations		(7,116,167)	14,804,111
1.2.1 Net (Increase) Decrease Held For Trading Financial Assets		(3,240,768)	(3,524,324)
1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(11,487,983)	(564,636)
1.2.3 Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(20,068,746)	(12,696,274)
1.2.4 Net (Increase) Decrease in Loans		(8,803,862)	261,964
1.2.5 Net (Increase) Decrease in Other Assets		169,751	436,221
1.2.6 Net Increase (Decrease) in Bank Deposits		28,933,181	31,065,402
1.2.7 Net Increase (Decrease) in Other Deposits		-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		4,952,671	(4,746,536)
1.2.9 Net Increase (Decrease) in Due Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		2,429,589	4,572,294
I. Net Cash Provided From / (Used in) Banking Operations		(2,356,805)	17,724,007
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From / (Used in) Investing Activities		(10,296,493)	(8,553,521)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		(745,860)	-
2.2 Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.3 Fixed Assets Purchases		(127,693)	(118,542)
2.4 Fixed Assets Sales		194,500	-
2.5 Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(13,090,115)	(5,746,318)
2.6 Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		6,067,423	-
2.7 Cash Paid For Purchase of Investment Securities		(2,391,273)	(2,595,429)
2.8 Cash Obtained From Sale of Investment Securities		-	-
2.9 Other		(203,475)	(93,232)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From / (Used in) Financing Activities		322,094	1,354,442
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		388,646	1,423,134
3.4 Dividends Paid		(7,280)	(6,546)
3.5 Payments For Finance Leases		(59,272)	(62,146)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.6.4)	5,409,401	1,688,034
V. Net Increase (Decrease) in Cash And Cash Equivalents		(6,921,803)	12,212,962
VI. Cash And Cash Equivalents at The Beginning of The Period	(5.6.1)	18,893,086	6,680,124
VII. Cash And Cash Equivalents at The End of The Period	(5.6.1)	11,971,283	18,893,086

(*) As of 31.12.2020, 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
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

7. PROFIT DISTRIBUTION TABLE

	Current Period 01.01.2020 - 31.12.2020 (*)	Prior Period 01.01.2019 - 31.12.2019 (*)
I. Distribution of Current Period Profit		
1.1. Current Period Profit	1,852,683	1,415,267
1.2. Taxes and Dues Payable (-)	452,402	305,429
1.2.1. Corporate Tax (Income Tax)	781,806	401,181
1.2.2. Income Tax Withholding	-	-
1.2.3. Other Taxes and Dues Payable (**)	(329,404)	(95,752)
A. Net Profit for the Period (1.1-1.2)	1,400,281	1,109,838
1.3. Prior year's Losses (-)	-	-
1.4. First Legal Reserves (-)	-	-
1.5. Other Reserves (-)	-	-
B. Distributable Net Period Profit [(A)-(1.3+1.4+1.5)]	1,400,281	1,109,838
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 (-)	-	7,280
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	-	446,338
1.13. Other Reserves	-	389
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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 and estimates are reviewed regularly and, when necessary, appropriate corrections are made and the effects of such corrections are reflected on the income statement.

The Coronavirus epidemic, which has recently emerged in China, spreads to various countries around the world and causes potentially fatal respiratory infections, causes disruptions in operations, especially in countries that are extremely exposed to the epidemic, as well as negatively affecting economic conditions both regionally and globally. As a result of the worldwide spread of Covid-19, as in the world, various measures taken both in the world and Turkey and continues to be. Besides these measures, economic measures are also taken in both Turkey and in the world to minimize the economic effects of the virus epidemic on individuals and businesses.

Considering the magnitude of the economic changes caused by COVID-19, financial statements prepared as of December 31, 2020 are intended to update the financial information included in the latest annual financial statements, and the bank made certain estimates in the calculation of expected credit losses and these disclosed in the footnote “Explanations on Provisions for Expected Loss”. In the following periods, the bank will update its assumptions as necessary and review the realization status of its past estimates.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.5. Disclosures Regarding TFRS 9 Financial Instruments:

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

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

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Macroeconomic scenarios affect PD. 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 vary with each scenario.

As of December 31, 2020, the bank reflected the data obtained with the best estimation method to the estimates and judgements used in the calculation of expected credit losses, with the best estimation method, for the possible effects of the COVID-19 outbreak. In the light of the aforementioned data, the bank revised its macroeconomic expectations in the calculation of expected credit loss, and the calculation made taking into account the change in PD with the update in the EDF model was reflected in the financial statements as of 31 December 2020. Due to their nature, model updates are reflected in financial statements with a delay due to the macroeconomics effects of events that cause changes and occur at different times. For this reason, the bank establishes additional provisions for the sector or customers that are considered to have a high impact, by making sector-based valuations when deemed necessary to eliminate the timing difference.

However, the BRSA's decisions dated 17 March 2020 and numbered 8948 and dated 27 March 2020 and numbered 8970 are mainly due to the disruptions in economic and commercial activities as a result of the COVID-19 epidemic, and the regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be set aside for these. The 90 days delay period foreseen for the non-performing loan classification within the scope of articles 4 and 5 shall be applied as 180 days; Until 31 December 2020, the 30-day period envisaged to be classified as stage 2 was allowed to be implemented as 90 days. In this context;

- Temporarily, the receivables that cannot be collected for up to 90 days can be classified in the first group and the receivables that can not be collected up to 180 days in the second group.
- For structured installment receivables, for customers who do not want to be delayed in their due installements, the practice of postponing the installements within the scope of these defined periods has started without breaking the existing structuring contracts.

Finally, it was concluded that the provisions to be set aside for such receivables will continue according to their own risk models used in calculating the expected credit loss under TFRS 9.

The forecast of expected credit losses is unbiased, probabilistic-weighted and includes supportable information about past events, current conditions and predictions of future economic conditions.

The Bank applies a 'three-stage' impairment model depending on the gradual increase in credit risk observed since initial recognition

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

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

In this 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.

However, based on the decision taken by BRSA, within the scope of the COVID-19 outbreak, the 30-day delay period foreseen for the classification of loans as Stage 2 has been implemented as 90 days until 31 December 2020, the bank continues to provide provisions for these loan customers in accordance with its risk policies.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

However, based on the decision taken by the BRSA within the scope of the COVID-19 outbreak, the 90-day delay period foreseen for the classification of loans as non-performing loans has been allowed to be applied as 180 days until 31 December 2020. The BRSA extended these opportunities until 30 June 2021 with its decision numbered 9312 on 8 December 2020. The bank continues to provide provisions for these loan customers in accordance with its risk policies.

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

The leasing transactions are 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 bank within the scope of TFRS 16, 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 2020, the Bank has usage assets amounting to TL 497,764 classified under tangible fixed assets and TL 527,578 lease obligations in the balance sheet. In year end that ended as of the same date, a financial expense of TL 59,273 and depreciation expense of TL 108,513 occurred.

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority ("POA") has changed to TFRS 16 "Leases" standard by publishing Privileges Granted in Lease Payments - "Amendments to TFRS 16 Leases" concerning Covid-19. With this change, tenants are exempted from whether there has been a change in the rental privileges in lease payments due to Covid-19. This change did not have a significant impact on the financial status or performance of the Bank.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

3. Investments in Associates And Subsidiaries

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

4. Explanations on Forward Transactions And Option Contracts And Derivative Instruments

The Bank enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The bank’s 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.

The Bank’s cash flow hedging process has ended as of September 30, 2020.

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.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

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, 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 2020, the Bank have a sales transaction worth 185,225 TL with the promise of repurchase. (31 December 2019 – TL – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

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

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 started to apply TFRS 16- Leases standard. 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 dividend. The Bank has recognized the right to lease assets equal to the lease obligation by restating the previously paid or accrued lease payments.

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.

When the Bank applying cost method, the existence of the right of use:

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 profit-share rate.

The dividend rate on the lease liability for each period of the lease term is the amount found by applying a fixed periodic dividend rate to the remaining balance of the lease liability. Periodic profit-share rate is the Bank's borrowing dividend 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:

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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).

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.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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. 20% tax rate used in the calculation of deferred tax assets and liabilities.

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 Aailed Drafts

Acceptances and aailed 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 14.

22. Explanations on Other Matters

The Bank has no disclosures on other matters.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2020 Bank’s total capital has been calculated as TL 12,713,746 (31 December 2019: TL 10,334,918), capital adequacy ratio is 21.26% (31 December 2019: 19.32%).

In the press release made by the BRSA on March 23, 2020, in the calculation of the amount subject to credit risk in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy due to the fluctuations in the financial markets as a result of the COVID-19 epidemic; the presence of non-monetary and monetary assets, the history of excluding the items in foreign currencies are measured at cost Turkey Accounting Standards revalued amounts in accordance with and related to specific provisions are calculated at 31 December in preparing the 2019 financial statements to be used buying exchange rate taken as a basis and as of March 23, 2020 "Reality In the event that the net valuation differences of the securities included in the “Securities with Fair Value Differences Reflected in Other Comprehensive Income” portfolio are negative, these differences are not taken into account in the amount of equity to be calculated in accordance with the Regulation on Equity of Banks and used for the capital adequacy ratio. The Bank used these opportunities in its Capital Adequacy calculations as of December 31, 2020.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.1. Components of Total Capital:

	<i>Current Period Amount</i>	<i>Prior Period Amount</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,000,000
Share Premium	23,250	23,250
Reserves	1,970,146	1,469,025
Other Comprehensive Income According to TAS	98,217	219,108
Profit	1,452,729	1,145,378
Current Period Profit	1,400,281	1,109,838
Prior Period Profit	52,448	35,540
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	8,144,342	6,856,761
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 (-)	77,641	13,394
Leasehold Improvements On Operational Leases (-)	77,771	66,940
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	177,808	124,315
Net Deferred Tax Asset/Liability (-)	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	-
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	-
Net Amount Of Defined Benefit Plans	51,258	19,082
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	4,869	4,234
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
Total Deductions From Common Equity Tier I Capital	389,347	227,965
Total Common Equity Tier I Capital	7,754,995	6,628,796

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	1,851,633	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	1,851,633	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	1,851,633	1,189,404
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	9,606,628	7,818,200
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	2,592,281	2,073,398
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)	613,486	565,274
Total Deductions From Tier II Capital	3,205,767	2,638,672
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	3,205,767	2,638,672
Total Equity (Total Tier I And Tier II Capital)	12,812,395	10,456,872

(*) 5 TL worth portion of the Contribution Capital issue amounting to TL 2,592,286 issued through KT Sukuk Company Limited was taken back and shown by deducting from equity.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Total Tier I Capital And Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)	5,828	5,505
Other Items To Be Defined By The BRSA (-)	92,821	116,449
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)	12,713,746	10,334,918
Total Risk Weighted Assets	59,802,485	53,504,497
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	12.97	12.39
Tier I Capital Ratio (%)	16.06	14.61
Capital Adequacy Ratio (%)	21.26	19.32
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
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	8.47	7.89
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)	613,486	565,274
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	613,486	565,274
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 to Article 4 (to be implemented between January 1 , 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Information on debt instruments to be included in equity calculation:			
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED	KT AT One Company Limited
Instrument Code (CUSIP, ISIN vb.)	XS1323608635	XS2028862998	XS2227803819
Legislation to which the Instrument is subject	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity
Consideration In Equity Calculation			
Subject to consideration application reduced by 10% from 1/1/2015	Not being subject	Not being subject	Not being subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Instruments Type	Subordinated Sukuk	Subordinated Sukuk	Subordinated Sukuk
Amount taken into account in equity calculation (as of last reporting date-TL million)	2,592	1,481	370
Nominal value of the Instrument (TL million))	2,592	1,481	370
The account in which the Instrument is followed accounting	3470103	3470003	3470003
Export date of the Instrument	17/02/2016	16/06/2019	29/09/2020
Maturity structure of the Instrument (demand/term))	Term	Demand	Demand
Initial maturity of the Instrument	10 Years (Maturity Date : 17/02/2026)	Demand	Demand
Whether the issuer has the right to refund subject to BRSA approval	Yes	Yes	Yes
Date of repayment option, contingent repayment options and amount to be paid back	17/02/2021 - Complete	16/07/2024 - Complete	28/09/2025 – Complete
Subsequent repayment option dates	17/02/2021	16/07/2024	28/09/2025
Dividend payments			
Fixed or variable dividend payments	Fixed dividend payments	Fixed dividend payments	Fixed dividend payments
Dividend ratio and index value for dividend ratio	7.90%	9.13%	9.95%
Whether there are any restrictions that stop paying dividends	None	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative	Noncumulative
Ability to convert to stock			
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock.	Cannot be converted into stock	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertible Instruments, if convertible to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Value reduction feature			
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Primary Unsecured Sukuk	Tier – 1	Tier - 1
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

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

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

2. Explanations 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 debtors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

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

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

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for 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 Provisions to be Forged". 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 counter 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

The Bank's top 100 and 200 cash loan customers represents 25% and 32% of the total cash loan portfolio, respectively.

The Bank's top 100 and 200 non-cash loan customers represent 32% and 41% of the total non-cash loan portfolio, respectively.

The Bank's top 100 and 200 cash and non-cash loan customers represent 23% and 29% 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	51,697,994	45,555,439
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	96,788	81,643
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	9,500,616	9,441,837
Conditional and unconditional receivables from corporates	26,970,043	21,836,486
Conditional and unconditional receivables from retail portfolios	13,658,018	12,511,481
Conditional and unconditional receivables secured by mortgages	21,852,188	18,635,524
Collateralized receivables with mortgages	-	-
Past due receivables	240,945	258,605
Receivables defined under high risk category by BRSA	123,676	130,089
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	75,196	98,535
Stock Investments	1,481,015	1,230,416
Other receivables	5,679,945	5,982,234
Total	131,376,424	115,762,289

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Risk Classifications	Prior 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
Equity 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.1. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional receivables from central governments of 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	51,697,994	-	3,316,184	26,830,010	13,612,650	21,697,804	240,366	123,676	75,196	-	-	117,593,880
European Union Countries	-	-	360,718	15,167	7,640	39,700	9	-	-	-	-	423,234
OECD Countries (**)	-	-	1,908,656	51,038	5,118	11,835	3	-	-	-	-	1,976,650
Off-Shore Regions	-	-	5,930	10,468	181	33,605	323	-	-	-	-	50,507
USA, Canada	-	-	3,089,839	2,504	667	6,287	-	-	-	-	-	3,099,297
Other Countries	-	96,788	819,289	60,856	31,762	62,957	244	-	-	-	-	1,071,896
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	1,481,015	-	1,481,015
Undistributed Assets / Liabilities (***)	-	-	-	-	-	-	-	-	-	-	5,679,945	5,679,945
Total (****)	51,697,994	96,788	9,500,616	26,970,043	13,658,018	21,852,188	240,945	123,676	75,196	1,481,015	5,679,945	131,376,424

(*) 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 of 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."

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020**

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

2.2. Risk profile by sectors or counterparties

[illegible]

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

(*) 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.”

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period (*)	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from administrative bodies and commercial enterprises	Conditional and unconditional receivables from 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 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 Investment	Other receivables	TL	FC	Total(*)
Agriculture	-	-	-	-	-	119,667	156,246	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	41,092	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	1,211,623	2,358,297	137,757	37	-	-	-	-	-	7,234,628	445,849	7,680,477
Wholesale and Retail Services	-	-	-	-	-	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
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	-	-	-	-	-	47,086	1,358	4,177	339	-	-	-	94,539	564,853	-	6,126,350	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	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	-	-	-	-	-	807,719	111,314	919,033
Others	-	-	-	-	-	853,313	2,327,370	5,272,866	16,607	71,120	-	-	-	-	-	5,590,186	10,976,788	14,131,462
Total	30,612,396	-	-	-	-	15,964,226	9,606,960	14,693,282	325,908	71,775	-	-	94,539	564,853	5,590,186	44,802,681	47,588,149	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."

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	4,938,678	-	-	778,383	19,029,670
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	-	-	-	-	96,788
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3,524,819	569,881	11,721	124,557	487,549
Conditional and unconditional receivables from corporates	2,476,749	1,195,651	5,333,584	3,947,355	13,984,082
Conditional and unconditional receivables from retail portfolios	1,611,033	987,609	2,245,923	1,934,120	6,717,234
Conditional and unconditional receivables secured by mortgages	1,202,800	767,140	1,693,683	2,476,893	15,711,672
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	123,676	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	20,921	15,645	7,180	-	31,450
Stock Investments	-	-	-	-	1,481,015
Other Receivables	-	-	-	-	-
Total	13,898,676	3,535,926	9,292,091	9,261,308	57,539,460

(*) 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	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	-	-	-	-	-
Total	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.”

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.4 Exposure Categories

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

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

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2.5 Credit risk using the standard approach:

2.5.1. Credit risk exposed and credit risk mitigation effects:

	Risk Classes	CCF and CRM		CCF and CRM		CCF and CRM		RWA and RWA density	
		Receivable before		Receivable post		Receivable post		RWA	
		On-balance sheet amount	Off-balance sheet amount	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	51,241,286	-	56,856,724	-	-	-	-	0
2	Receivables from regional and local government	-	-	-	-	-	-	-	0
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	0
4	Receivables from multi lateral development banks	96,788	-	96,788	-	-	-	-	0
5	Receivables from international organizations	-	-	-	-	-	-	-	0
6	Receivables from banks and brokerage houses	8,409,242	1,669,012	8,409,242	473,254	2,379,652	2,379,652	2,379,652	28
7	Receivables from corporate	24,150,154	5,903,214	20,733,556	2,760,742	22,903,821	22,903,821	22,903,821	95
8	Retail receivables	11,746,690	7,685,326	10,404,500	1,893,535	8,871,722	8,871,722	8,871,722	76
9	Receivables secured by residential property	9,742,590	824,752	9,483,985	355,864	3,412,799	3,412,799	3,412,799	35
10	Receivables secured by commercial property	10,888,344	1,849,942	10,352,716	858,770	7,568,601	7,568,601	7,568,601	70
11	Non-performing receivables	240,945	-	178,528	-	91,314	-	91,314	38
12	Receivables in high-risk categories	123,676	-	123,676	-	185,486	-	185,486	150
13	Mortgage-backed securities	-	-	-	-	-	-	-	0
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	0
15	Investments similar to collective investment funds	75,196	-	75,196	-	18,455	-	18,455	25
16	Other receivables	5,679,945	-	5,679,945	-	1,920,674	-	1,920,674	34
17	Stock investments	1,481,015	-	1,481,015	-	1,481,015	-	1,481,015	100
18	Total	123,875,871	17,932,246	123,875,871	6,342,165	48,833,539	48,833,539	48,833,539	

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.5.2. Exposures by asset classes and risk weights:

Risk Classifications/Risk Weights (*)	0%	10%	20%	50%	75%	100%	150%	200%	Other%	Total risk amount (post-CCF and CRM) sonrası)
1 Receivables from central governments and Central Banks	56,856,724	-	-	-	-	-	-	-	-	56,856,724
2 Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	96,788	-	-	-	-	-	-	-	-	96,788
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	87,206	-	7,737,359	451,502	-	606,429	-	-	-	8,882,496
7 Receivables from corporate	318,136	-	340,426	-	-	22,835,736	-	-	-	23,494,298
8 Retail receivables	281,308	-	256,042	-	11,760,685	-	-	-	-	12,298,035
9 Receivables secured by residential property	57,575	-	73,308	-	-	-	-	-	9,708,965	9,839,848
10 Receivables secured by commercial property	82,410	-	110,029	6,944,903	-	4,074,145	-	-	-	11,211,487
11 Non-performing receivables	861	-	412	172,046	-	5,209	-	-	-	178,528
12 Receivables in high-risk categories	19	-	-	-	-	-	123,657	-	-	123,676
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	22,731	-	36,610	9,444	-	6,411	-	-	-	75,196
16 Stock investments	-	-	-	-	-	1,481,015	-	-	-	1,481,015
17 Other receivables	3,757,998	-	1,591	-	-	1,920,356	-	-	-	5,679,945
18 Total	61,561,756	-	8,555,777	7,577,895	11,760,685	30,929,301	123,657	-	9,708,965	130,218,036

* 35% Risk Weight is classified in Others.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.6. Risk amounts according to risk weights:

Current Period Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Exposures before Credit Risk Mitigation	55,206,009	-	7,775,560	10,098,454	8,104,735	13,640,225	35,269,377	123,676	-	-
Exposures after Credit Risk Mitigation	61,561,756	-	8,555,777	9,708,965	7,577,895	11,760,685	30,929,301	123,657	-	-
Prior 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	-	-

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)
Agriculture	254,002	50,399
Farming and Stockbreeding	233,481	28,780
Forestry	19,499	18,341
Fishery	1,022	3,278
Manufacturing	2,121,591	446,459
Mining and Quarrying	490,170	62,382
Production	1,505,834	349,118
Electricity, Gas and Water	125,587	34,959
Construction	1,354,700	1,274,309
Services	2,614,477	1,018,028
Wholesale and Retail Trade	1,541,124	646,277
Accommodation and Dining	178,301	105,965
Transportation and Telecommunication	249,028	95,954
Financial Institutions	999	3,939
Real Estate and Rental Services.	457,523	38,410
Professional Services	5,207	183
Educational Services	64,574	67,631
Health and Social Services	117,721	59,669
Others	720,294	145,396
Total	7,065,064	2,934,591
		4,261,310

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior Period	Loans		Provisions
	Impaired Loans		Expected Credit Loss Provisions (*)
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	
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

(*) Expected loan loss provisions include second and third stage provisions.

2.8. Movements in value adjustments and provisions

Current Period (****)	Opening Balance	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	1,532,370	1,700,336	(354,022)	(360,809)	2,517,875
Stage 1&2 Provisions (**)	1,479,019	1,537,137	(102,153)	-	2,914,003

Prior 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

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	42,914,258	-	42,914,258
England	56,079	-	56,079
Albania	43,248	-	43,248
Iraq	20,621	-	20,621
Marshall Islands	20,368	-	20,368
Italy	13,187	-	13,187
Saudi Arabia	11,373	-	11,373
Germany	5,976	-	5,976
Qatar	4,772	-	4,772
Hungary	2,979	-	2,979
Other	18,021	-	18,021

Prior 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
Hungary	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

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 2020.

	Cash Loans	Non-Cash Loans	Total
High Quality	44.99%	63.93%	47.47%
Medium Quality	32.34%	23.32%	31.16%
Average	15.48%	11.01%	14.90%
Below Average	7.18%	1.73%	6.47%

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

3. Explanations on currency risk

Foreign currency risk represents the Bank's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. The "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 2020, the Bank carries a net foreign currency short position of TL 22,209,211 (31 December 2019 – TL 8,252,773 long position) comprising of TL 21,901,119 balance sheet long position (31 December 2019 - TL 7,932,219 short position) and TL 308,092 off balance sheet long position (31 December 2019 – TL 320,554 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):

	24/12/2020	25/12/2020	28/12/2020	29/12/2020	30/12/2020	Balance Sheet Valuation Rate
USD	7.6107	7.56463	7.47681	7.40353	7.34181	7.40653
EURO	9.28474	9.21736	9.13757	9.06682	9.01014	9.09967
GBP	10.33891	10.25926	10.11788	9.98879	9.96032	10.10961
CHF	8.56629	8.50385	8.40333	8.35228	8.30637	8.40579
JPY	0.07344	0.07308	0.07222	0.0714	0.07112	0.07183

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	7.71618
EURO	9.39106
GBP	10.36876
CHF	8.68225
JPY	0.07435

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Currency risk of the Bank:

	Euro	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	8,538,933	9,677,347	5,287,203	23,503,483
Banks (****)	184,463	344,042	5,254,317	5,782,822
Financial assets at fair value through profit and loss	885,744	297,790	5,659,521	6,843,055
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	368,754	5,043,552	-	5,412,306
Loans and finance lease receivables (*)	10,740,517	13,719,665	17,232	24,477,414
Subsidiaries, associates and joint ventures (**)	610,120	-	-	610,120
Financial assets at amortized cost	3,675,989	2,255,308	-	5,931,297
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	1,173	-	1,173
Intangible assets	-	-	-	-
Other assets	7,998,868	265,381	2,060	8,266,309
Total assets	33,003,388	31,604,258	16,220,333	80,827,979
Liabilities				
Current account and funds collected from Banks via participation accounts	9,699	109,207	237,093	355,999
Current and profit sharing accounts FC (****)	12,291,373	38,598,169	37,428,158	88,317,700
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	862,627	12,451,494	-	13,314,121
Marketable securities issued	-	-	-	-
Miscellaneous payables	119,571	156,326	109,448	385,345
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	217,986	416,262	29,777	664,025
Total liabilities	13,501,256	51,731,458	37,804,476	103,037,190
Net balance sheet position	19,502,132	(20,127,200)	(21,584,143)	(22,209,211)
Net off-balance sheet position	(19,867,567)	20,187,707	21,580,979	21,901,119
Financial derivative assets	972,259	25,033,494	21,919,119	47,924,872
Financial derivative liabilities	20,839,826	4,845,787	338,140	26,023,753
Non-cash loans (***)	1,837,972	2,349,832	205,654	4,393,458
Prior period				
Total assets	29,683,514	25,876,253	11,234,038	66,793,805
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	(20,055,534)	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

(*) Includes foreign currency indexed loans amounting to TL 1,740,355 (31 December 2019 – TL 2,662,329) followed as TL on the balance sheet and expected credit loss amounting to TL 1,728,208

(**) TL 610,210 (31 December 2019 - TL 445,754) of the subsidiaries amounting to TL 1,461,015 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 1,537 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 122,089

(*****) Includes provisions for expected losses amounting to TL 328 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 332,438 (31 December 2019 – TL 165,177)
- Prepaid expenses: TL 693 (31 December 2019 – 1,217 TL)
- Derivative financial liabilities held for trading: TL 286,320 (31 December 2019 – TL 164,719)
- Marketable securities of FC revaluation reverse: (94,206) (31 December 2019- TL (82,154))
- Derivative financial liabilities held for hedging: None (31 December 2019 - TL 129,728)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

- Forward foreign currency purchase transactions TL 1,222,954 (31 December 2019 – TL 907,403)
- Forward foreign currency sale transactions: TL 1,178,611 (31 December 2019 – TL 983,763)
- Precious metal purchase transactions: TL 20,984,650 (31 December 2019 – TL 15,348)
- Precious metal sale transactions: TL 30,525 (31 December 2019 – TL 322,394)

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%	6,051	42,069	6,051	50,284
EURO	10%	(36,544)	(8,197)	(36,544)	(8,197)
GOLD	10%	11,870	3,545	11,870	3,545

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		Comparison	
Equity Securities (shares) investments (*)	Carrying Value	Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	48,461	-	48,461
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	1,461,015	-	382,800
Quoted Securities	53,418	-	382,800
Other	20,000	-	-
Quoted Securities	-	-	-
Prior Period		Comparison	
Equity Securities (shares) investments (*)	Carrying Value	Fair Value	Market Value
Securities Available-for-Sale	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	-	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

Liquidity risk is managed by the Asset - Liability Committee (ALC) and related business units within the framework of the Liquidity Risk Policy and risk appetite approved by the Board of Directors. In liquidity risk management, the measures to be taken and the practices to be carried out are determined by taking into account normal economic conditions and stress conditions. The Bank defines liquidity risk, measures risks with liquidity risk measurement methods in accordance with international standards, monitors them and periodically presents them to the interested parties. Liquidity risk stress tests are performed during monthly periods. An emergency funding plan (liquidity contingency plan) has been created to regulate the procedures and principles for the bank to maintain and maintain adequate liquidity levels under stress conditions.

The bank's liquidity risk ratios are well above the legal limits. The bank maintains its liquidity buffer at high levels, taking into account periods when liquidity risk may increase. Due to this approach, it is evaluated that the negative effects of the COVID-19 pandemic on the global level do not have a significant impact on the bank's liquidity needs.

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

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

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

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

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

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

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

Almost all 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. Liabilities denominated in TL are used in order to fund assets that are denominated in TL, assets denominated in TL are generated through foreign exchange based funds with swap operations if necessary. Foreign currency funds are provided with the foreign sourced credits denominated in foreign currency and sukuk-financial certificates issued. Liquidity denominated in foreign currency is kept at the interbank operations and accounts of the corresponding bonds within the limits. Liabilities denominated in Gold are kept at the required reserve accounts of the Central Bank of the Turkish substantially.

5.5. Information on liquidity risk mitigation techniques:

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

5.6. Information on the use of stress tests:

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the 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 months	1-3 months	3-12 months	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2020								
Funds Collected	111,912,004	6,453,702	3,685,250	108,401	13,627	122,172,984	-	122,172,984
Other Fundings	2,946,289	1,536,929	6,603,951	4,548,423	2,694,681	18,330,273	(2,151,116)	16,179,157
Funds provided under repurchase agreements	185,613	-	-	-	-	185,613	(388)	185,225
Finance Lease Payable	14,440	24,612	95,430	181,289	28,254	344,025	-	344,025
Total	115,058,346	8,015,243	10,384,631	4,838,113	2,736,562	141,032,895	(2,151,504)	138,881,391
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

Maturity analysis for guarantees and contingencies

	Demand	Up to 1 months	1-3 months	3-12 months	1-5 years	Above 5 years	Unallocated	Total
31 December 2020								
Letters of Guarantee	4,639,851	132,884	594,287	2,651,575	1,509,732	62,465	-	9,590,794
Bills of Exchange and Bank Acceptances	2,088	15,514	21,830	1,564	-	-	-	40,996
Letters of Credit	468,566	246,461	476,051	427,027	66,917	-	-	1,685,022
Other guarantees	464,044	1,820	1,984	65,962	8,336	4,536	-	546,682
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
Total	5,574,549	396,679	1,094,152	3,146,128	1,584,985	67,001	-	11,863,494
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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Contractual maturity analysis of derivative instruments:

31 December 2020						
	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	19,446,342	26,305,326	845,511	990,716	-	47,587,895
Exit	20,158,833	27,385,356	790,854	905,607	-	49,240,650
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total Cash Inflow	19,446,342	26,305,326	845,511	990,716	-	47,587,895
Total Cash Outflow	20,158,833	27,385,356	790,854	905,607	-	49,240,650
31 December 2019						
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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Liquidity coverage ratio

<i>Current Period</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	39,068,360	25,321,310	38,080,376	24,333,326
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	55,222,204	16,269,202	4,912,223	1,626,920
3	Stable deposits	12,199,949	-	609,997	-
4	Less stable deposits	43,022,255	16,269,202	4,302,226	1,626,920
5	Unsecured wholesale funding, of which:	20,699,800	14,334,947	9,768,113	6,436,532
6	Operational deposits	-	-	-	-
7	Non-operational deposits	19,114,478	13,722,941	8,182,791	5,824,526
8	Unsecured funding	1,585,322	612,006	1,585,322	612,006
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	27,072,381	16,668,483	27,072,381	16,668,483
11	Outflows related to derivative exposures and other collateral requirements	26,666,918	16,668,483	26,666,918	16,668,483
12	Outflows related to restructured financial Instruments	405,463	-	405,463	-
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	17,419,235	4,734,432	1,535,367	240,049
16	TOTAL CASH OUTFLOWS			43,288,084	24,971,984
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	15,040,027	10,757,116	12,808,180	10,212,021
19	Other cash inflows	26,969,855	26,340,204	26,969,855	26,340,204
20	TOTAL CASH INFLOWS	42,009,882	37,097,320	39,778,035	36,552,225
				Upper Limit Applied Value	
21	TOTAL HQLA			38,080,376	24,333,326
22	TOTAL NET CASH OUTFLOWS			10,822,021	6,242,996
23	LIQUIDITY COVERAGE RATIO (%)			351.88	389.77

(*) 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 2020:

	Highest	Date	Lowest	Date	Average
TL+FC	422.95	29/05/2020	260.25	17/04/2020	345.94
FC	508.85	21/02/2020	211.65	01/05/2020	350.74

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Liquidity risk management and liquidity coverage ratio (continued)

<i>Prior Period</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	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 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 2019:

Prior Period:

	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 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (**)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	6,174,587	18,473,323	-	-	-	-	-	24,647,910
Banks (*)	5,808,692	-	-	-	-	-	-	5,808,692
Financial assets at fair value through profit and loss	-	194,497	5,010,617	2,196,609	349,947	5	87,772	7,839,447
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	179,750	269,760	1,907,616	18,324,240	-	113,707	20,795,073
Loans (**)	-	10,800,173	8,771,712	23,447,404	29,085,803	4,014,365	(2,497,287)	73,622,170
Financial assets valued at amortized cost	-	-	3,675,988	-	2,255,309	-	-	5,931,297
Other assets (***)	8,334,668	705,153	7,376	-	748,336	-	3,850,193	13,645,726
Total assets	20,317,947	30,352,896	17,735,453	27,551,629	50,763,635	4,014,370	1,554,385	152,290,315
Liabilities								
Current account and funds collected from banks via participation accounts	367,916	20	-	-	-	-	-	367,936
Current and profit sharing accounts	71,843,304	39,700,764	6,453,702	3,685,250	108,401	13,627	-	121,805,048
Funds provided from other financial institutions	-	2,884,742	4,083,659	6,308,905	3,217,621	28,255	-	16,523,182
Money market borrowings	-	185,225	-	-	-	-	-	185,225
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	662,768	120,963	-	-	-	-	-	783,731
Other Liabilities (****)	-	1,814,384	1,219,546	12,609	12,756	-	9,565,898	12,625,193
Total Liabilities	72,873,988	44,706,098	11,756,907	10,006,764	3,338,778	41,882	9,565,898	152,290,315
Net liquidity gap	(52,556,041)	(14,353,202)	5,978,546	17,544,865	47,424,857	3,972,488	(8,011,513)	-
Prior period								
Total assets	14,684,003	25,120,662	8,099,186	21,014,456	31,667,444	2,380,485	1,473,109	104,439,345
Total liabilities	35,938,126	42,875,472	6,417,401	4,576,822	4,471,165	2,239,399	7,920,960	104,439,345
Net liquidity gap	(21,254,123)	(17,754,810)	1,681,785	16,437,634	27,196,279	141,086	(6,447,851)	-

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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)	154,598,576	100,598,884
2	(Assets deducted in determining Tier I Capital)	(394,341)	(209,873)
3	Total on-balance sheet risks (sum of lines 1 and 2)	154,204,235	100,389,011
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	629,764	288,592
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	482,894	390,743
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,112,658	679,335
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	2,119,201	572,070
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	2,119,201	572,070
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	69,534,780	65,619,596
11	(Adjustments for conversion to credit equivalent amounts)	(42,998,895)	(42,603,597)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	26,535,885	23,015,999
Capital and total risks			
13	Tier I Capital	9,585,041	7,708,462
14	Total risks (sum of lines 3, 6, 9 and 12)	183,971,979	124,656,415
Leverage ratio			
15	Leverage ratio	5.21	6.18

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was %5.21 % (31 December 2019 – 6.18%). 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 24% due to the profit for the period, balance-sheet risks increased by 54%, and off balance sheet items increased by 15%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 97 basis points.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

7. Explanations on fair values of financial assets and liabilities

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Banks	5,809,467	6,990,830	5,809,467	6,990,830
Financial assets at FVTOCI	20,795,073	12,630,467	20,795,073	12,630,467
Financial assets valued at amortised cost	5,931,297	2,630,914	5,944,038	2,659,331
Loans and lease receivables	76,119,457	55,882,295	74,722,351	49,229,213
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	367,936	555,663	367,936	555,663
Other current and profit sharing accounts	121,805,048	84,938,724	121,805,048	84,938,724
Money market borrowings	185,000	-	185,225	-
Funds provided from other financial institutions	16,179,157	8,772,660	17,177,284	7,296,088
Finance Lease Payable	344,025	326,178	344,025	326,178
Other Liabilities	1,818,168	1,285,273	1,818,168	1,285,273

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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, while the Bank continue to apply TAS 39 policy for the hedge accounting Cash Flow Hedge (“CFH”) accounting has ended as of 31 December 2020.

The contractual amounts of the derivative financial instruments as of December 31, 2020 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
Total	-	-	-	1,289,330	-	129,728

(*) Only the "sell" legs of the related derivative financial instruments are presented. As of 31 December 2020, there is no balance in the Statement of off-balance Sheet for these derivative transactions. Including the purchase legs of TL 1,162,576 on 31 December 2019, the total amount of these derivative transactions Derivative financial instrument principal total of TL 2,451,906 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 are 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Cash flow hedge:

The Bank, convert Malaysian Ringgit (MYR) 800,000 MYR borrowings to USD loan with cross currency swap and this fund was 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. However, The CFH accounting applied by the Bank has ended as of September 30, 2020.

The table below summarizes the effect of CFH accounting (current and previous period):

Current Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	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	-	-	-

(*) Includes the deferred tax effect. The current period deferred tax effect does not exist.

Prior Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	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)

(**) 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, 2020 cash flow hedge transactions have been determined as effective.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 appetite 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 clients 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 default 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

10.1.2. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2020	Prior Period 31/12/2019	Current Period 31/12/2020
1	Credit risk (excluding counterparty credit risk) (CCR)	48,815,085	44,998,563	3,905,207
2	Standardised approach (SA)	48,833,540	45,023,161	3,906,683
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	245,378	198,727	19,630
5	Standardised approach for counterparty credit risk (SA-CCR)	245,378	198,727	19,630
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal model's equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	18,455	24,598	1,476
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	3,250,536	2,697,263	260,043
17	Standardised approach (SA)	3,250,536	2,697,263	260,043
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	7,473,031	5,585,346	597,842
20	Basic indicator approach	7,473,031	5,585,346	597,842
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)	59,802,485	53,504,497	4,784,198

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

10.1.1.3. 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					No subject to capital requirements or subject to deduction from capital
		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securization Positions	Market Risk	
Assets							
Cash and Balances with Central Bank of Turkey	24,647,910	24,647,910	24,647,910	-	-	-	-
Banks	5,809,467	5,809,467	5,809,467	-	-	-	-
Receivables From Money Markets	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	7,757,644	7,757,644	-	-	-	7,757,644	-
Financial Assets at Fair Value Through OCI	20,804,924	20,804,924	20,804,924	-	-	-	-
Financial Assets Measured at Amortised Cost	5,905,246	5,905,246	5,905,246	-	-	-	-
Derivative Financial Assets	460,984	460,984	-	460,984	-	-	-
Expected Loss Provisions (-)	5,442,504	5,442,504	2,517,875	-	-	-	2,924,629
Loans	74,124,854	74,124,854	74,124,854	-	-	-	-
Lease Receivables	5,010,996	5,010,996	5,010,996	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	519,087	519,087	519,087	-	-	-	-
Subsidiaries	1,461,015	1,461,015	1,461,015	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	20,000	20,000	20,000	-	-	-	-
Tangible Assets (Net)	1,162,804	1,162,804	1,162,804	-	-	-	77,771
Intangible Assets (Net)	190,532	190,532	-	-	-	-	177,808
Investment Properties (Net)	24,987	24,987	24,987	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-
Deferred Tax Asset	748,336	748,336	748,336	-	-	-	-
Other Assets	9,084,033	9,084,033	9,084,033	-	-	-	-
Total Assets	152,290,315	152,290,315	146,996,316	460,984	-	7,757,644	(2,669,050)
Liabilities							
Funds Collected	122,172,984	122,172,984	-	-	-	-	122,172,984
Borrowings	11,588,892	11,588,892	-	-	-	-	11,588,892
Debt to money markets	-	-	-	185,225	-	-	-
Securities Issued (Net)	-	-	-	-	-	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	1,676,806	1,676,806	-	-	-	-	1,676,806
Lease Payables	344,025	344,025	-	-	-	-	344,025
Provisions	1,570,801	1,570,801	-	-	-	-	1,570,801
Current Tax Liabilities	348,052	348,052	-	-	-	-	348,052
Deferred Tax Liabilities	-	-	-	-	-	-	-
Subordinated Debt Instruments	4,590,265	4,590,265	-	-	-	-	4,590,265
Other Liabilities	1,818,168	1,818,168	-	-	-	-	1,818,168
Equity	7,995,097	7,995,097	-	-	-	-	7,995,097
Total Liabilities	152,290,315	152,290,315	-	185,225	-	-	152,105,090

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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)	152,290,315	149,514,193	-	460,984	7,757,644
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	185,225	-
3- Total net amount	152,290,315	149,514,193	-	646,209	7,757,644
4- Off-balance sheet amounts	164,463,733	6,342,165	-	974,294	96,300,966
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	-	(25,638,322)	-	-	-
9-Risk Amounts	316,754,048	130,218,036	-	1,620,503	104,058,610

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	2,934,591	76,201,259	2,517,875	76,617,975
2	Debt securities	-	26,921,122	210,952	26,710,170
3	Off-balance sheet exposures (*)	-	19,954,857	439,754	19,515,103
4	Total	2,934,591	123,077,238	3,168,581	122,843,248

(*) 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	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.

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	2,043,674	1,179,767
2	Loans and debt securities that have been defaulted since the last reporting period	1,603,148	2,269,757
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	360,809	974,156
5	Other changes	(351,422)	(431,694)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	2,934,591	2,043,674

(*) Includes the amount of TL 110,353, which is 100% provisioned from non-performing loans and sold to an asset management company.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	13,909,478	8,757,610
Other Services	4,640,570	3,206,504
Education	341,268	329,621
Real Estate and Brokerage	789,411	407,407
Financial Services	3,565,746	9,167,477
Food, Beverage, Tobacco	2,298,695	1,709,041
Government	1,658,117	406,943
Production	3,950,855	2,293,233
Construction (Commitment)	7,182,415	4,004,340
Construction (Build-and-sell)	4,227,056	3,316,318
Public Services (Electricity, Water & Gas)	4,714,626	4,027,816
Mining & Chemistry	4,213,394	2,685,939
Machinery Equipment	663,178	400,345
Automotive	2,754,410	1,668,448
Oil, Gas and Oil Products	1,288,244	116,958
Health	975,628	541,191
Agriculture	494,186	190,390
Textile	5,637,005	3,563,134
Wholesale & Retail	13,605,812	9,455,989
Tourism	416,342	421,054
Transportation & Warehouse	1,809,413	1,256,211
Total	79,135,849	57,925,969

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Region	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Akdeniz Region	5,664,298	3,911,807
Dogu Anadolu Region	1,580,628	1,013,398
Ege Region	5,077,225	3,363,576
Güneydogu Anadolu Region	4,585,283	3,031,352
Iç Anadolu Region	13,978,808	8,692,112
Karadeniz Region	2,581,377	1,634,926
Marmara Region	44,981,832	30,036,782
Foreign	686,398	6,242,016
Total	79,135,849	57,925,969

The maturity distribution of cash receivables is as follows:

Maturity Distribution	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Up to 1 year	29,234,744	26,676,750
1-3 years	24,017,499	15,922,812
3-5 years	12,965,628	7,382,686
5 years and more	11,567,101	7,290,079
Defaulted	1,350,877	653,642
Total	79,135,849	57,925,969

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	50,399	38,958	18,921
Farming and Stockbreeding	28,780	23,340	2,283
Forestry	18,341	12,340	16,638
Fishery	3,278	3,278	-
Manufacturing	446,459	390,889	45,388
Mining and Quarrying	62,382	53,334	6,621
Production	349,118	306,499	38,320
Electricity, Gas and Water	34,959	31,056	447
Construction	1,274,309	1,135,664	86,652
Services	1,018,028	853,605	186,508
Wholesale and Retail Trade	646,277	552,266	66,467
Accommodation and Dining	105,965	88,081	919
Transportation and Telecommunication	95,954	77,281	114,419
Financial Institutions	3,939	3,865	-
Real Estate and Rental Services	38,410	32,504	1,084
Professional Services	183	146	-
Educational Services	67,631	52,426	416
Health and Social Services	59,669	47,036	3,203
Other	145,396	98,759	23,340
TOTAL	2,934,591	2,517,875	360,809

(*) Refers to the loans worth TL 110,353 that were deleted in 2020, one hundred percent provisioned from non-performing loans and sold to an asset management company.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior 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
Accommodation 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

Current Period - Geographic Region	Non-performing Loans	Provisions	Write-Offs (*)
Marmara Region	125,209	111,948	125,413
Güneydogu Anadolu Region	38,755	35,916	3,520
İç Anadolu Region	189,331	162,867	14,773
Akdeniz Region	227,320	187,949	15,544
Ege Region	755,803	683,200	23,859
Dogu Anadolu Region	34,373	28,682	3,481
Karadeniz Region	1,563,800	1,307,313	174,219
Total	2,934,591	2,517,875	360,809

(*) Refers to loans that were deleted from assets in 2020.

Current Period - Geographic 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
İç 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	713,826	554,630	1,426,747	115,934	38,185
Retail Loans	4,959	12,756	41,077	7,062	1,322
Credit cards	2,534	6,615	7,820	855	269
Other	-	-	-	-	-
Total	721,319	574,001	1,475,644	123,851	39,776

Prior 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

10.6.8. Breakdown of Restructured receivables according to their provisions:

Restruction Status	Current Period - Risk	Prior Period - Risk
Performing	2,624,343	2,275,941
Non-Performing	264,327	171,479
Total	2,888,670	2,447,420

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	48,988,853	19,931,237	1,520,524	7,697,886	5,885,160	-	-
2	Debt securities	26,710,170	-	-	-	-	-	-
3	Total	75,699,023	19,931,237	1,520,524	7,697,886	5,885,160	-	-
4	Overdue	106,245	108,086	1,296	202,384	62,408	-	-

	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	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	-	-	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

10.8. Explanations on Counterparty Credit Risk (CCR):

10.8.1. Risk management objectives and policies 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 operational limits defined in terms of internal capital for CCR and central counterparty risks:

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

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)	391,995	582,299	-	1.4	974,294	212,440
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	-	-	-	-	-	212,440

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

	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)	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

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	974,294	32,939	535,752	19,433
4	Total subject to the CVA capital obligation	974,294	32,939	535,752	19,433

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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	456,708	-	-	-	-	-	-	-	-	-
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	-	-	579,192	38,928	-	-	-	-	-	135,302
7	Receivables from corporate	-	-	-	-	-	59,147	-	-	-	59,147
8	Retail receivables	-	-	-	-	17,793	-	-	-	-	13,345
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	2,648	927
10	Receivables secured by commercial property	-	-	-	507	-	3,465	-	-	-	3,719
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	456,708	-	579,192	39,435	17,793	62,612	-	-	2,648	212,440

* Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.
 ** Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.
 *** 35% Risk Weight is classified in Others.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

	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	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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 consolidated and solo basis and transactions carried out with the risk group that the Bank is involved in. These activities are carried out by the Bank's Risk Management Department.

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

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

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

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

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

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

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2019 and 31 December 2020 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	Risk Weighted Amounts
		31/12/2020	31/12/2019
	Outright products	3,250,536	2,697,263
1	Profit share risk (general and specific)	1,921,915	2,555,241
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	141,109	141,829
4	Commodity risk	1,187,512	193
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	3,250,536	2,697,263

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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, 2019, 2018 and 2017 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 597,842 corresponding to the 8% of TL 7,473,031 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 597,842 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2017 Amount	31/12/2018 Amount	31/12/2019 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	2,739,187	3,992,162	5,225,501	3,985,617	15	597,842
Value at Operational Risk (Total*12.5)						7,473,031

Prior 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	446,827
Value at Operational Risk (Total*12.5)						5,585,346

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	(1,930,380)	(15.27%)
2	TL	(-) 400bp	1,815,712	14.36%
3	USD	(+) 200bp	471,594	3.73%
4	USD	(-) 200bp	(514,239)	(4.07%)
5	EURO	(+) 200bp	371,746	2.94%
6	EURO	(-) 200bp	(385,722)	(3.05%)
	Total (For Negative Shocks)		915,750	7.24%
	Total (For Positive Shocks)		(1,087,040)	(8.60%)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior 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%)

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 2020 and 31 December 2019 are given in the table below:

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	7,839,447	460,984	-	8,300,431
Forward transactions	-	52,326	-	52,326
Swap transactions	-	408,658	-	408,658
Government debt securities	7,050,998	-	-	7,050,998
Other marketable securities	788,449	-	-	788,449
Financial assets at FVOCI	20,795,073	-	-	20,795,073
Equity securities	48,461	-	-	48,461
Government debt securities	20,489,638	-	-	20,489,638
Other marketable securities	256,974	-	-	256,974
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,676,806	-	1,676,806
Forward transactions	-	26,008	-	26,008
Swap transactions	-	1,650,798	-	1,650,798
Financial liabilities for hedging purposes	-	-	-	-
Prior 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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Selected balance sheet and income statement items according to segments:

Current Period 1 January 2020-31 December 2020	Retail Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	Bank's total operation
Operating income	3,100,309	7,591,132	330,557	-	11,021,998
Operating expenses (-)	4,495,606	902,367	1,712,295	2,059,047	9,169,315
Transfers between segments	2,372,885	(479,349)	(1,893,536)	-	-
Net operating income(loss)	977,588	6,209,416	(3,275,274)	(2,059,047)	1,852,683
Income from associates	-	-	-	-	-
Income (loss) before tax	977,588	6,209,416	(3,275,274)	(2,059,047)	1,852,683
Provision for taxation (-)	-	-	-	452,402	452,402
Net income for the period	977,588	6,209,416	(3,275,274)	(2,511,449)	1,400,281
Current Period					
31 December 2019					
Segment assets	29,924,797	43,516,111	66,183,752	-	139,624,660
Associates, subsidiaries and joint ventures	-	-	-	1,481,015	1,481,015
Undistributed assets	-	-	-	11,184,640	11,184,640
Total assets	29,924,797	43,516,111	66,183,752	12,665,655	152,290,315
Segment liabilities	100,529,104	21,636,217	18,392,876	-	140,558,197
Undistributed liabilities	-	-	-	3,737,021	3,737,021
Shareholders' equity	-	-	-	7,995,097	7,995,097
Total liabilities	100,529,104	21,636,217	18,392,876	11,732,118	152,290,315
Prior Period					
1 January 2019 – 31 December 2019					
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
Prior 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets:

1.1. 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	630,548	2,548,184	613,156	1,515,040
The Central Bank of Republic of Turkey	512,354	19,967,199	1,155,591	14,498,131
Other (*)	1,525	988,100	-	1,111,168
Total	1,144,427	23,503,483	1,768,747	17,124,339

(*) As of 31 December 2020, precious metal account amounting to TL 988,021 (31 December 2019 - TL 1,111,144) and money in transit amounting to TL 1,604 (31 December 2019 - 24 TL) 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	499,585	1,493,875	730,347	3,201,221
Restricted time deposit	-	-	425,000	-
Unrestricted time deposit	12,770	18,473,323	244	11,296,910
Total	512,355	19,967,198	1,155,591	14,498,131

The Bank maintains required reserves at the CBRT for Turkish lira and foreign currency liabilities in accordance with the CBRT's Communiqué No. 2013/15 on the "Required Reserves". Required reserves can be kept in Turkish Lira, USD, EUR and standard gold according to the "Communiqué on Required Reserves" in the CBRT. Interest has been paid for required reserves kept in Turkish Lira since November 2014, and for required reserves kept in US Dollars since May 2015. As of 31 December 2020, the valid rates for Turkish lira reserve requirements are between 1% and 6% depending on the maturity structure (December 31 2019- 1% to 7% range), the valid rates for foreign currency reserve requirements are between 5% and 21% depending on the maturity structure (December 31 2019- 5% to 21% range), valid rates for precious metal required reserves are between 16% and 22% depending on the maturity structure (December 31 2019- 5% to 21% range).

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

As of 31 December 2020, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2019 - None).

Positive differences related to marketable derivative financial assets:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	49,633	2,693	14,949	3,045
Swap transactions	78,913	329,745	3,821	162,132
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	128,546	332,438	18,770	165,177

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	26,317	5,783,150	12,983	6,977,847
Domestic	26,317	113,789	12,886	3,767,297
Foreign	-	5,669,361	97	3,210,550
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	26,317	5,783,150	12,983	6,977,847

1.3.2 Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,176,720	1,024,090	-	-
USA and Canada	3,842,631	1,742,814	-	-
OECD Countries (*)	34,493	15,558	-	-
Off-shore Banking Regions	1,535	633	-	-
Other	613,982	427,552	-	-
Total	5,669,361	3,210,647	-	-

(*) EU countries, OECD countries other than the US and Canada

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

	Current period	Prior Period
Debt Securities	20,925,430	12,458,021
Quoted on stock exchange	20,925,430	12,458,021
Not quoted on stock exchange	-	-
Share certificates	90,202	185,732
Quoted on stock exchange	75,105	94,539
Not quoted on stock exchange	15,097	91,193
Impairment provision	220,559	13,286
Total	20,795,073	12,630,467

1.4.1 Information on Financial Assets Given as Collateral or Blocked at Fair Value Reflected in Other Comprehensive Income

As of the balance sheet date, there are financial assets given TL 8,480,912 (31 December 2019: TL 3,362,194) as collateral whose fair value difference is reflected to other comprehensive income.

1.4.2 Information on Financial Assets whose Fair Value Difference Subject to Repo Transaction is Reflected to Other Comprehensive Income

As of the balance sheet date, there are financial assets subject to sale transactions with the promise of repurchase, of which TL 179,750 (31 December 2019- None) is reflected to other comprehensive income.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	4,695	6,709	1,868	7,206
Corporate shareholders	-	6,677	-	7,190
Real person shareholders	4,695	32	1,868	16
Indirect loans granted to shareholders	54,992	6,632	780,512	723
Loans granted to employees	27,605	541	19,920	619
Total	87,292	13,882	802,300	8,548

1.5.2 Information on standart loans, loans underclose monitoring and restructured loans under close monitoring:

Current Period	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
Cash Loans				
Loans	64,035,102	4,323,146	2,615,066	-
Export Loans	4,967,766	230,900	-	-
Import Loans	1,971,303	87,512	-	-
Corporation Loans	33,645,963	3,445,593	2,533,424	-
Consumer Loans	12,498,622	292,608	62,118	-
Credit Cards	1,226,520	130,063	19,524	-
Loans given to financial sector	3,423,936	-	-	-
Other	6,300,992	136,470	-	-
Other Receivables	8,295	117,575	9,277	-
Total	64,043,397	4,440,721	2,624,343	-

Prior Period	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
Cash Loans				
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	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	1,170,568	-	482,133	-
Significant Increase in Credit Risk	-	1,743,435	-	996,886
Total	1,170,568	1,743,435	482,133	996,886

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 1,094.

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	16,746,131	1,028,416	59,885
Medium and long term loans	47,297,266	3,412,305	2,564,458
Total	64,043,397	4,440,721	2,624,343

		Loans under close monitoring	
Prior 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	74,023	12,698,649	12,772,672
Housing Loans	17,783	10,717,815	10,735,598
Vehicle Loans	31,924	1,574,270	1,606,194
Consumer Loans	21,382	215,488	236,870
Other	2,934	191,076	194,010
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	53,428	53,428
Housing Loans	-	26,470	26,470
Vehicle Loans	-	-	-
Consumer Loans	-	26,958	26,958
Other	-	-	-
Retail Credit Cards-TL	545,977	70	546,047
With Installment	120,545	70	120,615
Without Installment	425,432	-	425,432
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,985	25,263	27,248
Housing Loans	-	2,401	2,401
Vehicle Loans	466	15,844	16,310
Consumer Loans	1,519	7,018	8,537
Other	-	-	-
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	13,761	21	13,782
With Installment	5,696	21	5,717
Without Installment	8,065	-	8,065
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	635,746	12,777,431	13,413,177

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Prior 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	497,383	9,234,322	9,731,705
Business Loans	6,008	1,995,773	2,001,781
Vehicle Loans	405,890	4,705,779	5,111,669
Consumer Loans	85,485	2,532,770	2,618,255
Other	-	-	-
Commercial Installment Loans-FC Indexed	11,254	505,184	516,438
Business Loans	11,254	57,668	68,922
Vehicle Loans	-	11,001	11,001
Consumer Loans	-	436,515	436,515
Other	-	-	-
Commercial Installment Loans-FC	2,194	208,817	211,011
Business Loans	-	95,916	95,916
Vehicle Loans	2,194	112,901	115,095
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	816,278	-	816,278
With Installment	307,667	-	307,667
Without Installment	508,611	-	508,611
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1,327,109	9,948,323	11,275,432

Prior 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.5.6. Allocation of loans by customers:

	Current period	Prior period
Public	396,326	560,472
Private	70,712,135	52,614,303
Total	71,108,461	53,174,775

1.5.7 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	70,338,950	47,120,720
Foreign loans	769,511	6,054,055
Total	71,108,461	53,174,775

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	185,615	178,601
Loans granted indirectly to subsidiaries and associates	-	-
Total	185,615	178,601

1.5.9 Specific provisions for loans or default (Third Stage) provisions:

	Current period	Prior period
Loans and receivables with limited collectability	467,474	209,492
Loans and receivables with doubtful collectability	5,172	228,439
Uncollectible loans and receivables	2,045,229	1,094,439
Total	2,517,875	1,532,370

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)	-	1,577	262,750
Restructured Loans and Receivables	-	1,577	262,750
Prior Period:			
(Gross Amount Before Specific Provisions)	138	141,817	29,524
Restructured Loans and Receivables	138	141,817	29,524

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Ending balance of prior period 31.12.2019	250,407	318,133	1,475,134
Additions in the current period (+)	506,595	10,412	1,086,141
Transfers from other categories of non-performing loans (+)	-	197,258	471,969
Transfers to other categories of non-performing loans (-)	197,197	471,975	55
Collections in the current period (-)	44,897	42,636	263,889
Write offs (-)(*)	-	-	250,456
Sold Portfolio (-)	-	-	110,353
Corporate and commercial loans	-	-	110,353
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	514,908	11,192	2,408,491
Specific provisions (-)	467,474	5,172	2,045,229
Net balances on balance sheet	47,434	6,020	363,262

(*) The Bank sold its risk amounting to TL 110,353, which was provided 100% provision from its non-performing loans, to the asset management company for TL 28,800.

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period			
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 Portfolio (-)	-	-	-
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 balance at the balance sheet	40,915	89,694	380,695

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

	Group III	Group IV	Group V
Current Period			
Ending balance of the current period	496,897	1	312,782
Provision amount (-)	452,358	-	253,025
Net balance at the balance sheet	44,539	1	59,757
Prior 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

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)	47,434	6,020	363,262
Loans granted to real persons and legal entities (Gross)	514,908	11,192	2,408,491
Specific provision (-)	467,474	5,172	2,045,229
Loans to real persons and legal entities (Net)	47,434	6,020	363,262
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2018	40,915	89,694	380,695
Loans 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)	-	-	-

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	5,734,223	123,369	703,172	-	6,560,764
Retail loans	259,740	36,192	58,781	-	354,713
Credit cards	128,633	7,255	13,699	-	149,587
Total	6,122,596	166,816	775,652	-	7,065,064
Prior 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

	III. Grup	IV. Grup	V. Grup
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	371	460	51,485
Profit share accruals, rediscount and valuation differences	4,485	865	319,370
Provision (-)	4,114	405	267,885

	III. Grup	IV. Grup	V. Grup
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior 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 2020, non-performing loans amounting to TL 250,456 have been written-off (31 December 2019 – TL 974,156).

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	5,931,297	2,630,914
Quoted on a Stock Exchange	5,931,297	2,630,914
Not Quoted	-	-
Impairment Provision (-)	1,094	767
Total	5,930,203	2,630,147

1.6.2 Movements of Other Financial Assets Measured at Amortized Cost During The Year

	Current Period	Prior Period
Opening Balance	2,630,914	-
Foreign Exchange Gain/Loss	1,353,136	-
Purchases During the Year	1,947,247	2,630,914
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	1,094	767
Ending Balance	5,930,203	2,630,147

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2019 – TL 7,659), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 33 (31 December 2019 – TL 33), and, Swift shares amounting to TL 390 (31 December 2019 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2019 – TL 15) and %2.86 ownership of the shares of JCR Avrasya Derecelendirme A.Ş amounting to TL 2,755 (31 December 2019 – None), 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 2019 – None).

1.7.3 Information related to consolidated associates: None (31 December 2019 – None).

1.8 Information on subsidiaries (Net):

1.8.1 Although the Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş and Architech Bilişim Sistemleri ve Pazarlama 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.

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

	Title	Address (City/Country)	Bank’s share percentage, if different-voting percentage (%)	Bank’s risk group share percentage (%)
1	Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Türkiye	99.99	99.99
2	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Türkiye	75.00	83.26
3	KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
4	KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
5	KT Bank AG (*)	Frankfurt/Almanya	100.00	100.00
6	Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş (**)	İstanbul/Türkiye	100.00	100.00
7	KT Sukuk Company Limited (***)	George Town/Cayman Adaları	100.00	100.00
8	KT Portföy Yönetimi A.Ş.	İstanbul/Türkiye	100.00	100.00
9	Neova Sigorta A.Ş.	İstanbul/Türkiye	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
1	44,865	43,291	-	-	-	13,859	2,711	-
2	166,892	120,017	4	-	-	6,155	2,688	-
3	661	649	-	-	-	11	139	-
4	6,428,262	310	-	-	-	17	113	-
5	6,394,924	1,273,954	13,683	-	-	7	(6)	-
6	65,057	50,915	5,305	-	-	32,887	13,018	-
7	2,668,149	2	-	-	-	-	-	-
8	25,448	22,854	284	-	-	10,169	6,734	-
9	3,069,268	582,138	14,459	-	-	166,389	110,835	-

(*) As of 31 December 2020, 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 2020.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	544,853	522,950
Movements during the year	916,162	21,903
Purchases	916,162	5,002
Transfers from subsidiaries (*)	-	16,901
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase (**)	-	-
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	1,461,015	544,853
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) The capital of KT Bank AG, which is a subsidiary of the Bank, from 115,000,000 EUR (full amount) was increased by 25,000,000 EUR (full amount) to 140,000,000 EUR (full amount) on 22 January 2020.

Following the necessary legal permissions as of 05/05/2020, Neova Sigorta A.Ş. finalized the purchase by completing the share transfer process. By the purchase, bought 78,864,212 shares by paying TL 745,860 and pre-sale partnership share of Neova Sigorta A.Ş. which is 7% increased to 100% by owning all the shares.

(**) 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.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	610,120	445,754
Insurance Companies (*)	751,796	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	75,419
Total	1,437,335	521,173

(*) The Bank purchased all the shares of Neova Sigorta A.Ş. as of 30 June 2020. 7% of Neova Sigorta A.Ş.'s share held by the Bank before the acquisition were followed in financial assets whose fair value difference was reflected to other comprehensive income.

Subsidiaries that are quoted on the stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,418
Quoted in Foreign Stock Exchange	-	-
Total	53,418	53,418

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, 2020 is EUR 108,787,128 and the capital adequacy ratio is %24.1.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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%	4,077,371	117,883	15,568	41,860	27,514

(*) 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.

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	2,249,517	1,783,178	1,227,784	886,869
1 to 4 years	2,829,259	2,631,776	1,572,914	1,445,267
More than 4 years	622,145	596,042	384,461	375,384
Total	5,700,921	5,010,996	3,185,159	2,707,520

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	5,700,921	3,185,159
Unearned finance lease income (-)	689,925	477,639
Unearned finance lease income (-)	-	-
Net receivable from finance leases	5,010,996	2,707,520

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 52,668 are included in the non-performing loans in the balance sheet (31 December 2019 – TL 48,391).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.11 Information on derivative financial assets for hedging purposes: (31 December 2019- None)

1.12 Explanations on Tangible Assets

	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2019					
Cost	241,976	660,503	56,153	540,636	1,499,268
Accumulated Depreciation (-)	30,000	101,963	11,123	321,230	464,316
Net Book Value	211,976	558,540	45,030	219,406	1,034,952
Current Period: 31 December 2020					
Net book value at beginning of period	211,976	558,540	45,030	219,406	1,034,952
Additions	2,360	122,978	47,905	161,852	335,095
Disposals (-)	-	25,741	113	27,295	53,149
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment Losses (-)	-	-	-	1,095	1,095
Depreciation Expense (-)	7,822	103,902	17,081	24,194	152,999
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of period	244,336	757,740	103,945	674,098	1,780,119
Accumulated depreciation at the end of period (-)	37,822	205,865	28,204	345,424	617,315
Closing net book value	206,514	551,875	75,741	328,674	1,162,804

	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

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.13. Explanations on Intangible Assets:

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

	Current Period	Prior Period
Cost	297,964	305,548
Accumulated Amortization	(107,432)	(171,568)
Total (net)	190,532	133,980

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

	Current Period	Prior Period
Opening balance	133,980	136,979
Additions	147,626	96,231
Disposals (-), net	23,193	59,679
Depreciation amount (-)	67,881	39,551
Closing net book value	190,532	133,980

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	25,146	25,305
Additions	-	1,143
Disposals (-), net	-	-
Depreciation amount (-)	159	1,302
Closing net book value	24,987	25,146

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.15 Information on deferred tax asset

As of 31 December 2020, deferred tax is offset as TL 748,336 in the balance sheet. In accordance with the related regulations deferred tax asset calculated is TL 835,083 (31 December 2019 – TL 399,960) and deferred tax liability is TL 86,747 (31 December 2019 – TL 41,863 TL).

	Current period	Prior period
Reserve for Employee Benefits	47,419	41,047
Retirement Pay Liability	36,349	23,220
Deferred income	70,882	56,469
Impairment Provision for Subsidiaries, fixed assets and assets held for sale	1,281	2,523
Rediscunts for Derivative Instruments Held for Trading (net)	243,384	52,909
TFRS 9 Provisions	427,891	214,057
Precious Metals Valuation Difference	-	1,454
Securities Valuation Difference	812	-
Other	7,065	8,281
Deferred tax asset	835,083	399,960
Precious metal valuation difference	(23,908)	-
Tangible assets valuation differences	(12,724)	(9,665)
Financial assets valuation differences	(46,763)	(28,833)
Other	(3,352)	(3,365)
Deferred tax liability	(86,747)	(41,863)
Deferred tax asset, (net)	748,336	358,097

Table of deferred tax asset movement:

	31/12/2020	31 /12/2019
As of January 1	358,097	346,640
Deferred tax (expense)/income	329,404	95,752
Deferred tax accounted under other comprehensive income	60,835	(84,295)
Deferred tax asset	748,336	358,097

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	473,326	270,382
Additions	172,426	270,818
Transfer from tangible assets	-	-
Disposals (-), net	126,809	67,874
Transfer to tangible assets	-	-
Depreciation amount (-)	144	-
Impairment losses provision (-)	-	-
Closing net book value	519,087	473,326

1.17 Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 9,057,981 (31 December 2019 – TL1,596,430). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

SECTION FIVE

2. Explanations and notes related to liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current period	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	9,214,591	-	-	-	-	-	-	-	9,214,591
II. Real persons profit sharing accounts TL	-	6,461,888	497,859	508,942	-	729,392	956,849	22,604	17,177,534
III. Other current accounts-TL	5,050,036	-	-	-	-	-	-	-	5,050,036
Public sector	194,879	-	-	-	-	-	-	-	194,879
Commercial sector	4,803,662	-	-	-	-	-	-	-	4,803,662
Other institutions	39,576	-	-	-	-	-	-	-	39,576
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	11,919	-	-	-	-	-	-	-	11,919
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	11,616	-	-	-	-	-	-	-	11,616
Participation banks	303	-	-	-	-	-	-	-	303
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	602,957	989,697	42,390	-	312,745	109,333	2	2,057,124
Public sector	-	322	602	645	-	11,465	-	-	13,034
Commercial sector	-	530,069	341,232	33,935	-	287,086	108,842	2	1,801,166
Other institutions	-	72,504	147,843	7,810	-	14,186	491	-	242,834
Commercial and other institutions	-	62	-	-	-	8	-	-	70
Banks and participation banks	-	-	20	-	-	-	-	-	20
V. Real persons current accounts-FC	20,647,968	-	-	-	-	-	-	-	20,647,968
VI. Real persons profit sharing accounts-FC	-	6,978,028	755,512	1,054,169	-	1,357,875	1,495,235	4,205	19,645,024
VII. Other current accounts-FC	9,273,571	-	-	-	-	-	-	-	9,273,571
Commercial residents in Turkey	8,823,743	-	-	-	-	-	-	-	8,823,743
Commercial residents in Abroad	292,016	-	-	-	-	-	-	-	292,016
Banks and participation banks	157,812	-	-	-	-	-	-	-	157,812
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	153,153	-	-	-	-	-	-	-	153,153
Participation banks	4,659	-	-	-	-	-	-	-	4,659
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	745,772	536,672	35,901	-	31,455	58,728	-	2,508,528
Public sector	-	3	-	-	-	-	-	-	3
Commercial sector	-	670,072	404,349	34,838	-	30,766	58,728	-	2,198,753
Other institutions	-	32,466	72,144	1,051	-	191	-	-	105,852
Commercial and other institutions	-	43,231	160,179	12	-	498	-	-	203,920
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	28,025,054	5,342,933	559,094	379,540	-	281,184	10,713	90	36,598,608
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	72,211,220	20,131,578	438,834	2,020,942	-	2,712,651	2,630,858	26,901	122,172,984

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	7,951,114	-	-	-	-	-	-	-	7,951,114
II. Real persons profit sharing accounts-TL	-	7,232,001	11,223,102	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	16,652,795	26,486,064	2,452,206	-	2,028,669	2,188,938	24,054	85,494,387

There are no 7 day notification accounts of the Bank.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	15,907,330	17,752,145	10,483,445	10,782,495
FC accounts	33,522,314	16,294,727	40,073,387	24,484,448
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 150,000 (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	11,651	9,044
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	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	23,081	2,927	13,191	974
Swap transactions	1,367,405	283,393	116,499	163,745
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	1,390,486	286,320	129,690	164,719

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	2,823,017	3,773,050	923,177	4,354,444
From Foreign Banks, Institutions and Funds	45,929	4,946,896	-	114,056
Total	2,868,946	8,719,946	923,177	4,468,500

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	2,868,946	7,605,732	923,177	1,469,612
Medium and Long-Term	-	1,114,214	-	2,998,888
Total	2,868,946	8,719,946	923,177	4,468,500

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2020, other liabilities amount to TL 1,034,437 (31 December 2019 – TL 897,094), sundry creditors amount to TL 783,731 (31 December 2019 - TL 388,179), 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	147,042	134,673	124,506	87,233
1 to 4 years	253,354	163,081	263,799	141,347
More than 4 years	127,183	46,271	139,376	97,598
Total	527,579	344,025	527,681	326,178

The 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 2019 – None).

2.5.1.1 Information on Financial Lease Obligations

None (31 December 2019 – 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
Hedge of net investment in foreign operations	-	-	-	-
Total	-	-	-	129,728

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 2020, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 3 (31 December 2019 – TL 5) and TL 87 for leasing receivables (31 December 2019 – TL 192) is offset against loans and receivables.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.7.2 Information on other provisions:

	Current Period	Prior Period
Non-Cash Loans That Are Not Converted Into Cash	440,411	422,274
Special Provisions for non-cash loans	165,538	127,145
General Provisions for non-cash loans	447,552	150,934
Provision for Profits will be Allocated to Participation Accounts	3,237	2,332
Other (*)	95,221	86,271
Total	1,151,959	788,956

(*) The other part of the main period amounting to TL 35,525 (December 31, 2019 - TL 27,573) is TL 100 (31 December 2019 - TL 6,500) for the expense of TL 56,211 (31 December 2019 - TL 51,035) 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 181,746 (31 December 2019 – TL 115,461), vacation pay liability amounting to TL 764 (31 December 2019 – TL 712), performance premium amounting to TL 135,803 (31 December 2019 – TL 109,912), retirement bonuses on payment of TL 86,659 (31 December 2019 – TL 63,437), committee fee amounting to TL 13,627 (31 December 2019 – TL 12,231) and other fees amounting to TL 243 (31 December 2019 – TL 196).

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 6,730.15 (full amount) (31 December 2019 – TL 6,379.86 (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	115,461	86,381
Provisions recognized during the period	30,769	29,166
Paid during the period	(4,704)	(7,319)
Actuarial loss	40,220	7,233
Balances at the end of the period	181,746	115,461

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.8 Explanations on tax liability:

2.8.1 Explanations on current tax liability:

2.8.1.1 Information on tax provisions: TL 348,052 (31 December 2019-TL 224,425)

2.8.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	26,382	39,489
Taxation of immovable property	969	1,796
Banking Insurance Transaction Tax (BITT)	30,458	29,327
Foreign Exchange Transaction Tax	23,676	4,532
Value Added Tax Payable	2,792	2,663
Income tax deducted from wages	15,010	12,624
Other	1,679	4,058
Total	100,966	94,489

2.8.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Insurance Premiums-Employee	8,626	7,430
Social Insurance Premiums-Employer	9,270	8,000
Unemployment insurance-Employee	617	532
Unemployment insurance-Employer	1,484	1,263
Other	-	-
Total	19,997	17,225

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

2.8.1.4 Information on deferred tax liability: None (31 December 2019 - None).

2.9 Information on payables related to assets held for sale:

None (31 December 2019 – None).

2.10 Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	4,590,265	-	3,380,983
Total	-	4,590,265	-	3,380,983

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.11 Information on shareholders' equity:

2.11.1 Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,600,000	4,000,000
Preference shares	-	-
Repurchased shares amount (*)	(4,869)	(4,234)
Total	4,595,131	3,995,766

(*) 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	Cash	Retained Earnings for Increased
March-30-2020	600,000	-	600,000

Based on the decision number 7 taken at the ordinary general assembly meeting held on March 26, 2020, the bank has realized a capital increase of 600,000 TL. 599,611 TL of the capital increase has been covered by the Bank's 2019 profit, 389 TL of it was covered from the profit of the period, which was obtained within the scope of Law No. 5746 in 2019 and transferred to other reserves.

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 2019- 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 (*)	(81,130)	94,206	136,954	82,154
Foreign Exchange Difference	-	-	-	-
Total	(81,130)	94,206	136,954	82,154

(*) 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 2019 – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2020 amounts to TL 3,503,366 (31 December 2019 – TL 2,656,398); payment commitments for cheque books amounts to TL 1,372,786 (31 December 2019 – TL 1,305,235).

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 2020, the Bank has guarantees and surety ships constituting of TL 9,590,794 (31 December 2019 – TL 10,006,022) of letters of guarantee; TL 40,996 (31 December 2019 – TL 55,035) of acceptances and TL 1,685,022 (31 December 2019 – TL 1,374,009) of letters of credit. Also, banks has other acceptances amounting to TL 546,682 (31 December 2019 – TL 465,592).

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

3.1.3 Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	33,229	-
With original maturity of 1 year or less	33,229	-
With original maturity of more than 1 year	-	-
Other non-cash loans	11,830,265	11,901,302
Total	11,863,494	11,901,302

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

3.1.4. Sectorial risk concentration of non-cash loans:

	Current Period			
	TP	%	YP	%
Agriculture	75,932	1.02	29,596	0.67
Farming and stockbreeding	38,954	0.52	21,670	0.49
Forestry	36,978	0.50	7,926	0.18
Fishery	-	-	-	-
Manufacturing	1,426,416	19.10	1,467,734	33.41
Mining and quarrying	338,206	4.53	421,851	9.60
Production	774,486	10.37	1,006,187	22.90
Electricity, Gas, Water	313,724	4.20	39,696	0.90
Construction	3,036,920	40.65	603,648	13.74
Services	2,346,149	31.41	1,466,554	33.38
Wholesale and Retail Trade	1,314,073	17.59	729,169	16.60
Hotel, Food and Beverage Services	103,682	1.39	22,615	0.51
Transportation and Telecom.	475,975	6.37	363,945	8.28
Financial Institutions	18,502	0.25	226,343	5.15
Real Estate and Renting Services	52,713	0.71	27,995	0.64
Self-Employment Type Services	272	0.00	-	-
Educational Services	19,695	0.26	1,237	0.03
Health and Social Services	361,237	4.84	95,250	2.17
Other	584,619	7.83	825,926	18.80
Total	7,470,036	100.00	4,393,458	100.00

	Prior 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	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	6,706,948	2,561,598	290,549	31,699
Bills of Exchange and Bank Acceptances	5,253	35,493	250	-
Letters of Credit	11,338	1,634,809	3,086	35,789
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	452,248	94,070	364	-
Total	7,175,787	4,325,970	294,249	67,488

Prior Period	Group I		Group II	
	TL	FC	TL	FC
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	-
Total	6,644,190	4,895,375	294,249	67,488

3.2. Financial derivative instruments:

Trading Derivatives	
Current Period	
Foreign Currency Related Derivative Transactions (I):	84,554,297
Currency Forwards-Purchases, sales	3,214,430
Currency Swaps-Purchases, sales	81,339,867
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)	12,274,248
A.Total Trading Derivatives (I+II+III)	96,828,545
Hedging Derivatives	-
Fair value hedges	-
Cash flow hedges	-
Foreign currency investment hedges	-
B. Total Hedging Derivatives	-
Total Derivatives Transactions (A+B)	96,828,545

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

	Trading Derivatives
	Prior 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

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 2020, in the contracts the bank has entered in TL, US Dollars, Euros, British Pounds, Saudi Arabian Riyal, Russian Ruble, Silver and Gold currencies, the Bank has commitments to buy TL 786,085, USD 3,290,100,000, EUR 97,419,000, GBP 44,126,000, SAR 56,279,000 and RUB 54,078,000 in return of selling commitments of TL 24,395,510, USD 546,131,000, EUR 2,268,673,000, GBP 12,029,000 and RUB 38,805,000. (As of 31 December 2019 in the contracts the bank has entered in TL, US Dollars, Euros, British Pounds and Malaysian Ringite currencies, the Bank has commitments to buy TL 8,040,623, USD 3,427,425,000, EUR 44,093,000, GBP 500,000 and MYR 800,000 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).

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Fitch Rating's October 2020	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
Financial Capacity Ratio	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	5,250,272	924,105	5,264,646	747,837
Short term loans	1,117,394	90,711	1,466,189	120,151
Medium and long-term loans	4,085,874	831,630	3,763,974	627,302
Profit share on non-performing loans	47,004	1,764	34,483	384
Premiums received from resource utilization support fund	-	-	-	-
Total	5,250,272	924,105	5,264,646	747,837

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	970	-	300	-
Foreign Banks	60,698	60,178	78,818	169,191
Branches and head office abroad	-	342	-	1,245
Total	61,668	60,520	79,118	170,436

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

4.1.3 Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TP	YP	TP	YP
Financial Assets at Fair Value Through Profit or Loss	85,748	228,084	15,923	50,540
Financial Assets at Fair Value Reflected in Other Comprehensive Income	1,768,791	349,355	323,433	332,009
Financial Assets Valued Over Amortized Cost	-	170,974	-	78,732
Total	1,854,539	748,413	339,356	461,281

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	470	8

4.2 Information on profit share expenses:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	23,948	31,978	16,893	22,934
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	22,052	4,506	16,893	9,997
Foreign banks	1,896	27,472	-	12,937
Branches and head office abroad	-	-	-	-
Other Institutions	158,058	567,583	312,931	519,231
Total	182,006	599,561	329,824	542,165

4.2.1 Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	586,767	436,910

4.2.2 Profit share expense paid to securities issued:

None (1 January – 31 December 2019: None).

4.3 Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Other	68	2,841
Total	68	2,841

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

4.4 Distribution of profit share on funds based on maturity of funds:

Current period		Profit Sharing Accounts						
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	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	552,292	816,804	51,283	-	61,964	93,576	1,358	1,577,277
Public sector profit sharing account	25	27	54	-	39	-	-	145
Commercial sector profit sharing account	47,506	96,576	4,310	-	1,795	1,324	-	151,511
Other institutions profit sharing account	5,484	12,324	967	-	440	115	-	19,330
Total	605,307	925,732	56,614	-	64,238	95,015	1,358	1,748,264
FC								
Banks	15	559	27	-	-	-	-	601
Real person’s non-trading profit sharing account	42,018	64,866	9,074	-	10,000	14,125	25	140,108
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	3,869	11,087	384	-	410	53	-	15,803
Other institutions profit sharing account	387	1,395	111	-	63	-	-	1,956
Precious metal accounts	8,614	6,313	845	-	791	-	-	16,563
Total	54,903	84,220	10,441	-	11,264	14,178	25	175,031
Grand Total	660,210	1,009,952	67,055	-	75,502	109,193	1,383	1,923,295

Prior period		Profit Sharing Accounts						
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	571,361	1,274,256
Income	61,702,657	37,444,639
Gain on capital market transactions	74,885	46,127
Gain on derivative financial instruments	5,903,317	2,782,732
Foreign exchange profit	55,724,455	34,615,780
Losses (-)	(61,131,296)	(36,170,383)
Losses on capital market transactions	(29,857)	(14,011)
Losses on derivative financial instruments	(8,116,336)	(2,317,562)
Foreign exchange losses	(52,985,103)	(33,838,810)

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	561,434	702,646
Income from sale of assets	69,847	70,497
Revenues from real estates sold under the lease certificate.	-	-
Income from the real estate sales' gains by rent certificates	8,052	3,050
Other Income	8,733	7,126
Total	648,066	783,319

4.7 Provisions for loan losses and other receivables of the Bank:

	Current Period (*)	Prior Period
Expected Credit Loss	3,237,473	2,615,137
12 month expected credit loss (Stage 1)	729,722	166,017
Significant increase in credit risk (Stage 2)	807,415	387,889
Non-performing loans (Stage 3)	1,700,336	2,061,231
Marketable Securities Impairment Expense	22,488	611
Financial Assets at Fair Value through Profit or Loss	22,488	611
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	287,215	57,293
Total	3,547,176	2,673,041

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

4.8 Information on other operating expenses:

	Current Period	Prior Period
Provision for retirement pay liability (*)	26,065	21,847
Depreciation expenses of tangible assets	152,999	184,078
Impairment expenses of tangible assets	1,095	-
Depreciation expenses of intangible assets	67,881	39,551
Depreciation expenses of assets held for sale	-	-
Other operating expenses	422,233	355,280
Rent expenses	2,921	2,318
Maintenance expenses	91,495	94,239
Advertisement expenses	43,968	45,280
Communication expenses	61,646	51,485
Heating, electricity and water expenses	25,327	26,717
Cleaning expenses	7,471	6,765
Vehicle expenses	8,265	9,901
Stationery expenses	9,931	9,481
Other expenses	171,209	109,094
Losses on sales of assets	344	1,125
Deposit insurance fund expenses	320,386	179,892
Other	212,458	150,385
Total	1,203,461	932,158

(*) 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 1,852,683 increased by 30,91% as compared to the prior period (1 January - 31 December 2019 – TL 1,415,267). Income before tax includes TL 6,209,076 (1 January - 31 December 2019 – TL 3,495,911) net profit share income and TL 350,721 (1 January - 31 December 2019 – TL 468,907) net fees and commission income. Other operating expense amount is TL 1,177,396 (1 January - 31 December 2019 – TL 910,311).

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 781,806 (1 January-31 December 2019 - TL 401,181), deferred tax income of TL 134,484 (1 January-31 December 2019 - TL 194,309) and TL 463,888 (1 January-31 December 2019 - TL 290,061) 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 2020, net profit share income is TL 6,209,076 (1 January-31 December 2019 – TL 3,495,911), net fees and commission income is TL 350,721 (1 January-31 December 2019 – TL 468,907).

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 2019 – None).

4.12.3 Profit/Loss attributable to minority interest:

None (1 January - 31 December 2019 – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2020, other fees and commissions received is TL 674,716 (1 January - 31 December 2019 – TL 625,196), TL 147,028 of this amount is related with credit card fees and commissions (1 January - 31 December 2019 – TL 197,886) and TL 118,516 of this amount is related with POS machine commissions (1 January – 31 December 2019 -142,735 TL).

As of 31 December 2020, other fees and commissions given is TL 433,766 (1 January - 31 December 2019 – TL 300,791), TL 111,537 (1 January - 31 December 2019 – TL 167,123) of this amount is related with POS clearing commissions and installation expenses, TL 38,445 (1 January - 31 December 2019 – TL 26,590) 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 7,280 to members of Board of Directors. In the General Assembly meeting held in 26 March 2020 it has been decided that TL 56,220 would be transferred to legal reserves, TL 446,338 would be transferred to extraordinary reserve, TL 389 would be transferred to other reserves and TL 600,000 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	18,893,086
Cash in TL/foreign currency, others	2,128,075
Demand deposits at banks	16,765,011
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	5,797,558
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	6,680,124

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

	Current Period
Cash	11,971,283
Cash in TL/foreign currency, others	11,971,283
Demand deposits at banks (up to 3 months)	-
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	11,971,283
	Prior 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

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

None (31 December 2019 – None).

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

“Other items” amounting to TL (1,438,893) (1 January-31 December 2019: TL (2,716,681)) 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 2,429,589 (1 January-31 December 2019: TL 4,572,294) 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 8,803,862 (1 January-31 December 2019: TL (261,964)) 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 5,409,401 as of 31 December 2020 (31 December 2019 – TL (1,688,034)). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	178,601	18,527	1,868	7,206	780,512	723
Balance at end of period	185,615	21,015	4,695	6,709	54,992	6,632
Profit share and commission income	275	195	258	85	5,263	-

(*) 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	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.

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	181,714	62,800	151,321	35,032	390,698	255,239
Balance at end of period	63,485	181,714	58,677	151,321	203,570	390,698
Profit share expense	6,642	5,943	852	2,281	271	38,300

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

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	75,460	274,933	607,498	287,483	-	-
Balance at end of period	240,454	75,460	716,065	607,498	-	-
Total Profit / Loss	(333)	265	(13,619)	(2,006)	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	8,324,759	5,646,443	68,696	802,108	-	-
Balance at end of period	11,474,110	8,324,759	1,481,347	68,696	-	-
Profit share expense	580,125	430,967	41	41,221	-	-

7.5 Information on remunerations provided to top management:

As of 1 January - 31 December 2020, the Bank has paid TL 48,519 to top management (1 January - 31 December 2019 TL 38,220).

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 (*)	434	4,071			
			Country		
Foreign representative offices				Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign bank	1	109	Germany	6,395	82,375,957
Off-shore branches	1	3	Bahrain	4,710	-
Foreign branches	-	-	-	-	-

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

(**) Bahrain Branch is controlled by the Central Bank of Bahrain and the total of Assets is 4,709,510 Turkish lira as of 31 December 2020.

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

In 2020, 4 new domestic branches (2019-16 branches) were opened and 0 domestic branch was closed (2019-1 branch).

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

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 29, 2021 with a nominal value of TL 300,000 thousand and a maturity of 88 days with a cost of 17.26%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 27, 2021 with a nominal value of TL 400,000 thousand and a maturity of 80 days with a cost of 17.26%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 21, 2021 with a nominal value of TL 300,000 thousand and a maturity of 26 days with a cost of 16.77%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 23, 2021 with a nominal value of TL 800,000 thousand and a maturity of 54 days with a cost of 17.75%.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 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' report dated 16 February 2021 is presented preceding the financial statements.

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

KUVEYT TRK KATILIM BANKASI ANONİM ŐİRKETİ

INDEPENDENT AUDITOR’S REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020, 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, 2020 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.



Key Audit Matter	How the matter is addressed in our audit
<i>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment of financial assets and related important disclosures</i> As disclosed in footnote 1.6 of Section 3; the Group measured expected credit losses for financial assets by TFRS 9 “Financial Instruments Standards”. 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 - Evaluating the impact of the Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses together with forward-looking estimates and significant assumptions. - 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.



4) *Other Matter*

As disclosed footnote 1.5 of section three; the consolidated financial statements dated 1 January 2019 and 31 December 2019 were restated by taking Neova Sigorta A.Ş. into the scope of consolidation and these restated financial statements are presented comparatively with the financial statements dated 31 Aralık 2020.

The financial statements of Neova Sigorta A.Ş. as at 31 December 2019 were audited by another audit firm, which expressed an unqualified opinion in their reports issued on 28 February 2020. Also, the audit of consolidated financial statements of the Group before the restatement as at 31 December 2018 and the financial statements of Neova Sigorta A.Ş. as at 31 December 2018, which form the basis of the consolidated financial statements as at 1 January 2019 that are presented in comparison with the accompanying consolidated financial statements as at 31 December 2020, were audited by one an other audit firm, which expressed an unqualified opinions in their report of the Group dated 7 March 2019 and in their report of Neova Sigorta A.Ş. dated 27 February 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 assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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 statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with 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.

**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 2020 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.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”). Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

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
Partner

March 3, 2021
Istanbul, Turkey

Index

Section One General information

I.	History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status	273
II.	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	273
III.	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	273
IV.	Information on qualified parent bank	274
V.	Explanations of the Parent Bank's services and field of operations	274
VI.	Bank of Consolidated Financial Turkey of the Communiqué on Preparation Table Accounting Standards required by the differences between the structures of consolidation transactions subject to full consolidation or proportionate consolidation, deducted from equity or comments about agencies that are not included in these three methods	274
VII.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries	274

Section Two The consolidated financial statements of bank

I.	Consolidated balance sheet (Statement of financial position)	276
II.	Consolidated statement of off-balance sheet items	278
III.	Consolidated income statement	279
IV.	Consolidated statement of profit/loss and other comprehensive income	280
V.	Consolidated statement of changes in shareholders' equity	281
VI.	Consolidated statement of cash flows	282
VII.	Profit distribution of parent bank	283

Section Three Accounting principles

I.	Explanations on basis of presentation	284
II.	Explanations on strategy of using financial instruments and foreign currency transactions	291
III.	Information on subsidiaries and associates	292
IV.	Explanations on forward transactions and option contracts and derivative instruments	293
V.	Explanations on profit share income and expense	293
VI.	Explanations on fees and commission income and expenses	293
VII.	Explanations on financial assets	294
VIII.	Explanations on offsetting of financial assets and liabilities	295
IX.	Explanations on sale and repurchase agreements and lending of securities	295
X.	Explanations on assets held for sale and discontinued operations and related liabilities	296
XI.	Explanations on goodwill and other intangible assets	296
XII.	Explanations on tangible assets	296
XIII.	Explanations on leasing transactions	297
XIV.	Explanations on insurance technical income and expenses	298
XV.	Explanations on insurance technical provisions	298
XVI.	Explanations on provisions and contingent liabilities	299
XVII.	Explanations on liabilities relating to employee benefits	299
XVIII.	Explanations on taxation	300
XIX.	Explanations on additional disclosures on borrowings	301
XX.	Explanations on share certificates issued	301
XXI.	Explanations on acceptances and availed drafts	301
XXII.	Explanations on government grants	301
XXIII.	Explanations on segment reporting	301
XXIV.	Explanations on other matters	301

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

I.	Explanations on consolidated equity items	302
II.	Explanations and Disclosures related to consolidated credit risk	307
III.	Explanations on consolidated currency risk	320
IV.	Explanations related to stock position risk	322
V.	Liquidity risk management and liquidity coverage ratio	323
VI.	Explanations on leverage ratio	330
VII.	Explanations on fair values of financial assets and liabilities	331
VIII.	Explanations on the activities carried out on behalf and account of other persons	331
IX.	Explanations on hedge accounting practices	332
X.	Explanations on consolidated risk management	334
XI.	Securitization positions	349
XII.	Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions	349
XIII.	Qualitative explanations on market risk	349
XIV.	Explanations on consolidated business segments	354

Section Five Explanations and notes on the consolidated financial statements

I.	Explanations and notes related to consolidated assets	356
II.	Explanations and notes related to consolidated liabilities	373
III.	Explanations and notes related to off-balance sheet contingencies and commitments	381
IV.	Explanations and notes related to the statement of income	385
V.	Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity	390
VI.	Explanations and notes related to cash flow statement	390
VII.	Explanations and notes related to the risk group of the Bank	392
VIII.	Domestic, foreign and off-shore branches or equity investments and foreign representative offices	393
IX.	Significant events and matters arising subsequent to balance sheet date	394

Section Six Other Explanations

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	395

Section Seven Independent Auditor's Report

I.	Explanations on the limited review report	395
II.	Notes and disclosures prepared by the independent auditor	395

THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2020

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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' Audit 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.		
6.	KT Sukuk Company Limited		
7.	Neova Sigorta 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

Shadi Ahmed Yacoub ZAHRAN
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

Cemil Akbebek
Official and International
Reporting Manager

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

Name-Surname/Position: Mustafa ERDEM / Senior Official Reporting Manager

Telephone: 0212 354 75 24

Facsimile: 0212 354 11 03

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2020, 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	-
Shadi Ahmed Yacoub ZAHARAN	Member of BOD and chairman of the audit committee	25/09/2020	04/11/2020		Master	-
Nadir ALPASLAN	Vice President of BOD and member of Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	0.010%
Burhan ERSOY	Member of BOD	18/06/2020			Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S A A AL KHARJI	Member of BOD	26/03/2014	24/09/2014	09/09/2020	Master	-
Gehad Mohamed Elbendary ANANY	Member of BOD	25/09/2020	09/09/2020		Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	0.057%
Ahmet KARACA	Assistant General Manager, Financial Control.	12/07/2006			Master	0.001%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.004%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.017%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking.	05/05/2005			Doctorate	0.009%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.001%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.010%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.005%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.005%

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 2019 – 0.12%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

4. Information on qualified parent bank

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,863,098	62.24%	2,863,098	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	861,086	18.72%	861,086	-
Total	3,724,184	80.96%	3,724,184	-

As of 31 December 2020, 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 2020, the Group is operating through 440 domestic branches (31 December 2019 – 436) with 6,552 employees (31 December 2019 – 6,091). 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. Bank of Consolidated Financial Turkey of the Communiqué on Preparation Table Accounting Standards required by the differences between the structures of consolidation transactions subject to full consolidation or proportionate consolidation, deducted from equity or comments about agencies that are not included in these three methods

According to the notification of Banks to the Preparation of Consolidated Financial Statements, only financial partnerships retrieving the scope of consolidation, Turkey Accounting Standards and Turkey Financial Reporting Standards of financial and nonfinancial all partnerships should be included in the consolidation.

7. 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)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Income Statement (Statement of Profit/Loss)
- IV. Consolidated Statement of Income/Expense and Other Comprehensive Income
- V. Consolidated Statement of Changes in Shareholders' Equity
- 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 2020

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

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

ASSETS	Note	Audited Current Period 31.12.2020			Restated Audited Prior Period (*) 31.12.2019			Restated Audited Prior Period (*) 01.01.2019		
		TL	FC	Total	TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		18,713,223	42,715,415	61,428,638	5,972,726	38,569,420	44,542,146	3,743,113	20,408,179	24,151,292
I.1. Cash and Cash Equivalents		2,258,436	30,222,312	32,480,748	2,692,930	24,952,285	27,645,215	1,445,339	16,252,737	17,698,076
I.1.1. Cash and Balances with Central Bank	(5.1.1.)	1,144,427	23,966,543	25,110,970	1,768,747	17,447,545	19,216,292	1,183,109	9,428,812	10,611,921
I.1.2. Banks	(5.1.3.)	1,114,456	6,256,097	7,370,553	924,323	7,507,605	8,431,928	299,858	6,887,574	7,187,432
I.1.3. Money Markets Placements		-	-	-	-	-	-	-	-	-
I.1.4. Expected Credit Loss (-)		447	328	775	140	2,865	3,005	37,628	63,649	101,277
Financial Assets at Fair Value Through Profit or Loss		942,789	6,820,410	7,763,199	368,125	3,891,546	4,259,671	136,375	75,181	211,556
I.2.1. Government Debt Securities		315,651	6,735,347	7,050,998	77,977	3,863,617	3,941,594	18,327	11,770	30,097
I.2.2. Equity Instruments		-	-	-	-	-	-	-	-	-
I.2.3. Other Financial Assets		627,138	85,063	712,201	290,148	27,929	318,077	118,048	63,411	181,459
Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	15,383,452	5,339,633	20,723,085	2,892,901	9,562,353	12,455,254	2,131,916	4,067,733	6,199,649
I.3.1. Government Debt Securities		15,299,606	5,190,032	20,489,638	2,792,631	9,313,887	12,106,518	2,065,421	3,804,519	5,869,940
I.3.2. Equity Instruments		8,741	40,405	49,146	5,731	27,346	33,077	5,731	17,046	22,777
I.3.3. Other Financial Assets		75,105	109,196	184,301	94,539	221,120	315,659	60,764	246,168	306,932
I.4. Derivative Financial Assets	(5.1.2.)	128,546	333,060	461,606	18,770	163,236	182,006	29,483	12,528	42,011
I.4.1. Derivative Financial Assets at Fair Value Through Profit or Loss		128,546	333,060	461,606	18,770	163,236	182,006	29,483	12,528	42,011
I.4.2. Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	51,153,513	32,863,417	84,016,930	32,889,253	27,246,766	60,136,019	31,477,635	15,944,851	47,422,486
2.1. Loans		52,228,594	25,726,231	77,954,825	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.)	2,360,266	2,650,730	5,010,996	1,406,165	1,301,355	2,707,520	1,439,955	1,010,744	2,450,699
2.3. Financial Assets Measured at Amortized Cost	(5.1.6.)	268,323	6,231,487	6,499,810	353,543	2,859,381	3,212,924	447,912	37,156	485,068
2.3.1. Government Debt Securities		268,323	6,049,489	6,317,812	176,942	2,725,997	2,902,939	176,891	37,156	214,047
2.3.2. Other Financial Assets		-	181,998	181,998	176,601	133,384	309,985	271,021	-	271,021
2.4. Expected Credit Loss (-)		3,703,670	1,745,031	5,448,701	2,402,838	640,235	3,043,073	1,648,711	323,621	1,972,332
PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)		519,087	-	519,087	473,326	-	473,326	270,382	-	270,382
3.1. Held for Sale		519,087	-	519,087	473,326	-	473,326	270,382	-	270,382
3.2. Related to Discontinued Operations		-	-	-	-	-	-	-	-	-
INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		84,991	-	84,991	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	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	23,680	-	23,680
4.3. Investment in Joint Ventures (Net)	(5.1.9.)	61,311	-	61,311	40,381	-	40,381	28,520	-	28,520
4.3.1. Joint Ventures Valued Based on Equity Method		61,311	-	61,311	40,381	-	40,381	28,520	-	28,520
4.3.2. Unconsolidated Joint Ventures		-	-	-	-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		909,226	14,856	924,082	810,202	36,141	846,343	457,943	7,900	465,843
VI. INTANGIBLE ASSETS (Net)		195,884	77,261	273,145	137,303	64,696	201,999	139,428	63,833	203,261
6.1. Goodwill		-	-	-	-	-	-	-	-	-
6.2. Other		195,884	77,261	273,145	137,303	64,696	201,999	139,428	63,833	203,261
VII. INVESTMENT PROPERTIES (Net)		77,457	-	77,457	37,646	-	37,646	29,671	-	29,671
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(5.1.15.)	761,880	73,642	835,522	373,350	43,503	416,853	359,079	34,043	393,122
X. OTHER ASSETS	(5.1.17.)	1,710,414	8,326,847	10,037,261	1,311,288	971,897	2,283,185	1,450,031	1,998,360	3,448,391
TOTAL ASSETS		74,125,675	84,071,438	158,197,113	42,069,155	66,932,423	109,001,578	37,979,482	38,457,166	76,436,648

(*) The effects of the restatement are explained in the note 1.5 of section III

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2020

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

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

LIABILITIES	Note	Audited Current Period 31.12.2020			Restated Audited ior Period (*) 31.12.2019			Restated Audited ior Period (*) 01.01.2019		
		TL	FC	Total	TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(5.2.1.)	33,478,939	93,215,622	126,694,561	35,167,424	52,828,711	87,996,135	22,292,160	32,699,493	54,991,653
II. FUNDS BORROWED	(5.2.3.)	175,272	5,029,049	5,204,321	160,847	286,378	447,225	93,394	1,901,902	1,995,296
III. MONEY MARKET'S		185,225	-	185,225	-	-	-	188,003	-	188,003
IV. SECURITIES ISSUED (Net)		1,821,975	3,337,298	5,159,273	735,743	3,906,422	4,642,165	1,487,369	6,157,936	7,645,305
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES		1,390,486	286,320	1,676,806	129,690	294,447	424,137	21,045	149,118	170,163
6.1. Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	1,390,486	286,320	1,676,806	129,690	164,719	294,409	21,045	42,766	63,811
6.2. Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.7.)	-	-	-	-	129,728	129,728	-	106,352	106,352
VII. LEASE PAYABLES	(5.2.6.)	345,320	3,974	349,294	318,828	35,223	354,051	-	-	-
VIII. PROVISIONS	(5.2.8.)	3,316,160	406,642	3,722,802	2,565,308	244,064	2,809,372	1,904,489	184,795	2,089,284
8.1. Restructuring Provision		-	-	-	-	-	-	-	-	-
8.2. Reserves for Employee Benefits		436,440	1,014	437,454	316,616	706	317,322	238,751	538	239,289
8.3. Insurance for Technical Provision (Net)		2,118,814	-	2,118,814	1,693,153	-	1,693,153	1,274,777	-	1,274,777
8.4. Other Provisions		760,906	405,628	1,166,534	555,539	243,358	798,897	390,961	184,257	575,218
IX. CURRENT TAX LIABILITIES	(5.2.9.1.)	388,013	1,857	389,870	253,945	1,452	255,397	204,617	1,936	206,553
X. DEFERRED TAX LIABILITIES		-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-
XI. SUBORDINATED DEBT INSTRUMENTS	(5.2.11.)	-	4,590,265	4,590,265	-	3,380,983	3,380,983	-	1,901,210	1,901,210
12.1. Loans		-	-	-	-	-	-	-	-	-
12.2. Other Debt Instruments		-	4,590,265	4,590,265	-	3,380,983	3,380,983	-	1,901,210	1,901,210
XIII. OTHER LIABILITIES	(5.2.5.)	1,624,489	569,393	2,193,882	1,225,662	273,578	1,499,240	1,404,741	158,507	1,563,248
XIV. SHAREHOLDERS' EQUITY	(5.2.12.)	8,064,461	(33,647)	8,030,814	7,240,711	(47,838)	7,192,873	5,848,597	(162,664)	5,685,933
14.1. Paid-in Capital		4,595,131	-	4,595,131	3,995,766	-	3,995,766	3,497,322	-	3,497,322
14.2. Capital Reserves		26,399	-	26,399	25,764	-	25,764	24,208	-	24,208
14.2.1. Share Premiums		24,525	-	24,525	24,525	-	24,525	24,208	-	24,208
14.2.2. Share Cancellation Profits		1,874	-	1,874	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		(51,258)	-	(51,258)	(19,082)	-	(19,082)	(13,296)	-	(13,296)
14.3. Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		23,115	86,143	109,258	176,294	78,477	254,771	18,702	(51,432)	(32,730)
14.5. Profit Reserves		1,996,805	-	1,996,805	1,494,059	-	1,494,059	1,123,576	-	1,123,576
14.5.1. Legal Reserves		310,296	-	310,296	253,156	-	253,156	200,769	-	200,769
14.5.2. Statutory Reserves		-	-	-	-	-	-	-	-	-
14.5.3. Extraordinary Reserves		1,617,135	-	1,617,135	1,170,797	-	1,170,797	923,536	-	923,536
14.5.4. Other Profit Reserves		69,374	-	69,374	70,106	-	70,106	(729)	-	(729)
14.6. Profit or Loss		1,444,265	(119,790)	1,324,475	1,539,449	(126,315)	1,413,134	1,172,973	(111,232)	1,061,741
14.6.1. Retained Earnings		(295,348)	(126,315)	(421,663)	250,425	(111,232)	139,193	261,607	(107,902)	153,705
14.6.2. Net Profit for the Period		1,739,613	6,525	1,746,138	1,289,024	(15,083)	1,273,941	911,366	(3,330)	908,036
14.7. Minority Shares	(5.2.13.)	30,004	-	30,004	28,461	-	28,461	25,112	-	25,112
TOTAL LIABILITIES AND EQUITY		50,790,340	107,406,773	158,197,113	47,798,158	61,203,420	109,001,578	33,444,415	42,992,233	76,436,648

(*) The effects of the restatement are explained in the note 1.5 of section III

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2020

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

2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

	Notes	Reviewed Current Period 31.12.2020			Restated Audited Prior Period (*) 31.12.2019			Restated Audited Prior Period (*) 01.01.2019		
		TL	FC	Total	TL	FC	Total	TL	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		86,647,683	77,863,364	164,511,047	67,066,872	56,290,702	123,357,574	57,247,416	29,212,634	86,460,050
I. GUARANTEES AND WARRANTIES (5.3.1.)		7,465,311	4,396,022	11,861,333	6,639,338	4,963,915	11,603,253	6,117,532	5,459,447	11,576,979
1.1. Letters of Guarantee		6,992,772	2,595,861	9,588,633	6,292,941	3,415,529	9,708,470	5,907,785	4,184,393	10,092,178
1.1.1. Guarantees Subject to State Tender Law		210,252	41,900	252,152	218,286	62,740	281,026	217,252	174,971	392,223
1.1.2. Guarantees Given for Foreign Trade Operations		408,225	60,079	468,304	375,091	79,315	454,406	371,535	167,020	538,555
1.1.3. Other Letters of Guarantee		6,374,295	2,493,882	8,868,177	5,699,564	3,273,474	8,973,038	5,318,998	3,842,402	9,161,400
1.2. Bank Loans		5,503	35,493	40,996	8,546	46,489	55,035	17,516	56,582	74,098
1.2.1. Import Letter of Acceptances		5,503	35,493	40,996	8,546	46,489	55,035	17,516	56,582	74,098
1.2.2. Other Bank Acceptances		-	-	-	-	-	-	-	-	-
1.3. Letters of Credit		14,424	1,670,598	1,685,022	10,567	1,363,442	1,374,009	11,512	1,068,364	1,079,876
1.3.1. Documentary Letters of Credit		-	756,822	756,822	86	371,829	371,915	367	215,062	215,429
1.3.2. Other Letters of Credit		14,424	913,776	928,200	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		452,612	94,070	546,682	327,284	138,308	465,592	180,719	143,999	324,718
1.7. Other Warranties		-	-	-	-	-	-	-	4,318	4,318
II. COMMITMENTS (5.3.1.)		54,000,887	2,299,498	56,300,385	52,151,025	1,893,989	54,045,014	50,194,084	1,305,169	51,499,253
2.1. Irrevocable Commitments		6,228,293	2,299,498	8,527,791	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		776,088	2,299,498	3,075,586	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		555,059	-	555,059	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		1,372,786	-	1,372,786	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		3,503,366	-	3,503,366	2,656,398	-	2,656,398	1,858,018	-	1,858,018
2.1.9. Commitments for Credit Cards and Banking Services Promotions		3,237	-	3,237	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	-	17,757	17,757	3,046	20,803	17,757	9,689	27,446
2.2. Revocable Commitments		47,772,594	-	47,772,594	47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.1. Revocable Loan Granting Commitments		47,772,594	-	47,772,594	47,355,140	-	47,355,140	46,621,666	-	46,621,666
2.2.2. Other Revocable Commitments		-	-	-	-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		25,181,485	71,167,844	96,349,329	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		25,181,485	71,167,844	96,349,329	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		1,083,945	1,651,269	2,735,214	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		785,976	604,362	1,390,338	276,131	603,627	879,758	347,631	862,093	1,209,724
3.2.1.2. Forward Foreign Currency Sell Transactions		297,969	1,046,907	1,344,876	235,979	639,076	875,055	304,991	893,408	1,198,399
3.2.2. Other Forward Buy/Sell Transactions		24,097,540	69,516,575	93,614,115	7,764,399	45,738,088	53,502,487	283,178	18,526,984	18,810,162
3.3. Other		-	-	-	-	101	101	-	-	-
CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		478,587,067	203,218,899	681,805,966	381,449,255	165,631,022	547,080,277	316,497,679	142,487,425	458,985,104
IV. ITEMS HELD IN CUSTODY		13,171,821	20,387,564	33,559,385	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		3,145,487	7,054,819	10,200,306	2,891,875	424,980	3,316,855	2,159,381	156,528	2,315,909
4.3. Checks Received for Collection		8,485,888	1,082,506	9,568,394	6,828,688	869,224	7,697,912	7,157,340	906,367	8,063,707
4.4. Commercial Notes Received for Collection		1,540,446	312,851	1,853,297	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		-	11,937,388	11,937,388	-	13,373,629	13,373,629	-	4,339,208	4,339,208
V. PLEDGED ITEMS		465,403,607	182,743,974	648,147,581	370,138,560	150,613,354	520,751,914	305,669,174	136,780,695	442,449,869
5.1. Marketable Securities		149,465	-	149,465	194,245	111,336	305,581	185,945	99,786	285,731
5.2. Guarantee Notes		101,128	2,996,008	3,097,136	101,727	2,402,814	2,504,541	101,681	2,133,522	2,235,203
5.3. Commodity		14,297,126	913,904	15,211,030	8,938,138	701,641	9,639,779	6,094,405	633,381	6,727,786
5.4. Warranty		-	-	-	-	-	-	-	-	-
5.5. Properties		147,051,571	3,715,371	150,766,942	124,206,037	2,983,314	127,189,351	112,015,122	2,715,023	114,730,145
5.6. Other Pledged Items		303,804,317	175,118,691	478,923,008	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 WARRANTIES		11,639	87,361	99,000	11,639	69,704	81,343	11,639	61,959	73,598
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		565,234,750	281,082,263	846,317,013	448,516,127	221,921,724	670,437,851	373,745,095	171,700,059	545,445,154

(*) The effects of the restatement are explained in the note 1.5 of section III

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT AS OF 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

3. CONSOLIDATED INCOME STATEMENT

	Notes	Audited Current Period 01.01.2020- 31.12.2020	Restated Audited Prior Period 01.01.2019- 31.12.2019
I. PROFIT SHARE INCOME	(5.4.1.)	9,646,347	7,745,856
1.1. Profit Share on Loans		6,283,767	6,077,584
1.2. Profit Share on Reserve Deposits		37,473	86,722
1.3. Profit Share on Banks		229,931	348,009
1.4. Profit Share on Money Market Placements		-	-
1.5. Profit Share on Marketable Securities Portfolio		2,702,365	907,934
1.5.1. Fair Value Through Profit or Loss		342,538	96,194
1.5.2. Fair Value Through Other Comprehensive Income		2,121,615	665,164
1.5.3. Measured at Amortised Cost		238,212	146,576
1.6. Finance Lease Income		342,754	259,612
1.7. Other Profit Share Income		50,057	65,995
II. PROFIT SHARE EXPENSE		3,111,225	3,932,137
2.1. Expense on Profit Sharing Accounts	(5.4.4.)	1,934,858	3,013,663
2.2. Profit Share Expense on Funds Borrowed	(5.4.2.)	396,952	272,103
2.3. Profit Share Expense on Money Market Borrowings		354,479	2,514
2.4. Expense on Securities Issued		365,387	581,094
2.5. Profit Share Expense on Lease		59,549	62,763
2.6. Other Profit Share Expense		-	-
III. NET PROFIT SHARE INCOME (I - II)		6,535,122	3,813,719
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		261,839	368,932
4.1. Fees and Commissions Received		862,342	818,966
4.1.1. Non-Cash Loans		136,800	175,096
4.1.2. Other		725,542	643,870
4.2. Fees and Commissions Paid		600,503	450,034
4.2.1. Non-Cash Loans		11,835	8,633
4.2.2. Other	(5.4.13.)	588,668	441,401
V. DIVIDEND INCOME	(5.4.3.)	68	2,841
VI. NET TRADING INCOME / LOSS	(5.4.5.)	847,844	1,328,159
6.1. Capital Market Transaction Gains/Losses		45,028	32,116
6.2. Gains/Losses from Derivative Financial Instruments		(2,210,668)	464,803
6.3. Foreign Exchange Gains/Losses		3,013,484	831,240
VII. OTHER OPERATING INCOME	(5.4.6.)	1,819,357	1,930,377
VIII. NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		9,464,230	7,444,028
IX. EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	3,240,522	2,640,410
X. OTHER PROVISIONS (-)		325,218	68,562
XI. PERSONNEL EXPENSES (-)	(5.4.8.)	1,342,912	1,132,226
XII. OTHER OPERATING EXPENSES (-)	(5.4.8.)	2,312,022	1,992,008
XIII. NET OPERATING INCOME/(LOSS) (IX-X-XI)		2,243,556	1,610,822
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED		-	-
XV. BASED ON EQUITY METHOD		20,930	13,727
XVI. INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.)	2,264,486	1,624,549
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(551,618)	(348,156)
18.1. Current Tax Provision		(826,371)	(451,634)
18.2. Deferred Tax Income Effect (+)		187,277	205,627
18.3. Deferred Tax Expense Effect (-)		462,030	309,105
XIX. CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.11.)	1,712,868	1,276,393
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.)	1,712,868	1,276,393
25.1. Group's Income/Loss		1,746,138	1,273,941
25.2. Minority Interest Income/Loss (-)		(33,270)	2,452
Earnings Per Share Income/Loss		-	-

(*) The effects of the restatement are explained in the note 1.5 of section III

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT AS OF 31 DECEMBER 2020

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

4. CONSOLIDATED STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

	Audited Current Period 31.12.2020	Restated Audited Prior Period 31.12.2019
I. CURRENT PROFIT (LOSS)	1,712,868	1,276,393
II. OTHER COMPREHENSIVE INCOME	(160,781)	281,715
2.1 Other Comprehensive Income Not Reclassified Through Profit or Loss	(32,176)	(5,786)
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	(40,220)	(7,233)
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	8,044	1,447
2.2 Other Comprehensive Income Reclassified Through Profit or Loss	(128,605)	287,501
2.2.1 Foreign Currency Translation Difference	260,831	52,280
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(249,886)	389,097
2.2.3 Cash Flow Hedge Income/Loss	11,514	(21,235)
2.2.4 Foreign Net Investment Hedge Income/Loss	(263,591)	(51,447)
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	112,527	(81,194)
III. TOTAL COMPREHENSIVE INCOME (I+II)	1,552,087	1,558,108

(*) The effects of the restatement are explained in the note 1.5 of section III

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss						Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders'Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
						Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss											
						1	2	3	4	5	6						
Restated Prior Period (01/01/2019 – 31/12/2019)																	
I.	Prior Period Ending Balance According to TAS 8	3,497,222	24,208	-	-	-	(13,296)	-	173,232	(117,159)	(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)	13,041	154,865	98,493	266,399	-	266,399
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	13,041	154,865	98,493	266,399	-	266,399
III.	Adjusted Beginning Balance (I+II)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Total Comprehensive Income (Loss)	3,497,222	24,208	-	-	-	(13,296)	-	173,232	(88,537)	(17,425)	1,123,576	153,705	908,036	5,660,821	25,112	5,685,933
V.	Capital Increase by Cash	-	-	-	-	-	(57,86)	-	52,280	30,5232	(68,011)	-	-	1,273,941	1,355,656	3,128	1,358,984
VI.	Capital Increase by Internal Reserves	-	-	-	-	-	-	-	-	-	-	(500,000)	-	-	-	-	-
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes	(1,556)	317	1,239	-	-	-	-	-	-	-	(1,025)	(76,214)	61,720	(1,5519)	21	(15,598)
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	871,508	(310,000)	(969,756)	(36,546)	-	(36,546)
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	(863,266)	-	-	-
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	863,266	-	(863,266)	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	8,242	91,702	(99,944)	-	-	-
	Balance at end of the period (III+IV+.....+X+XI)	5,212	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,494,089	139,193	1,273,941	7,164,412	28,461	7,192,873
Current Period (01/01/2020 – 31/12/2020)																	
I.	Prior Period Ending Balance According to TAS 8(*)	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
II.	Corrections and Accounting Policy Changes Made According to TAS 8(*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	-	-	21,283	228,350	156,304	405,937	-	405,937
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Total Comprehensive Income (Loss)	3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,494,089	139,193	1,273,941	7,164,412	28,461	7,192,873
V.	Capital Increase by Cash	-	-	-	-	-	(32,176)	-	260,831	(199,908)	(190,344)	-	816	1,746,138	1,585,357	1,539	1,586,896
VI.	Capital Increase by Internal Reserves	-	-	-	-	-	-	-	-	-	-	(600,000)	-	-	-	-	-
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share	600,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes (**)	(635)	-	635	-	-	-	-	-	-	-	(631)	(718,422)	(6,534)	(741,679)	4	(741,675)
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	1,103,377	156,750	(1,267,407)	(7,280)	-	(7,280)
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	(7,280)	-	-	(7,280)
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,115,463)	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	819	156,750	(157,560)	-	-	-
	Balance at end of the period (III+IV+.....+X+XI)	5,212	24,525	1,874	-	-	(61,258)	-	486,343	(1,395)	(375,309)	1,996,865	(621,663)	1,274,618	8,009,810	30,004	8,039,814

(*) Neova Sigorta A.Ş., a subsidiary of the group manages the risk fund formed due to the contributions of the participants separately in accordance with Article 6 of the "regulation on participation insurance and working procedures and principles" published by the Ministry of Treasury and Finance. Accordingly, the profit/(expense) amount of the risk fund, which is due to participant contributions amounting to 34,809 TL for the current period, has been classified under other liabilities in balance sheet. (31 December 2019: TL 876).

(**) The effects of the restatement are explained in the note 1.5 of section III

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)

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CASH FLOW AS OF 31 DECEMBER 2020

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

6. CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Audited Current Period	Restated Audited Prior Period
		01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Assets And Liabilities From Banking Operations		4,484,711	5,692,369
1.1.1 Profit Share Income Received		8,626,213	10,576,719
1.1.2 Profit Share Expense Paid		(2,935,050)	(3,831,256)
1.1.3 Dividends Received		68	2,841
1.1.4 Fees And Commissions Received		917,653	818,966
1.1.5 Other Income		2,406,840	3,435,790
1.1.6 Collections From Previously Written Off Loans		374,444	431,694
1.1.7 Payments to Personnel And Service Suppliers		(1,461,738)	(1,205,878)
1.1.8 Taxes Paid		(1,111,610)	(545,036)
1.1.9 Others		(2,332,109)	(3,991,471)
1.2 Changes in Assets And Liabilities From Banking Operations		(7,696,569)	11,912,880
1.2.1 Net (Increase) Decrease Held For Trading Financial Assets		(2,943,023)	(4,144,535)
1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(10,056,468)	2,079,480
1.2.3 Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(21,719,400)	(13,629,788)
1.2.4 Net (Increase) Decrease in Loans		(9,559,006)	(6,527,612)
1.2.5 Net (Increase) Decrease in Other Assets		645,501	286,471
1.2.6 Net Increase (Decrease) in Bank Deposits		30,424,765	32,711,583
1.2.7 Net Increase (Decrease) in Other Deposits		-	(830)
1.2.8 Net Increase (Decrease) in Funds Borrowed		3,037,543	(1,528,194)
1.2.9 Net Increase (Decrease) in Due Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		2,473,519	2,666,305
I. Net Cash Provided From / (Used in) Banking Operations		(3,211,858)	17,605,249
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From / (Used in) Investing Activities		(8,613,022)	(4,071,563)
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		-	-
2.3 Fixed Assets Purchases		(120,504)	(162,523)
2.4 Fixed Assets Sales		194,500	5,304
2.5 Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(12,758,073)	(2,130,182)
2.6 Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		6,067,423	307,107
2.7 Cash Paid For Purchase of Investment Securities		(1,933,750)	(3,420,599)
2.8 Cash Obtained From Sale of Investment Securities		-	1,374,120
2.9 Other		(62,618)	(44,790)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From / (Used in) Financing Activities		966,756	(2,039,735)
3.1 Cash Obtained From Funds Borrowed And Securities Issued		6,267,842	6,366,492
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(5,600,576)	(9,723,301)
3.3 Capital Increase		388,646	1,423,134
3.4 Dividends Paid		(7,280)	(36,546)
3.5 Payments For Finance Leases		(81,876)	(69,514)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.5.4)	5,637,262	1,704,243
V. Net Increase (Decrease) in Cash And Cash Equivalents		(5,220,862)	13,198,194
VI. Cash And Cash Equivalents at The Beginning of The Period	(5.5.1)	19,216,292	7,214,008
VII. Cash And Cash Equivalents at The End of The Period	(5.5.1)	13,995,430	20,412,202

*) The effects of the restatement are explained in the note 1.5 of section III

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
PROFIT DISTRIBUTION TABLE OF PARENT BANK AS OF 31 DECEMBER 2020

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

7. PROFIT DISTRIBUTION TABLE OF PARENT BANK

	Current Period 01.01.2020 - 31.12.2020 (*)	Prior Period 01.01.2019 - 31.12.2019 (*)
I. Distribution of Current Period Profit		
1.1. Current Period Profit	1,852,683	1,415,267
1.2. Taxes and Dues Payable (-)	452,402	305,429
1.2.1. Corporate Tax (Income Tax)	781,806	401,181
1.2.2. Income Tax Withholding	-	-
1.2.3. Other Taxes and Dues Payable (**)	(329,404)	(95,752)
A. Net Profit for the Period (1.1-1.2)	1,400,281	1,109,838
1.3. Prior year's Losses (-)	-	-
1.4. First Legal Reserves (-)	-	-
1.5. Other Reserves (-)	-	-
B. Distributable Net Period Profit [(A-(1.3+1.4+1.5)]	1,400,281	1,109,838
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 (-)	-	7,280
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	-	446,338
1.13. Other Reserves	-	389
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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 and estimates are reviewed regularly and, when necessary, appropriate corrections are made and the effects of such corrections are reflected on the income statement.

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively effects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures are still being taken in Turkey as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to the measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in Turkey and worldwide.

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of December 31, 2020, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in third section footnote numbered 1.6 “Explanations on Expected Credit Loss”. In the upcoming periods, the Bank will update its relevant assumptions are necessary and revise the realizations of past estimates.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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. TFRS 3 Explanations on Business Combinations Standard:

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Business combinations are accounted in accordance with TFRS 3 "Business Combinations" except for the assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

The interests of non-controlling shareholders in the acquire is initially measured at the non-controlling's proportion of the fair value of the assets, liabilities and contingent liabilities recognized.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

- *Explanations regarding the accounting policy applied for the acquisition of Neova Sigorta A.Ş.*

Following the necessary legal permissions on May 5, 2020, the Bank finalized the purchase of Neova Sigorta A.Ş. by completing the share transfer process. The Bank purchased 78,864,212 shares by paying TL 745,860 and increased the partnership share in Neova Sigorta A.Ş. from 7% to 100% by owning all the shares.

As per the principle related to "Accounting for business combinations under common control" the Public Oversight Accounting and Auditing Standards Authority issued in the Official Gazette No. 30568 dated 17 October 2018, business combinations under common control shall be accounted through restating previous period's financial statements via the pooling of interest method. In line with the aforementioned Authority decisions, The Group management restated its consolidated balance sheet and off-balance sheet as at 31 December 2019 and 1 January 2019 and also the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in shareholder's equity and cash flows for the period ended at 31 December 2019 due to the purchase of Neova Sigorta A.S.

The effects of the regulations and classifications described above are presented in detail below.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

I) Effects of regulations and classifications on consolidated financial statements as of January 1, 2019:

ASSETS		Notes	Reported 31/12/2018	Restatement Effects, Including Elimination Effects	Restated 01/01/2019
I.	FINANCIAL ASSETS (Net)		23,757,096	394,196	24,151,292
1.1	Cash and Cash Equivalents	(5.1.1)	17,407,571	290,505	17,698,076
1.1.2	Banks	(5.1.3)	6,896,927	290,505	7,187,432
1.2	Financial Assets at Fair Value Through Profit or Loss		103,094	108,462	211,556
1.2.3	Other Financial Assets		72,997	108,462	181,459
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4)	6,204,420	(4,771)	6,199,649
1.3.2	Equity Instruments		27,548	(4,771)	22,777
II.	FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5)	46,974,574	447,912	47,422,486
2.3	Financial Assets Measured At Amortized Cost	(5.1.6)	37,156	447,912	485,068
2.3.1	Government Debt Securities		37,156	176,891	214,047
2.3.2	Other Financial Assets		-	271,021	271,021
V.	TANGIBLE ASSETS (Net)		457,187	8,656	465,843
VI.	INTANGIBLE ASSETS (Net)		200,765	2,496	203,261
6.2	Other		200,765	2,496	203,261
IX.	DEFERRED TAX ASSETS	(5.1.12)	380,683	12,439	393,122
X.	OTHER ASSETS	(5.1.13)	2,890,428	557,963	3,448,391
	TOTAL ASSETS		75,012,986	1,423,662	76,436,648

LIABILITIES		Notes	Reported 31/12/2018	Restatement Effects, Including Elimination Effects	Restated 01/01/2019
I.	FUNDS COLLECTED	(5.2.1)	55,230,018	(238,365)	54,991,653
IV.	SECURITIES ISSUED (Net)		7,792,870	(147,565)	7,645,305
VIII.	PROVISIONS		800,522	1,288,762	2,089,284
8.2	Reserves For Employee Benefits		229,078	10,211	239,289
8.3	Insurance For Technical Provision (Net)		-	1,274,777	1,274,777
8.4	Other Provisions		571,444	3,774	575,218
IX.	CURRENT TAX LIABILITIES	(5.2.8.1)	177,652	28,901	206,553
XIII.	OTHER LIABILITIES	(5.2.4)	1,337,718	225,530	1,563,248
XIV.	EQUITY	(5.2.11)	5,419,534	266,399	5,685,933
14.5	Profit Reserves		1,110,535	13,041	1,123,576
14.5.1	Legal Reserves		187,583	13,186	200,769
14.5.4	Other Profit Reserves		(584)	(145)	(729)
14.6	Profit or Loss		808,383	253,358	1,061,741
14.6.1	Retained Earnings		(1,160)	154,865	153,705
14.6.2	Net Profit of the Period		809,543	98,493	908,036
	TOTAL LIABILITIES		75,012,986	1,423,662	76,436,648

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

II) Effects of regulations and classifications on consolidated financial statements as of December 31, 2019:

ASSETS		Notes	Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
I.	FINANCIAL ASSETS (Net)		43,374,329	1,167,817	44,542,146
1.1	Cash and Cash Equivalents	(5.1.1)	26,730,059	915,156	27,645,215
1.1.2	Banks	(5.1.3)	7,516,772	915,156	8,431,928
1.2	Financial Assets at Fair Value Through Profit or Loss		4,001,504	258,167	4,259,671
1.2.3	Other Financial Assets		59,910	258,167	318,077
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4)	12,460,760	(5,506)	12,455,254
1.3.2	Equity Instruments		38,583	(5,506)	33,077
II.	FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5)	59,782,476	353,543	60,136,019
2.3	Financial Assets Measured At Amortized Cost	(5.1.6)	2,859,381	353,543	3,212,924
2.3.1	Government Debt Securities		2,725,997	176,942	2,902,939
2.3.2	Other Financial Assets		133,384	176,601	309,985
V.	TANGIBLE ASSETS (Net)		834,101	12,242	846,343
VI.	INTANGIBLE ASSETS (Net)		198,760	3,239	201,999
6.2	Other		198,760	3,239	201,999
IX.	DEFERRED TAX ASSETS	(5.1.12)	401,782	15,071	416,853
X.	OTHER ASSETS	(5.1.13)	1,698,669	584,516	2,283,185
	TOTAL ASSETS		106,865,150	2,136,428	109,001,578

LIABILITIES		Notes	Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
I.	FUNDS COLLECTED	(5.2.1)	88,249,772	(253,637)	87,996,135
IV.	SECURITIES ISSUED (Net)		350,955	3,096	354,051
VIII.	PROVISIONS		1,099,254	1,710,118	2,809,372
8.2	Reserves For Employee Benefits		302,820	14,502	317,322
8.3	Insurance For Technical Provision (Net)		-	1,693,153	1,693,153
8.4	Other Provisions		796,434	2,463	798,897
IX.	CURRENT TAX LIABILITIES	(5.2.8.1)	226,221	29,176	255,397
XIII.	OTHER LIABILITIES	(5.2.4)	1,257,502	241,738	1,499,240
XIV.	EQUITY	(5.2.11)	6,786,936	405,937	7,192,873
14.5	Profit Reserves		1,472,776	21,283	1,494,059
14.5.1	Legal Reserves		231,728	21,428	253,156
14.5.4	Other Profit Reserves		70,251	(145)	70,106
14.6	Profit or Loss		1,028,480	384,654	1,413,134
14.6.1	Retained Earnings		(89,157)	228,350	139,193
14.6.2	Net Profit for the Period		1,117,637	156,304	1,273,941
	TOTAL LIABILITIES		106,865,150	2,136,428	109,001,578

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

III) January 1, 2019 and December 31, 2019 effects of the regulations and classifications on the Consolidated Statement of offsetting accounts:

		Reported 31/12/2018	Restatement Effects, Including Elimination Effects	Restated 01/01/2019
I.	A. COMMITMENTS AND CONTINGENCIES (I+II+III)	86,759,151	(299,101)	86,460,050
	GUARANTEES AND WARRANTIES	11,876,080	(299,101)	11,576,979
1.1.	Letters of Guarantee	10,391,279	(299,101)	10,092,178
1.1.3.	Other Letters of Guarantee	9,460,501	(299,101)	9,161,400
	TOTAL OFF-BALANCE SHEET ACCOUNTS	545,744,255	(299,101)	545,445,154

		Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
I.	A. COMMITMENTS AND CONTINGENCIES (I+II+III)	123,656,675	(299,101)	123,357,574
	GUARANTEES AND WARRANTIES	11,902,354	(299,101)	11,603,253
1.1.	Letters of Guarantee	10,007,571	(299,101)	9,708,470
1.1.3.	Other Letters of Guarantee	9,272,139	(299,101)	8,973,038
	TOTAL OFF-BALANCE SHEET ACCOUNTS	670,736,952	(299,101)	670,437,851

IV) Effects of regulations and classifications on Consolidated Income Statement as of December 31, 2019:

		Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
I.	PROFIT SHARE INCOME	7,558,226	187,630	7,745,856
1.3	Profit Share on Banks	257,954	90,055	348,009
1.5	Profit Share on Marketable Securities Portfolio	810,359	97,575	907,934
1.5.1	Fair Value Through Profit or Loss	66,463	29,731	96,194
1.5.3	Measured at Amortised Cost	78,732	67,844	146,576
II.	PROFIT SHARE EXPENSE (-)	3,991,466	(59,329)	3,932,137
2.1	Expense on Profit Sharing Accounts	3,050,658	(36,995)	3,013,663
2.4	Expense on Securities Issued	604,045	(22,951)	581,094
2.5	Profit Share Expense on Lease	62,146	617	62,763
III.	NET PROFIT SHARE INCOME (I - II)	3,566,760	246,959	3,813,719
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	490,868	(121,936)	368,932
4.1	Fees And Commissions Received	800,292	18,674	818,966
4.1.2	Other	625,196	18,674	643,870
4.2	Fees And Commissions Paid	309,424	140,610	450,034
4.2.2	Other	300,791	140,610	441,401
VI.	NET TRADING INCOME / LOSS	1,324,855	3,304	1,328,159
6.3	Foreign Exchange Gains/Losses	827,936	3,304	831,240
VII.	OTHER OPERATING INCOME	789,578	1,140,799	1,930,377
VIII.	GROSS OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)	6,174,902	1,269,126	7,444,028
X.	OTHER PROVISIONS (-)	59,711	8,851	68,562
XI.	PERSONNEL EXPENSES (-)	1,086,890	45,336	1,132,226
XII.	OTHER OPERATING EXPENSES (-)	979,920	1,012,088	1,992,008
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	1,407,971	202,851	1,610,822
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	1,421,698	202,851	1,624,549
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(300,733)	(47,423)	(348,156)
18.1	Current Tax Provision	(401,579)	(50,055)	(451,634)
18.3	Deferred Tax Expense Effect (-)	306,473	2,632	309,105
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	1,120,965	155,428	1,276,393
XXV.	NET PROFIT/LOSS (XVII+XXII)	1,120,965	155,428	1,276,393
25.1	Group's Income/Loss	1,117,637	156,304	1,273,941
25.2	Minority Interest Income/Loss (-)	3,328	(876)	2,452

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.6 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. In this context, the Parent Bank continues to apply the hedge accounting provisions of TAS 39.

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

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

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 (“FVOCI”). As for the classification and measurement of financial liabilities, the application of the existing terms of TAS 39 remain largely unchanged under TFRS 9.

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 default probability (CTR) 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. Loss in Default (LID) calculation is made using models established on the basis of sub-segments based on the bank's internal collection data. Default Amount (TT) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Macroeconomic scenarios affect TO values. The expected credit loss amount is calculated by weighting 3 different scenarios as Base, Good and Bad scenarios. The probability of default of the debtors and the loss rates in default vary with each scenario.

The Group has calculated the possible effects of the COVID-19 outbreak as of 31 December 2020 with the best estimate method, which it obtained on the principle of maximum effort to estimate and reasoning used in the calculation of expected credit losses. In the light of the aforementioned data, the Group revised its macroeconomic expectations in the calculation of expected credit loss, and the calculation made taking into account the change in PD with the update in the EDF model was reflected in the financial statements as of 31 December 2020. By its nature, the model effects are reflected in the financial statements with a delay due to the occurrence of the events and their effects at different times. For this reason, if deemed necessary the Bank may make sectoral based valuations in order to eliminate the timing difference and establish additional provisions for the sector or customers which are considered to have a high impact due to outbreak.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, due to the disruptions in economic and commercial activities resulting from the Covid-19 outbreak, the 90 days default periods for loans to be classified as non-performing loans shall be applied as 180 days; the 30 days periods for loans to be classified as stage 2 shall be applied as 90 days according to assembly's resolution dated on 17 March 2020. This measure will be effective until 31 December 2020. In this context,

- Temporarily, it is possible to classify the receivables that cannot be collected up to 90 days in stage 1, and the receivables that cannot be collected up to 180 days in Stage 2
- In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for costumers who do not want to be late in their instalments.

Terminatively, this leads the Banks continue to set aside provisions for such receivables in accordance with their own risk models used in the calculation of expected credit losses under TFRS 9.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecast of future economic conditions.

The Group applies a 'three-stage' impairment model depending on the gradual increase in credit risk observed since initial recognition

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

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

In this 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 rating of the rating is calculated by using the Parent Bank's rating ratings based on the internal rating of the parent Bank by using the rating of the credit rating. For the loan, the rating rating calculated on the reporting date exceeds the determined threshold values and is considered as a distortion in the rating.

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 30-day delay period for the classification of loans as Stage 2 has been implemented as 90 days until 31 December 2020; The Bank continues to provide provisions in accordance with this loan credit risk policy.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 90-day delay period for the classification of loans as Stage 3 has been implemented as 180 days until 31 December 2020. The BRSA extended these opportunities until 30 June 2021 with its decision dated 8 December 2020 and numbered 9312. The Bank continues to provide provisions in accordance with this loan credit risk policy.

1.7 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.

1.8 Explanations on TFRS 16 Leases Standard

The leasing transactions are presented by the lessor as assets (right-of-use assets) and liabilities from leasing transactions. TFRS 16 Standard eliminates the dual accounting model of leasing transactions on balance sheet and operational leasing transactions as direct expense except balance sheet.

Within the scope of TFRS 16, 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 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 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 December 31, 2020, the right-of-use assets classified tangible assets amounting to TL 529,263 in the balance sheet of the Parent Bank and lease obligations amounting to TL 559,081. In the twelve-month period that ended as of the same date, financial expenses amounting to TL 60,013 and depreciation expenses amounting to TL 117,438 were incurred.

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority ("POA") has changed to TFRS 16 "Leases" standard by publishing Privileges Granted in Lease Payments -"Amendments to TFRS 16 Leases" concerning Covid-19. With this change, tenants are exempted from whether there has been a change in the rental privileges in lease payments due to Covid-19. This change did not have a significant impact on the financial status or performance of the Bank.

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 (ALC) 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

3. Investments in Associates And Subsidiaries

Consolidated and Financial Statements " Turkey Accounting Standard for Consolidated Financial Statements" (TFRS 10) has been prepared in accordance with the provisions.

Titles, locations of the headquarters, main operations and Group's shares relating the consolidated entities are as follows:

Title	Address (City/Country)	Faaliyet Konusu	31-Dec-20	31-Dec-19	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
Nevoa Sigorta A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	7.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/ Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/ Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/ Turkey	Financial Institution	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/ Turkey	Financial Institution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/ Turkey	Financial Institution	50.00%	50.00%	Accounted with equity pick-up

() KT Sukuk Company Limited, established on July 31, 2015 in the Cayman Islands for the issuance of the bank's Tier-II subordinated loan, was excluded.*

Parent Bank and the subsidiaries, the financial tables of which are consolidated along with the Parent Bank, are collectively referred as "the Group."

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 separate 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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. 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 has continued to apply hedge accounting in accordance with TAS 39 in this context. The Group's cash flow hedging process has ended as of 31 December 2020.

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 Parent 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 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 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. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 Parent Bank management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to gains, losses or profit shares that were previously recorded in the financial statements.

7.1 Financial assets at fair value through profit or loss:

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

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 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 considering 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 2020, the Group has repurchased agreement amounting to TL 185,225 (31 December 2019: None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 depreciation period for licenses is determined based on the period in the license agreements.

There is no goodwill related to associates and subsidiaries.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

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

The Group has started implementing the TFRS 16 - Leases standard from 1 January 2019, the first date of the TFRS 16 standard. 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 Group's alternative borrowing profit rate. The Group has recognized the right to lease assets equal to the lease obligation by restating the previously paid or accrued lease payments.

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.

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 the depreciation liabilities in TAS 16 Tangible Fixed Assets while depreciating the right of use asset.

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.

The profit on the lease liability for each period of the lease term is the amount found by applying a fixed periodic profit rate to the remaining balance of the lease liability. Periodic profit rate is the Group's borrowing profit rate.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 Bank's revaluation.

14. Insurance Technical Income and Expense

In insurance companies, premium income is obtained after diminishing the shares transferred from arranged policy income to reinsurer.

Claims are recorded in expense on accrual basis. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reassurer's shares of outstanding and paid claims are offset in the provisions.

15. Explanations on insurance technical provisions

TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement".

Within the framework of the current insurance regulation, insurance technical provisions accounted by insurance companies for unearned Premium claims, unexpired risk reserve, outstanding claims and life-mathematical reserves are presented in the consolidated financial statements.

Unearned premium reserve is recognized on accrued premiums without discount or commission which extends to the next period or periods on a daily basis for the current insurance contracts.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the main branches specified by the Undersecretariat of Treasury. For each main branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision, is added to the unearned premium provision of that main branch.

If the outstanding claim reserve is established and confirmed by approximation and if there are unpaid or unidentified compensation amounts in both prior and current Accounting periods; it is separated for estimated yet unreported compensation amounts.

Mathematical reserve is recognized on actuarial bases in order to meet the requirements of policyholders and beneficiaries for life, health and personal accident insurance contracts for a period longer than a year.

On the other hand, actuarial chain ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve for the amount of uncertain indemnity, additional reserve must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted Insurance premiums ceded to reinsurers on contract that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Cost which vary and are directyl associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

16. 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.

17. Explanations on Liabilities Relating to Employee Benefits

17.1 Defined benefit plans:

In accordance with existing social legislation, the group is required to make severance pay to each employee who has completed over one year of service with the group and who retires or quits the employment to receive old age or disability benefits, to 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 Group’s employees are not members of any pension fund, foundations, union or other similar entities.

17.2 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.

17.3 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

18. Explanations on Taxation

Current Tax

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

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

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

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

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

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

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 or liabilities 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. 20% tax rate is used in the calculation of deferred tax assets and liabilities.

19. 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.

20. Explanations on Share Certificates Issued

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

21. Explanations on Acceptances And Aailed Drafts

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

22. Explanations on Government Grants

There are no government grants received by the Group.

23. Explanations on Segment Reporting

The Group operates in three main segments; Retail Banking, Corporate and Commercial Banking, Treasury and International 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.

24. Explanations on Other Matters

The Group has no disclosures on other matters.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2020 Group’s total capital has been calculated as TL 12,705,468 (31 December 2019: TL 10,668,414), capital adequacy ratio is 19.97% (31 December 2019: 18.96%).

Based on the press release made by the BRSA on 23 March 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provisions amounts, spot purchase exchange rate can be used in preparation of financial statements as of 31 December, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revaluation differences of the securities classified under “Financial Assets Measured at Fair Value through Other Comprehensive Income” which acquired before 23 March, 2020 may not be included in capital calculation. As of 31 December 2020, the Bank has used these opportunities in capital adequacy calculations.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.1. Components of Consolidated Total Capital:

	Current Period	Restated Prior Period
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,000,000
Share Premium	24,525	24,525
Reserves	1,996,805	1,494,059
Other Comprehensive Income According to TAS	204,250	268,165
Profit	1,324,475	1,413,134
Current Period Profit	1,746,138	1,273,941
Prior Period Profit	(421,663)	139,193
Minority Shares	-	-
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	30,004	28,461
Common Equity Tier I Capital Before Deductions	8,180,059	7,228,344
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	77,641	13,394
Leasehold Improvements On Operational Leases	77,771	66,940
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	260,421	192,334
Net Deferred Tax Asset/Liability	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	-
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	-
Net Amount Of Defined Benefit Plans	51,258	19,082
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital	4,869	4,234
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital	-	-
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital	-	-
Mortgage Servicing Rights Not Deducted	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences	-	-
Other Items To Be Defined By The BRSA	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals	-	-
Total Deductions From Common Equity Tier I Capital	471,960	295,984
Total Common Equity Tier I Capital	7,708,099	6,932,360

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	1,851,633	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	1,851,633	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	1,851,633	1,189,404
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	9,559,732	8,121,764
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (*)	2,592,281	2,073,399
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)	652,104	595,205
Total Deductions From Tier II Capital	3,244,385	2,668,604
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	3,244,385	2,668,604
Total Equity (Total Tier I And Tier II Capital)	12,804,117	10,790,368

(*) TL 5 of Tier II capital issue amounting to TL 2,592,286 issued via KT Sukuk Company Limited has been withdrawn and is deducted from equity.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Total Tier I Capital And Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)	5,828	5,505
Other Items To Be Defined By The BRSA (-)	92,821	116,449
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)	12,705,468	10,668,414
Total Risk Weighted Assets	63,613,084	56,262,955
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	12.12	12.32
Tier I Capital Ratio (%)	15.03	14.44
Capital Adequacy Ratio (%)	19.97	18.96
BUFFERS		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
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	7.62	7.82
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)	652,104	595,205
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	652,104	595,205
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 to Article 4 (to be implemented between January 1 , 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Information on debt instruments to be included in equity calculation:			
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED	KT AT One Company Limited
Instrument Code (CUSIP, ISIN vb.)	XS1323608635	XS2028862998	XS2227803819
Legislation to which the instrument is subject	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity
Consideration In Equity Calculation			
Subject to consideration application reduced by 10% from 1/1/2015	Not being subject	Not being subject	Not being subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Instrument Type	Subordinated Sukuk	Subordinated Sukuk	Subordinated Sukuk
Amount taken into account in equity calculation (as of last reporting date-TL million)	2,592	1,481	370
Nominal value of the instrument (TL million))	2,592	1,481	370
The account in which the instrument is followed accounting	3470103	3470003	3470003
Export date of the instrument	17/02/2016	16/07/2019	29/09/2020
Maturity structure of the instrument (demand/term))	Term	Demand	Demand
Initial maturity of the instrument	10 Years (Maturity Date : 02/17/2026)	Demand	Demand
Whether the issuer has the right to refund subject to BRSA approval	Yes	Yes	Yes
Date of repayment option, contingent repayment options and amount to be paid back	17/02/2021 - Complete	16/07/2024 - Complete	09/28/2025 – Complete
Subsequent repayment option dates	17/02/2021	07/16/2024	28/09/2025
Dividend payments			
Fixed or variable dividend payments	Fixed dividend payments	Fixed dividend payments	Fixed dividend payments
Dividend ratio and index value for dividend ratio	7.90%	9.13%	9.95%
Whether there are any restrictions that stop paying dividends	None	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative	Noncumulative
Ability to convert to stock			
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock.	Cannot be converted into stock	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertible instrument, if convertible to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Value reduction feature			
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Primary Unsecured Sukuk	Tier – 1	Tier - 1
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None

(*) TL 5 of Tier II capital issue amounting to TL 2,592,286 issued via KT Sukuk Company Limited has been withdrawn and is deducted from equity.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

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

Within this scope, capital structure is reviewed as based on the frame of the activities and risks exposed to, and the internal capital requirement, probable to occur within the direction of targets and strategies of the 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 debtors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

The credit risk which the Group is subjected to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits on the basis of countries and regions. Within this scope, the total risk which the Group had taken in the foreign country or region, the total of the credit risk taken by the banks residing abroad and/or their branches in Turkey, the total risks of the credits generated to the people residing abroad or with foreign 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 daily are determined and the risk intensity relevant to off the balance sheet transactions are being followed up.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for 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 Provisions to be Forged". 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 counter 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

The Parent Bank's top 100 and 200 cash loan customers represents 25% and 32% of the total cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 non-cash loan customers represent 32% and 41% of the total non-cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 cash and non-cash loan customers represent 23% and 29% 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	52,541,435	46,059,100
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	257,348	220,804
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	10,844,546	10,548,957
Conditional and unconditional receivables from corporates	29,908,024	24,190,958
Conditional and unconditional receivables from retail portfolios	14,182,890	12,555,220
Conditional and unconditional receivables secured by mortgages	21,852,188	18,635,524
Collateralized receivables with mortgages	243,934	264,990
Past due receivables	145,506	139,541
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	75,196	98,535
Stock Investments	84,991	65,478
Other receivables	6,559,826	6,447,057
Total	136,695,884	119,226,164

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Risk Classifications	Prior Period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or Central Banks	31,190,580	23,700,543
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	17,314,622	13,964,271
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
Past due receivables	366,696	296,723
Receivables defined under high risk category by BRSA	71,775	139,120
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	6,244,656	5,307,196
Total	96,464,751	83,006,633

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.1. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional receivables from central governments of 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	52,541,435	-	4,495,935	26,830,010	13,612,650	21,697,804	240,366	123,676	75,196	-	-	119,617,072
European Union Countries	-	-	685,457	2,953,148	532,512	39,700	2,998	21,830	-	-	-	4,235,645
OECD Countries (**)	-	-	1,908,656	51,038	5,118	11,835	3	-	-	-	-	1,976,650
Off-Shore Regions	-	-	5,930	10,468	181	33,605	323	-	-	-	-	50,507
USA, Canada	-	-	3,089,839	2,504	667	6,287	-	-	-	-	-	3,099,297
Other Countries	-	257,348	658,729	60,856	31,762	62,957	244	-	-	-	-	1,071,896
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	84,991	-	84,991
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	6,559,826	6,559,826
Total	52,541,435	257,348	10,844,546	29,908,024	14,182,890	21,852,188	243,934	145,506	75,196	84,991	6,559,826	136,695,884

(*) 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 of 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	31,190,580	-	9,694,492	14,644,904	9,592,411	14,542,010	366,020	71,775	94,539	-	-	80,196,731
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(***)	-	-	-	-	-	-	-	-	-	-	6,244,656	6,244,656
Total	31,190,580	213,413	17,314,622	16,604,167	9,606,960	14,693,282	366,696	71,775	94,539	64,061	6,244,656	96,464,751

(*) 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."

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2.2. Risk profile by sectors or counterparties

Current Period	Conditional receivables													Total (*)						
	Conditional and unconditional receivables from central governments or banks	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from 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 receivables from retail	Conditional unsecured 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	Other receivables	TL	FC	Total (*)	
Agriculture	-	-	-	-	-	456,738	249,476	498,991	7,699	-	-	-	-	-	-	-	-	951,636	261,268	1,212,904
Farming and Stockbreeding	-	-	-	-	-	422,123	182,714	411,243	2,822	-	-	-	-	-	-	-	-	783,710	235,192	1,018,902
Forestry	-	-	-	-	-	33,267	64,605	87,145	4,877	-	-	-	-	-	-	-	-	163,829	26,065	189,894
Fishery	-	-	-	-	-	1,348	2,157	603	-	-	-	-	-	-	-	-	-	4,097	11	4,108
Manufacturing	-	-	-	-	-	10,962,566	3,688,267	4,391,612	30,170	-	-	-	-	-	-	-	-	10,797,995	8,274,620	19,072,615
Mining and Quarrying	-	-	-	-	-	2,206,974	634,065	714,788	4,412	-	-	-	-	-	-	-	-	2,169,516	1,390,723	3,560,239
Production	-	-	-	-	-	5,877,264	2,767,732	3,374,290	23,973	-	-	-	-	-	-	-	-	8,097,605	3,945,654	12,043,259
Electricity, Gas and Water	-	-	-	-	-	2,878,328	286,470	302,534	1,785	-	-	-	-	-	-	-	-	530,874	2,938,243	3,469,117
Construction	-	-	-	-	-	6,537,670	1,384,963	3,074,401	100,690	-	-	-	-	-	-	-	-	6,173,383	4,924,341	11,097,724
Services	52,541,435	-	-	-	-	7,401,509	4,473,779	5,564,614	92,860	-	-	-	-	75,196	-	84,991	-	34,876,966	46,459,312	81,336,278
Wholesale and Retail Trade	-	-	-	-	-	4,505,966	3,088,213	3,813,872	51,970	-	-	-	-	-	-	-	-	8,957,769	2,502,252	11,460,021
Accommodation and Dining	-	-	-	-	-	51,168	102,827	243,384	12,542	-	-	-	-	-	-	-	-	265,686	144,235	409,921
Transportation and Telecom.	-	-	-	-	-	1,323,557	617,845	443,599	11,311	-	-	-	-	-	-	-	-	1,388,657	1,007,655	2,396,312
Financial Institutions	52,541,435	-	-	-	-	35,327	3,348	42,780	66	-	-	-	-	75,196	-	84,991	-	21,888,653	41,996,384	63,885,037
Real Estate and Rental Services	-	-	-	-	-	707,598	182,845	389,677	3,861	-	-	-	-	-	-	-	-	815,435	468,546	1,283,981
Professional Services	-	-	-	-	-	11	3,494	86	18	-	-	-	-	-	-	-	-	240	3,369	3,609
Educational Services	-	-	-	-	-	42,025	49,127	118,851	7,139	-	-	-	-	-	-	-	-	159,002	58,140	217,142
Health and Social Services	-	-	-	-	-	735,857	426,080	512,365	5,953	-	-	-	-	-	-	-	-	1,401,524	278,731	1,680,255
Others	-	-	-	-	-	4,549,541	4,386,405	8,322,570	12,515	-	-	-	-	-	-	-	-	6,559,826	8,218,470	23,976,363
Total	52,541,435	-	-	-	-	29,908,024	14,182,890	21,852,188	243,934	145,506	-	-	-	75,196	84,991	-	6,559,826	68,557,873	68,138,011	136,695,884

(*) 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."

KUVEY'T TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from 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 receivables from retail	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 Investment	Other receivables	TL	FC	Total (*)
Agriculture	-	-	-	-	-	119,667	156,206	228,587	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	-	-	-	-	-	5,599,752	3,209,368	3,763,231	165,284	228	-	-	-	-	-	-	16,314,603	45,300,475	61,615,078
Wholesale and Retail Trade	-	-	-	-	-	2,252,736	2,185,655	2,490,141	62,331	205	-	-	-	-	-	-	6,076,175	914,893	6,991,068
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	-	-	-	-	-	1,894,579	1,358	4,177	339	-	-	-	-	-	-	-	6,711,856	44,059,812	50,771,668
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	141,735	699	-	-	-	-	-	-	-	256,249	11,406	267,655
Health and Social Services	-	-	-	-	-	279,874	313,355	321,548	4,254	3	-	-	-	-	-	-	807,720	111,314	919,034
Others	-	-	-	-	-	853,313	2,327,370	5,272,866	16,607	71,120	-	-	-	-	-	-	6,244,656	3,194,076	14,785,932
Total	31,190,580	-	-	-	-	17,314,622	16,004,167	14,693,282	366,696	71,175	-	-	-	-	-	-	62,444,686	50,455,696	96,464,751

(*) 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."

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	4,938,677	-	-	778,383	19,108,987
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	-	-	-	-	257,348
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	5,294,479	482,334	11,721	63,165	326,989
Conditional and unconditional receivables from corporates	5,414,730	1,195,651	5,333,584	3,947,355	13,984,082
Conditional and unconditional receivables from retail portfolios	2,135,905	987,609	2,245,923	1,934,120	6,717,234
Conditional and unconditional receivables secured by mortgages	1,202,800	767,140	1,693,683	2,476,893	15,711,672
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	145,506	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate investments similar to collective investment funds	20,921	15,645	7,180	-	31,450
Stock Investments	-	-	-	-	84,991
Other Receivables	-	-	-	-	-
Total	19,153,018	3,448,379	9,292,091	9,199,916	56,222,753

(*) 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	425,122	-	-	1,728,966	12,440,897
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	1,563,588
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	3,205
Stock Investments	-	-	-	-	64,061
Other Receivables	-	-	-	-	-
Total	7,440,991	2,881,725	10,161,474	6,624,432	38,054,129

(*) 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.”

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.4 Exposure Categories

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

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

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2.5 Credit risk using the standard approach:

2.5.1. Credit risk exposed and credit risk mitigation effects:

		CCF and CRM		CCF and CRM		RWA and RWA density	
		Receivable before		Receivable post		RWA	
	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	52,084,727	-	57,700,165	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	257,348	-	257,348	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	10,030,188	1,394,201	10,030,188	198,443	2,638,044	26
7	Receivables from corporate	27,088,135	5,903,214	23,671,537	2,760,742	25,841,802	98
8	Retail receivables	12,271,562	7,685,326	10,929,372	1,893,535	9,265,376	72
9	Receivables secured by residential property	9,742,590	824,752	9,483,985	355,864	3,412,799	35
10	Receivables secured by commercial property	10,888,344	1,849,942	10,352,716	858,770	7,568,601	68
11	Non-performing receivables	243,934	-	181,517	-	94,004	52
12	Receivables in high-risk categories	145,506	-	145,506	-	218,231	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	75,196	-	75,196	-	18,455	25
16	Other receivables	6,559,826	-	6,559,826	-	2,781,048	42
17	Stock investments	84,991	-	84,991	-	84,991	100
18	Total	129,472,347	17,657,435	129,472,347	6,067,354	51,923,351	

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.5.2. Exposures by asset classes and risk weights:

Risk Classes / Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Others*	Total risk amount (post-CCF and CRM)
1 Receivables from central governments and Central Banks	57,700,165	-	-	-	-	-	-	-	-	57,700,165
2 Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	257,348	-	-	-	-	-	-	-	-	257,348
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	16,923	-	9,032,433	695,436	-	483,839	-	-	-	10,228,631
7 Receivables from corporate	318,136	-	340,426	-	-	25,773,717	-	-	-	26,432,279
8 Retail receivables	281,308	-	256,042	-	12,285,557	-	-	-	-	12,822,907
9 Receivables secured by residential property	57,575	-	73,308	-	-	-	-	-	9,708,965	9,839,848
10 Receivables secured by commercial property	82,410	-	110,029	6,944,903	-	4,074,145	-	-	-	11,211,487
11 Non-performing receivables	861	-	412	172,644	-	7,600	-	-	-	181,517
12 Receivables in high-risk categories	19	-	-	-	-	-	145,487	-	-	145,506
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	22,731	-	36,610	9,444	-	6,411	-	-	-	75,196
16 Stock investments	-	-	-	-	-	84,991	-	-	-	84,991
17 Other receivables	3,777,505	-	1,591	-	-	2,780,730	-	-	-	6,559,826
18 Total	62,514,981	-	9,850,851	7,822,427	12,285,557	33,211,433	145,487	-	9,708,965	135,539,701

* 35% Risk Weight is classified in the "Others" section.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.6. Risk amounts according to risk weights:

Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Risk Weights										
Exposures before Credit Risk Mitigation	56,159,234	-	9,070,634	10,098,454	8,349,267	14,165,097	37,551,509	145,506	-	-
Exposures after Credit Risk Mitigation	62,514,981	-	9,850,851	9,708,965	7,822,427	12,285,557	33,211,433	145,487	-	-

Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Risk Weights										
Exposures before Credit Risk Mitigation	19,175,728	-	5,866,983	6,921,378	28,611,365	9,600,544	24,169,513	71,775	-	-
Exposures after Credit Risk Mitigation	20,567,013	-	6,307,197	6,698,423	30,294,800	8,662,945	21,815,150	71,758	-	-

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	254,002	50,399
Farming and Stockbreeding	233,481	75,984
Forestry	19,499	15,872
Fishery	1,022	3,678
Manufacturing	2,121,591	453,590
Mining and Quarrying	490,170	181,608
Production	1,505,834	667,459
Electricity, Gas and Water	125,587	51,269
Construction	1,480,599	1,288,690
Services	2,874,720	1,028,716
Wholesale and Retail Trade	1,572,153	904,496
Accommodation and Dining	204,438	160,115
Transportation and Telecommunication	249,028	131,261
Financial Institutions	7,820	4,012
Real Estate and Rental Services.	457,523	165,592
Professional Services	5,207	799
Educational Services	64,574	77,756
Health and Social Services	313,977	82,433
Others	824,376	148,859
Total	7,555,288	2,970,254

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior Period	Loans		Provisions
	Impaired Loans		Expected Credit Loss Provisions (*)
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	
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.

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 (*)	1,557,589	1,702,008	(331,486)	(403,794)	2,524,317
Stage 1&2 Provisions (**)	1,485,484	1,538,514	(99,614)	-	2,924,384

Prior 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

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	42,914,258	-	42,914,258
Germany	6,389,664	-	6,389,664
England	56,079	-	56,079
Albania	43,248	-	43,248
Iraq	20,621	-	20,621
Marshall Islands	20,368	-	20,368
Italy	13,187	-	13,187
Saudi Arabia	11,373	-	11,373
Qatar	4,772	-	4,772
Hungary	2,979	-	2,979
Other	18,021	-	18,021

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	27,991,272	-	27,991,272
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

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 2020.

	Cash Loans	Non-Cash Loans	Total
High Quality	44.99%	63.93%	47.47%
Medium Quality	32.35%	23.33%	31.16%
Average	15.48%	11.01%	14.90%
Below Average	7.18%	1.73%	6.47%

Note: All portfolio is rated.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

3. Explanations on consolidated currency risk

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. The "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 2020, the Group carries a net foreign currency short position of TL 21,796,612 (31 December 2019 – TL 8,378,733 long position) comprising of TL 21,899,484 balance sheet long position (31 December 2019 - TL 7,931,895 short position) and TL 102,872 off balance sheet long position (31 December 2019 – TL 446,838 long position).

The announced current foreign exchange buying rates of the Parent Bank as of 31 December 2020 and the previous five working days are as follows (full TL):

	24/12/2020	25/12/2020	28/12/2020	29/12/2020	30/12/2020	Balance Sheet Valuation Rate
USD	7.6107	7.56463	7.47681	7.40353	7.34181	7.40653
EURO	9.28474	9.21736	9.13757	9.06682	9.01014	9.09967
GBP	10.33891	10.25926	10.11788	9.98879	9.96032	10.10961
CHF	8.56629	8.50385	8.40333	8.35228	8.30637	8.40579
JPY	0.07344	0.07308	0.07222	0.0714	0.07112	0.07183

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	7.71618
EURO	9.39106
GBP	10.36876
CHF	8.68225
JPY	0.07435

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 (**)	9,001,993	9,677,347	5,287,203	23,966,543
Banks (****)	644,121	352,463	5,259,185	6,255,769
Financial assets at fair value through profit and loss	885,744	275,145	5,659,521	6,820,410
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	368,754	4,970,879	-	5,339,633
Loans and finance lease receivables (*)	14,635,388	13,719,665	17,232	28,372,285
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Financial assets at amortized cost	3,857,987	2,373,500	-	6,231,487
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	13,683	1,173	-	14,856
Intangible assets	77,261	-	-	77,261
Other assets (*****)	8,106,276	290,881	2,639	8,399,796
Total assets	37,591,207	31,661,053	16,225,780	85,478,040
Liabilities				
Current account and funds collected from Banks via participation accounts	497,579	100,797	233,373	831,749
Current and profit sharing accounts FC (***)	16,280,443	38,670,358	37,433,072	92,383,873
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	862,627	8,760,661	-	9,623,288
Marketable securities issued	-	3,337,298	-	3,337,298
Miscellaneous payables	119,571	156,326	109,448	385,345
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	260,479	422,843	29,777	713,099
Total liabilities	18,020,699	51,448,283	37,805,670	107,274,652
Net balance sheet position	19,570,508	(19,787,230)	(21,579,890)	(21,796,612)
Net off-balance sheet position	(19,869,202)	20,187,707	21,580,979	21,899,484
Financial derivative assets	730,800	25,033,494	21,919,119	47,683,413
Financial derivative liabilities	20,600,002	4,845,787	338,140	25,783,929
Non-cash loans (***)	1,840,536	2,349,832	205,654	4,396,022
Prior period				
Total assets	32,421,730	25,771,122	11,237,311	69,430,163
Total liabilities	12,507,749	36,360,587	12,183,094	61,051,430
Net balance sheet position	19,913,981	(10,589,465)	(945,783)	8,378,733
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

(*) Includes foreign currency indexed loans amounting to TL 1,740,355 (31 December 2019 – TL 2,662,329).

(**) 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 1,537 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 122,089

(*****) Includes provisions for expected losses amounting to TL 328 in the balance sheet

(*****) Includes deferred tax assets amounting to TL 73,642 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 333,060 (31 December 2019 – TL 163,236)
- Prepaid expenses: TL 693 (31 December 2019 – 1,217 TL)
- Derivative financial liabilities held for trading: TL 286,320 (31 December 2019 – TL 164,719)
- Marketable securities of FC revaluation reverse: (94,206) (31 December 2019 - TL (82,154))
- Derivative financial liabilities held for hedging: None (31 December 2019 - TL 129,728)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

- Forward foreign currency purchase transactions TL 1,121,892 (31 December 2019 – TL 907,403)
- Forward foreign currency sale transactions: TL 1,177,606 (31 December 2019 – TL 983,763)
- Precious metal purchase transactions: TL 20,984,650 (31 December 2019 – TL 15,348)
- Precious metal sale transactions: TL 30,525 (31 December 2019 – TL 322,394)

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%	40,048	60,382	40,048	60,382
EURO	10%	(29,869)	(14,123)	(29,869)	(14,123)
GOLD	10%	11,870	3,545	11,870	3,545

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	49,146	-	-
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	61,311	-	-
Quoted Securities	-	-	-
Prior Period Equity Securities (shares) investments (*)	Carrying Value	Comparison	
		Fair Value	Market Value
Securities Available-for-Sale	33,077	-	-
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	40,381	-	-
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.*

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

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

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

Liquidity risk is managed by the Asset and Liability Committee (ALCO) and relevant business units within the framework of the Liquidity Risk Policy and risk appetite approved by the Board of Directors. In liquidity risk management, the measures to be taken and the practices to be implemented are determined, taking into account normal economic and stress conditions. The Bank defines the liquidity risk, measures, monitors and periodically presents the risks with liquidity risk measurement methods in accordance with international standards. Liquidity risk stress tests are carried out on a monthly basis. Emergency Funding Plan (Liquidity Contingency Plan) was created to regulate the procedures and principles for the bank to ensure and maintain sufficient liquidity level under stress conditions.

The ratios of the bank regarding the liquidity risk are well above the legal limits. The Bank keeps the liquidity buffer at high levels, taking into account the periods when liquidity risk may increase. Due to this approach, it was evaluated that the negative effects of the global COVID-19 epidemic did not have a significant effect on the liquidity need of the Bank.

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

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

The Group has a strong capital structure and is supported by its main shareholder is Kuwait Finance House; also its current and participation accounts are spread to the base and are stable, and its sources of foreign borrowing are diversified. Hence, by the virtue of the aforementioned facts, the Bank has a high risk capacity. In addition, the Liquidity Coverage Ratio of the 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 Management manages the liquidity risk and funding risk in order to prevent insufficiencies of funding relating to any time or any source and makes reports related with the liquidity position to Asset and Liability Committee regularly. Official and International Reporting Directorate tracks the liquidity coverage ratio and the results are reported to the BRSA.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

5.4 Information on liquidity management on the basis of currencies constituting a minimum of five percent of the 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. Liabilities denominated in TL are used in order to fund assets that are denominated in TL, assets denominated in TL are generated through foreign exchange based funds with swap operations if necessary. Foreign currency funds are provided with the foreign sourced credits denominated in foreign currency and sukuk-financial certificates issued. Liquidity denominated in foreign currency is kept at the interbank operations and accounts of the corresponding bonds within the limits. Liabilities denominated in Gold are kept at the required reserve accounts of the Central Bank of the Turkish substantially.

5.5. Information on liquidity risk mitigation techniques:

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

5.6. Information on the use of stress tests:

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 months	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2020								
Funds Collected	114,170,245	6,715,547	4,946,413	848,336	14,020	126,694,561	-	126,694,561
Other Fundings	1,610,468	146,860	2,709,958	4,548,423	2,694,681	11,710,390	(1,915,804)	9,794,586
Debts from lease transaction	14,440	24,612	98,136	183,852	28,254	349,294	-	349,294
Securities issued	1,141,578	881,784	3,796,075	-	-	5,819,437	(660,164)	5,159,273
Funds from repo transaction	185,613	-	-	-	-	185,613	(388)	185,225
Total	117,122,344	7,768,803	11,550,582	5,580,611	2,736,955	144,759,295	(2,576,356)	142,182,939
31 December 2019								
Funds Collected	78,022,451	5,696,820	3,512,723	764,141	-	87,996,135	-	87,996,135
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	88,758	206,311	22,340	354,051	-	354,051
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	78,734,983	6,073,906	5,423,300	6,378,620	2,328,110	98,961,259	(2,140,700)	96,820,559

Maturity analysis for guarantees and contingencies

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Unallocated	Total
31 December 2020								
Letters of Guarantee	4,637,690	132,884	594,287	2,651,575	1,509,732	62,465	-	9,588,633
Bills of Exchange and Bank Acceptances	2,088	15,514	21,830	1,564	-	-	-	40,996
Letters of Credit	468,566	246,461	476,051	427,027	66,917	-	-	1,685,022
Other guarantees	464,044	1,820	1,984	65,962	8,336	4,536	-	546,682
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
Total	5,572,388	396,679	1,094,152	3,146,128	1,584,985	67,001	-	11,861,333
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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Contractual maturity analysis of derivative instruments:

31 December 2020						
	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	19,446,342	26,065,934	845,511	990,716	-	47,348,503
Exit	20,158,833	27,145,532	790,854	905,607	-	49,000,826
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total Cash Inflow	19,446,342	26,065,934	845,511	990,716	-	47,348,503
Total Cash Outflow	20,158,833	27,145,532	790,854	905,607	-	49,000,826

31 December 2019						
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	12,077,560	10,566,931	4,609,357	412,627	-	27,666,475
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	4,609,357	1,575,203	-	28,829,051
Total Cash Outflow	12,195,664	10,677,764	4,526,288	1,480,540	-	28,880,256

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Liquidity coverage ratio

<i>Current Period</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	39,648,579	25,901,529	38,662,197	24,915,147
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	55,219,940	16,267,567	4,911,996	1,626,757
3	Stable deposits	12,199,949	-	609,997	-
4	Less stable deposits	43,019,991	16,267,567	4,301,999	1,626,757
5	Unsecured wholesale funding, of which:	26,153,465	19,781,632	15,278,159	11,939,524
6	Operational deposits	-	-	-	-
7	Non-operational deposits	19,089,094	13,698,769	8,157,205	5,800,167
8	Unsecured funding	7,064,371	6,082,863	7,120,954	6,139,357
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	26,571,971	16,568,126	26,565,022	16,566,735
11	Outflows related to derivative exposures and other collateral requirements	26,566,415	16,568,126	26,565,022	16,566,735
12	Outflows related to restructured financial Instruments	5,556	-	-	-
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	17,403,730	4,719,856	1,534,567	239,311
16	TOTAL CASH OUTFLOWS			48,289,744	30,372,327
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	20,624,936	12,432,686	16,488,161	11,906,245
19	Other cash inflows	26,782,067	26,152,418	26,779,564	26,149,915
20	TOTAL CASH INFLOWS	47,407,003	38,585,104	43,267,725	38,056,160
				Upper Limit Applied Value	
21	TOTAL HQLA			38,662,197	24,915,147
22	TOTAL NET CASH OUTFLOWS			12,072,436	7,593,082
23	LIQUIDITY COVERAGE RATIO (%)			320.25	328.13

(*) 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 2020:

	Highest	Date	Lowest	Date	Average
TL+FC	397.95	28/01/2020	233.35	28/04/2020	324.63
FC	495.60	31/01/2020	196.65	14/06/2020	316.94

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Liquidity risk management and liquidity coverage ratio (continued)

<i>Prior Period</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	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:				
3	Stable deposits	46,310,797	14,182,034	4,066,501	1,418,203
4	Less stable deposits	11,291,580	-	564,579	-
5	Unsecured wholesale funding, of which:	35,019,217	14,182,034	3,501,922	1,418,203
6	Operational deposits	16,772,002	11,695,643	9,399,904	6,911,683
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	13,256,946	8,617,440	5,884,848	3,833,480
9	Secured wholesale funding	3,515,056	3,078,203	3,515,056	3,078,203
10	Other cash outflows of which:				
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	12,550,258	12,180,971	12,550,258	12,180,971
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	TOTAL CASH OUTFLOWS	16,207,218	4,972,052	1,161,643	273,377
				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 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 the period between 1 January – 31 December 2019:

Prior Period:

	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 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (***)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	6,637,647	18,473,323	-	-	-	-	-	25,110,970
Banks (*)	5,380,564	-	1,348,720	640,494	-	-	-	7,369,778
Financial assets at fair value through profit and loss	-	35,609	5,045,820	2,244,046	349,947	5	87,772	7,763,199
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	179,750	269,760	1,835,628	18,324,240	-	113,707	20,723,085
Loans (**)	-	10,652,407	9,051,513	24,701,706	30,700,992	4,907,789	(2,497,287)	77,517,120
Loans measured at amortised cost	-	-	3,675,988	382,349	2,441,473	-	-	6,499,810
Other assets (***)	8,537,925	720,012	330,561	89,906	857,093	-	2,677,654	13,213,151
Total assets	20,556,136	30,061,101	19,722,362	29,894,129	52,673,745	4,907,794	381,846	158,197,113
Liabilities								
Current account and funds collected from banks via participation accounts	843,666	20	-	-	-	-	-	843,686
Current and profit sharing accounts	73,523,304	39,803,255	6,715,547	4,946,413	848,336	14,020	-	125,850,875
Funds provided from other financial institutions	-	915,046	3,375,665	2,607,293	3,217,621	28,255	-	10,143,880
Money market borrowings	-	185,225	-	-	-	-	-	185,225
Marketable securities issued	-	1,328,260	755,504	3,075,509	-	-	-	5,159,273
Miscellaneous payables	662,768	120,963	-	-	-	-	-	783,731
Other Liabilities (****)	-	2,190,098	1,261,364	12,609	12,756	-	11,753,616	15,230,443
Total Liabilities	75,029,738	44,542,867	12,108,080	10,641,824	4,078,713	42,275	11,753,616	158,197,113
Net liquidity gap	(54,473,602)	(14,481,766)	7,614,282	19,252,305	48,595,032	4,865,519	(11,371,770)	-
Prior period								
Total assets	16,456,130	25,029,166	8,599,635	21,375,011	33,237,258	2,911,169	1,393,209	109,001,578
Total liabilities	37,304,079	42,377,871	6,494,668	5,242,158	5,061,569	2,239,399	10,281,834	109,001,578
Net liquidity gap	(20,847,949)	(17,348,705)	2,104,967	16,132,853	28,175,689	671,770	(8,888,625)	-

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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)	160,626,497	103,613,007
2	(Assets deducted in determining Tier I Capital)	(478,778)	(274,081)
3	Total on-balance sheet risks (sum of lines 1 and 2)	160,147,719	103,338,926
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	629,764	288,592
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	482,894	390,743
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,112,658	679,335
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	2,119,201	572,070
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	2,119,201	572,070
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	69,537,344	65,620,425
11	(Adjustments for conversion to credit equivalent amounts)	(42,998,895)	(42,603,597)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	26,538,449	23,016,828
Capital and total risks			
13	Tier I Capital	9,567,064	7,716,781
14	Total risks (sum of lines 3, 6, 9 and 12)	189,918,027	127,607,159
Leverage ratio			
15	Leverage ratio	5.04	6.05

(*) 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 5.04% (31 December 2019 – 6.05%). 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 24% due to the profit for the period, balance-sheet risks increased by 55%, and off-balance sheet items increased by 15%. Accordingly, the leverage ratio of the current period compared to the previous year shows a increase of 101 basis points.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Banks	7,370,553	8,431,928	7,370,553	8,431,928
Financial assets at FVTOCI	20,723,085	12,455,254	20,723,085	12,455,254
Financial assets valued at amortised cost	6,499,810	3,212,924	6,512,551	2,887,798
Loans and lease receivables	80,077,369	57,856,487	78,598,461	51,203,405
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	843,686	405,913	843,686	405,913
Other current and profit sharing accounts	125,850,875	87,590,222	125,850,875	87,590,222
Money market borrowings	185,000	-	185,225	-
Funds provided from other financial institutions	9,794,586	3,828,208	10,728,442	2,512,293
Finance Lease Payable	5,159,273	4,642,165	5,222,499	4,604,571
Securities issued	2,193,882	1,499,240	2,193,882	1,499,240
Other Liabilities	349,294	354,051	349,294	354,051

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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, while the Bank continues to apply TAS 39 policy for the hedge accounting, Cash Flow Hedge (“CFH”) accounting ended as of 31 December 2020.

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, 2020 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
Total	-	-	-	1,289,330	-	129,728

(*) Only the "sell" legs of the related derivative financial instruments are presented. As of 31 December 2020, there is no balance in the Statement of off-balance Sheet for these derivative transactions. Including the purchase legs of TL 1,162,576 on 31 December 2019, the total amount of these derivative transactions Derivative financial instrument principal total of TL 2,451,906 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 are 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 107,475,903 (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 (375,780) and TL (199,555), respectively in the current period.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Cash flow hedge:

The Parent 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. However, the accounting of CFH applied by the Bank has ended as of September 30, 2020.

In the below table, the effect of accounting of CFH (current and prior period) is explained:

Current Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	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	-	-	-

(*) Includes the deferred tax effect. There is no current period deferred tax effect.

Prior Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	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)

(**) 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, 2020 cash flow hedge transactions have been determined as effective.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 appetite 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 clients 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 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 default 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 parent bank is exposed to market risk due to its treasury transactions and other financial operations. 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 operations, 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

10.1.2. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2020	Restated Prior Period 31/12/2019	Current Period 31/12/2020
1	Credit risk (excluding counterparty credit risk) (CCR)	51,904,896	47,393,050	4,152,392
2	Standardised approach (SA)	51,923,351	47,417,649	4,153,868
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	244,931	198,728	19,594
5	Standardised approach for counterparty credit risk (SA-CCR)	244,931	198,728	19,594
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal model's equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	18,455	24,598	1,476
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	3,838,461	2,978,934	307,077
17	Standardised approach (SA)	3,838,461	2,978,934	307,077
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	7,606,341	5,667,645	608,507
20	Basic indicator approach	7,606,341	5,667,645	608,507
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)	63,613,084	56,262,955	5,089,046

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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				
		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securitization Positions	Market Risk
Assets						
Cash and Balances with Central Bank of Turkey	25,110,970	25,110,970	25,110,970	-	-	-
Banks	7,370,553	7,370,553	7,370,553	-	-	-
Receivables From Money Markets	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	7,681,397	7,681,397	-	-	-	7,681,397
Financial Assets at Fair Value Through OCI	20,723,085	20,723,085	20,723,085	-	-	-
Financial Assets Measured at Amortised Cost	6,499,810	6,499,810	6,499,810	-	-	-
Derivative Financial Assets	461,606	461,606	-	461,606	-	-
Expected Loss Provisions (-)	5,449,476	5,449,476	2,524,317	-	-	2,925,159
Loans	78,036,627	78,036,627	78,036,627	-	-	-
Lease Receivables	5,010,996	5,010,996	5,010,996	-	-	-
Factoring Receivables	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	519,087	519,087	519,087	-	-	-
Subsidiaries	23,680	23,680	23,680	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	61,311	61,311	61,311	-	-	-
Tangible Assets (Net)	924,082	924,082	846,311	-	-	77,771
Intangible Assets (Net)	273,145	273,145	12,724	-	-	260,421
Investment Properties (Net)	77,457	77,457	77,457	-	-	-
Current Tax Asset	-	-	-	-	-	-
Deferred Tax Asset	835,522	835,522	835,522	-	-	-
Other Assets	10,037,261	10,037,261	10,037,261	-	-	-
Total Assets	158,197,113	158,197,113	152,641,077	461,606	-	7,681,397
Liabilities						
Funds Collected	126,694,561	126,694,561	-	-	-	126,694,561
Borrowings	5,204,321	5,204,321	-	-	-	5,204,321
Debt to money markets	185,225	185,225	-	185,225	-	-
Securities Issued (Net)	5,159,273	5,159,273	-	-	-	5,159,273
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	1,676,806	1,676,806	-	-	-	1,676,806
Lease Payables	349,294	349,294	-	-	-	349,294
Provisions	3,722,802	3,722,802	-	-	-	3,722,802
Current Tax Liabilities	389,870	389,870	-	-	-	389,870
Deferred Tax Liabilities	-	-	-	-	-	-
Subordinated Debt Instruments	4,590,265	4,590,265	-	-	-	4,590,265
Other Liabilities	2,193,882	2,193,882	-	-	-	2,193,882
Equity	8,030,814	8,030,814	-	-	-	8,030,814
Total Liabilities	158,197,113	158,197,113	-	185,225	-	158,011,888

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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)	158,197,113	155,503,586	-	461,606	7,763,199
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	185,225	-
3- Total net amount	158,197,113	155,503,586	-	646,831	7,763,199
4- Off-balance sheet amounts	164,511,047	6,067,354	-	972,089	96,349,329
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	-	(26,031,239)	-	-	-
9-Risk Amounts	322,708,160	135,539,701	-	1,618,920	104,112,528

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	2,970,254	80,077,369	2,524,317	80,523,306
2	Debt securities	-	27,433,847	210,952	27,222,895
3	Off-balance sheet exposures (*)	-	19,952,357	439,754	19,512,603
4	Total	2,970,254	127,463,573	3,175,023	127,258,804

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

Restated 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	2,109,681	57,856,487	1,557,589	58,408,579
2	Debt securities	-	15,682,556	8,872	15,673,684
3	Off-balance sheet exposures (*)	-	17,391,736	421,583	16,970,152
4	Total	2,109,681	90,930,779	1,988,044	91,052,415

(*) 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	2,109,681	1,185,840
2	Loans and debt securities that have been defaulted since the last reporting period	1,638,811	2,329,691
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	403,794	974,156
5	Other changes	(374,444)	(431,694)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	2,970,254	2,109,681

(*) Includes the amount of TL 153,338 of non-performing loans, for which one hundred percent provision has been reserved and sold to an asset management company.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	14,531,103	8,757,610
Other Services	4,853,895	3,623,990
Education	341,301	329,666
Real Estate and Brokerage	789,411	1,042,084
Financial Services	3,796,867	9,167,477
Food, Beverage, Tobacco	2,309,211	2,217,930
Government	1,658,117	406,943
Production	4,017,691	2,361,665
Construction (Commitment)	9,152,145	7,320,658
Construction (Build-and-sell)	4,227,056	-
Public Services (Electricity, Water & Gas)	4,714,626	4,027,816
Mining & Chemistry	4,213,394	2,685,939
Machinery Equipment	663,178	400,345
Automotive	2,754,410	1,668,448
Oil, Gas and Oil Products	1,288,244	116,958
Health	1,449,528	562,229
Agriculture	494,186	190,390
Textile	5,637,005	3,563,134
Wholesale & Retail	13,813,184	9,735,324
Tourism	416,342	421,054
Transportation & Warehouse	1,926,729	1,366,508
Total	83,047,623	59,966,168

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Region	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Akdeniz Region	5,664,298	3,911,807
Dogu Anadolu Region	1,580,628	1,013,398
Ege Region	5,077,225	3,363,576
Güneydogu Anadolu Region	4,585,283	3,031,352
İç Anadolu Region	13,978,808	8,692,112
Karadeniz Region	2,581,377	1,634,926
Marmara Region	44,981,832	30,036,782
Foreign	4,598,172	8,282,215
Total	83,047,623	59,966,168

The maturity distribution of cash receivables is as follows:

Maturity Distribution	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
1-3 years	30,628,127	26,805,539
3-5 years	25,110,861	17,834,222
5 years and more	13,461,570	7,382,686
Up to 1 year	12,460,525	7,290,079
Defaulted	1,386,540	653,642
Total	83,047,623	59,966,168

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	50,399	38,958	18,921
Farming and Stockbreeding	28,780	23,340	2,283
Forestry	18,341	12,340	16,638
Fishery	3,278	3,278	-
Manufacturing	453,590	390,889	45,388
Mining and Quarrying	62,382	53,334	6,621
Production	356,249	306,499	38,320
Electricity, Gas and Water	34,959	31,056	447
Construction	1,288,690	1,135,664	86,652
Services	1,028,716	853,605	229,493
Wholesale and Retail Trade	656,152	552,266	66,467
Accommodation and Dining	106,068	88,081	919
Transportation and Telecommunication	96,309	77,281	157,404
Financial Institutions	3,939	3,865	-
Real Estate and Rental Services	38,410	32,504	1,084
Professional Services	183	146	-
Educational Services	67,631	52,426	416
Health and Social Services	60,024	47,036	3,203
Other	148,859	105,201	23,340
TOTAL	2,970,254	2,524,317	403,794

(*) Refers to the loans worth TL 153,338 that were deleted in 2020, one hundred percent provisioned from non-performing loans and sold to an asset management company.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior 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
Accommodation 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

Current Period - Geographic Region	Non-performing loans	Provisions	Write-Offs (*)
Marmara Region	1,563,800	1,307,313	174,219
Güneydogu Anadolu Region	227,320	187,949	15,544
Iç Anadolu Region	755,803	683,200	23,859
Akdeniz Region	125,209	111,948	125,413
Ege Region	189,331	162,867	14,773
Dogu Anadolu Region	38,755	35,916	3,520
Karadeniz Region	34,373	28,682	3,481
Foreign	35,663	6,442	42,985
Total	2,970,254	2,524,317	403,794

(*) Refers to loans that were deleted from assets in 2020.

Prior Period - Geographic 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	739,545	560,048	1,427,721	115,934	38,185
Retail Loans	5,039	15,922	41,077	7,062	1,322
Credit cards	2,567	6,888	7,820	855	269
Other	-	-	-	-	-
Total	747,151	582,858	1,476,618	123,851	39,776

Prior 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

10.6.8. Breakdown of Restructured receivables according to their provisions:

Restruction Status	Current Period - Risk	Prior Period - Risk
Performing	2,624,343	2,275,941
Non-Performing	264,327	171,479
Total	2,888,670	2,447,420

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	52,894,387	20,064,424	1,520,553	7,564,495	5,961,858	-	-
2	Debt securities	27,222,895	-	-	-	-	-	-
3	Total	80,117,282	20,064,424	1,520,553	7,564,495	5,961,858	-	-
4	Overdue	112,344	231,779	1,322	101,814	62,382	-	-

	Restated 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	43,822,510	12,458,319	2,010,696	2,127,750	1,841,401	-	-
2	Debt securities	15,673,684	-	-	-	-	-	-
3	Total	59,496,194	12,458,319	2,010,696	2,127,750	1,841,401	-	-
4	Overdue	526,472	25,620	15,922	-	-	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

10.8. Explanations on Counterparty Credit Risk (CCR):

10.8.1. Risk management objectives and policies 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 operational limits defined in terms of internal capital for CCR and central counterparty risks:

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

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)	391,901	580,188	-	1.4	972,089	212,000
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	-	-	-	-	-	212,000

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

	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)	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

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	972,089	32,931	535,752	19,433
4	Total subject to the CVA capital obligation	972,089	32,931	535,752	19,433

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

10.8.8. CCR exposures by risk class and risk weights

	Current 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	456,708	-	-	-	-	-	-	-	-	-
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	-	-	576,986	38,929	-	-	-	-	-	134,862
7	Receivables from corporate	-	-	-	-	-	59,147	-	-	-	59,147
8	Retail receivables	-	-	-	-	17,793	-	-	-	-	13,345
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	2,648	927
10	Receivables secured by commercial property	-	-	-	507	-	3,465	-	-	-	3,719
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	456,708	-	576,986	39,436	17,793	62,612	-	-	2,648	212,000

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

	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	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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2019 and 31 December 2020 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	Restated Prior Period
	Outright products	3,847,896	2,978,935
1	Profit share risk (general and specific)	2,509,715	2,801,526
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	149,230	177,216
4	Commodity risk	1,188,951	193
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	3,847,896	2,978,935

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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, 2019, 2018 and 2017 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 608,507 corresponding to the 8% of TL 7,606,341 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 608,507 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2017 Amount	31/12/2018 Amount	31/12/2019 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	2,776,027	4,018,300	5,375,818	4,056,715	15	608,507
Value at Operational Risk (Total*12.5)						7,606,341

Prior 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

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	(1,930,380)	(15.27%)
2	TL	(-) 400bp	1,815,712	14.36%
3	USD	(+) 200bp	471,594	3.73%
4	USD	(-) 200bp	(514,239)	(4.07%)
5	EURO	(+) 200bp	371,746	2.94%
6	EURO	(-) 200bp	(385,722)	(3.05%)
	Total (For Negative Shocks)		915,750	7.24%
	Total (For Positive Shocks)		(1,087,040)	(8.60%)

(*) Parent Bank

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior 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

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 analyses contribute to Bank Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

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

Risk Management Service continues risk monitoring and analyzing operations in accordance 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 2019 and 31 December 2020 are given in the table below:

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	7,763,199	461,606	-	8,224,805
Forward transactions	-	52,326	-	52,326
Swap transactions	-	409,280	-	409,280
Government debt securities	7,050,998	-	-	7,050,998
Other marketable securities	712,201	-	-	712,201
Financial assets at FVOCI	20,723,085	-	-	20,723,085
Equity securities	49,146	-	-	49,146
Government debt securities	20,489,638	-	-	20,489,638
Other marketable securities	184,301	-	-	184,301
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,676,806	-	1,676,806
Forward transactions	-	26,008	-	26,008
Swap transactions	-	1,650,798	-	1,650,798
Financial liabilities for hedging purposes	-	-	-	-
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	4,259,671	182,006	-	4,441,677
Forward transactions	-	17,994	-	17,994
Swap transactions	-	164,012	-	164,012
Government debt securities	3,941,594	-	-	3,941,594
Other marketable securities	318,077	-	-	318,077
Financial assets at FVOCI	12,455,254	-	-	12,455,254
Equity securities	33,077	-	-	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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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, noncash 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Selected balance sheet and income statement items according to segments:

Current Period 1 January 2020-31 December 2020	Retail Banking	Corporate and Commercial Banking	Treasury and international Banking	Unallocated	Bank's total operation
Operating income	3,100,377	8,515,534	1,234,829	-	12,850,740
Operating expenses (-)	4,462,239	2,098,580	711,817	3,334,548	10,607,184
Transfers between segments	2,372,885	(479,349)	(1,893,536)	-	-
Net operating income(loss)	1,011,023	5,937,605	(1,370,524)	(3,334,548)	2,243,556
Income from associates	-	-	-	20,930	20,930
Income (loss) before tax	1,011,023	5,937,605	(1,370,524)	(3,313,618)	2,264,486
Provision for taxation (-)	-	-	-	551,618	551,618
Net income for the period	1,011,023	5,937,605	(1,370,524)	(3,865,236)	1,712,868
Current Period					
31 December 2020					
Segment assets	29,924,797	43,516,111	72,523,747	-	145,964,655
Associates, subsidiaries and joint ventures	-	-	-	84,991	84,991
Undistributed assets	-	-	-	12,147,467	12,147,467
Total assets	29,924,797	43,516,111	72,523,747	12,232,458	158,197,113
Segment liabilities	105,235,906	21,636,217	16,987,622	-	143,859,745
Undistributed liabilities	-	-	-	6,306,554	6,306,554
Shareholders' equity	-	-	-	8,030,814	8,030,814
Total liabilities	105,235,906	21,636,217	16,987,622	14,337,368	158,197,113
Prior Period					
1 January 2019 – 31 December 2019					
Operating income	5,289,973	3,985,612	1,391,376	1,159,473	11,826,199
Operating expenses (-)	3,675,469	3,257,173	10,400	3,272,570	10,215,377
Transfers between segments	2,319,478	(462,292)	(1,857,186)	-	-
Net operating income(loss)	3,933,982	266,147	(476,210)	(2,113,097)	1,610,822
Income from associates	-	-	-	13,727	13,727
Income (loss) before tax	3,933,982	266,147	(476,210)	(2,099,370)	1,624,549
Provision for taxation (-)	-	-	-	348,156	348,156
Net income for the period	3,933,982	266,147	(476,210)	(2,447,526)	1,276,393
Prior Period					
31 December 2019					
Segment assets	19,680,015	35,203,430	50,268,046	-	105,151,491
Associates, subsidiaries and joint ventures	-	-	-	64,061	64,061
Undistributed assets	-	-	-	3,786,026	3,786,026
Total assets	19,680,015	35,203,430	50,268,046	3,850,087	109,001,578
Prior Period					
31 December 2019					
Segment liabilities	73,909,898	14,083,077	9,251,721	-	97,244,696
Undistributed liabilities	-	-	-	4,564,009	4,564,009
Shareholders' equity	-	-	-	7,192,873	7,192,873
Total liabilities	73,909,898	14,083,077	9,251,721	11,756,882	109,001,578

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	630,548	3,011,244	613,156	1,838,246
The Central Bank of Republic of Turkey	512,354	19,967,199	1,155,591	14,498,131
Other (*)	1,525	988,100	-	1,111,168
Total	1,144,427	23,966,543	1,768,747	17,447,545

(*) As of 31 December 2020, precious metal account amounting to TL 988,021 (31 December 2019 - TL 1,111,144 and money in transit amounting to TL 1,604 (31 December 2019 - TL 24) 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	499,584	1,493,876	730,347	3,201,221
Restricted time deposit	-	-	425,000	-
Unrestricted time deposit	12,770	18,473,323	244	11,296,910
Total	512,354	19,967,199	1,155,591	14,498,131

1.1.3 Explanations on mandatory provisions:

The Bank maintains required reserves at the CBRT for Turkish lira and foreign currency liabilities in accordance with the CBRT's Communiqué No. 2013/15 on the "Required Reserves". Required reserves can be kept in Turkish Lira, USD, EUR and standard gold according to the "Communiqué on Required Reserves" in the CBRT. Interest has been paid for required reserves kept in Turkish Lira since November 2014, and for required reserves kept in US Dollars since May 2015. As of 31 December 2020, the valid rates for Turkish lira reserve requirements are between 1% and 6% depending on the maturity structure (December 31 2019- 1% to 7% range) , the valid rates for foreign currency reserve requirements are between 5% and 21% depending on the maturity structure (December 31 2019- 5% to 21% range), valid rates for precious metal required reserves are between 16% and 22% depending on the maturity structure (December 31 2019- 5% to 21% range)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

As of 31 December 2020, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2019 – None).

Positive differences related to marketable derivative financial assets:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	49,633	2,693	14,949	3,045
Swap transactions	78,913	330,367	3,821	160,191
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	128,546	333,060	18,770	163,236

1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	1,114,456	6,256,097	924,323	7,507,605
Domestic	1,113,965	113,981	924,294	3,771,051
Foreign	491	6,142,116	29	3,736,554
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	1,114,456	6,256,097	924,323	7,507,605

1.3.2 Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,649,966	1,550,026	-	-
USA and Canada	3,842,631	1,742,814	-	-
OECD Countries (*)	34,493	15,558	-	-
Off-shore Banking Regions	1,535	633	-	-
Other	613,982	427,552	-	-
Total	6,142,607	3,736,583	-	-

(*) EU countries, OECD countries other than the US and Canada

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

	Current period	Prior Period
Debt Securities	20,852,757	12,288,314
Quoted on stock exchange	20,852,757	12,288,314
Not quoted on stock exchange	-	-
Share certificates	90,887	180,226
Quoted on stock exchange	75,105	94,539
Not quoted on stock exchange	15,782	85,687
Impairment provision	(220,559)	(13,286)
Total	20,723,085	12,455,254

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	4,695	6,709	1,868	7,206
Corporate shareholders	-	6,677	-	7,190
Real person shareholders	4,695	32	1,868	16
Indirect loans granted to shareholders	54,992	6,632	780,512	723
Loans granted to employees	27,605	541	19,920	619
Total	87,292	13,882	802,300	8,548

1.5.2 Information on standart loans, loans underclose monitoring and restructured loans under close monitoring:

Current Period	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	67,420,988	4,813,370	2,615,066	-
Export Loans	4,967,766	230,900	-	-
Import Loans	1,971,303	87,512	-	-
Corporation Loans	33,990,065	3,495,756	2,533,424	-
Consumer Loans	12,754,463	298,219	62,118	-
Credit Cards	1,237,324	130,190	19,524	-
Loans given to financial sector	3,238,490	-	-	-
Other	9,261,577	570,793	-	-
Other Receivables	8,295	117,575	9,277	-
Total	67,429,283	4,930,945	2,624,343	-

Prior Period	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	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	1,179,791	-	488,598	-
Significant Increase in Credit Risk	-	1,744,593	-	996,886
Total	1,179,791	1,744,593	488,598	996,886

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 1,094.

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	18,132,548	1,028,543	59,885
Medium and long term loans	49,296,735	3,902,402	2,564,458
Total	67,429,283	4,930,945	2,624,343

		Loans under close monitoring	
Prior 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	74,023	12,698,649	12,772,672
Housing Loans	17,783	10,717,815	10,735,598
Vehicle Loans	31,924	1,574,270	1,606,194
Consumer Loans	21,382	215,488	236,870
Other	2,934	191,076	194,010
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	172	314,708	314,880
Housing Loans	-	246,690	246,690
Vehicle Loans	172	41,060	41,232
Consumer Loans	-	26,958	26,958
Other	-	-	-
Retail Credit Cards-TL	545,977	70	546,047
With Installment	120,545	70	120,615
Without Installment	425,432	-	425,432
Retail Credit Cards-FC	3,340	-	3,340
With Installment	-	-	-
Without Installment	3,340	-	3,340
Personnel Loans-TL	1,985	25,263	27,248
Housing Loans	-	2,401	2,401
Vehicle Loans	466	15,844	16,310
Consumer Loans	1,519	7,018	8,537
Other	-	-	-
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	13,761	21	13,782
With Installment	5,696	21	5,717
Without Installment	8,065	-	8,065
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	639,258	13,038,711	13,677,969

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Prior 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	497,383	9,234,322	9,731,705
Business Loans	6,008	1,995,773	2,001,781
Vehicle Loans	405,890	4,705,779	5,111,669
Consumer Loans	85,485	2,532,770	2,618,255
Other	-	-	-
Commercial Installment Loans-FC Indexed	11,254	505,184	516,438
Business Loans	11,254	57,668	68,922
Vehicle Loans	-	11,001	11,001
Consumer Loans	-	436,515	436,515
Other	-	-	-
Commercial Installment Loans-FC	453,371	3,565,574	4,018,945
Business Loans	-	490,181	490,181
Vehicle Loans	2,194	112,901	115,095
Consumer Loans	-	-	-
Other	451,177	2,962,492	3,413,669
Corporate Credit Cards-TL	816,278	-	816,278
With Installment	307,667	-	307,667
Without Installment	508,611	-	508,611
Corporate Credit Cards-FC	7,591	-	7,591
With Installment	-	-	-
Without Installment	7,591	-	7,591
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1,785,877	13,305,080	15,090,957
Prior 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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.5.6. Allocation of loans by customers:

	Current period	Prior period
Public	396,326	560,472
Private	74,588,245	54,588,495
Total	74,984,571	55,148,967

1.5.7 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	69,932,474	46,697,875
Foreign loans	5,052,097	8,451,092
Total	74,984,571	55,148,967

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	169	182
Loans granted indirectly to subsidiaries and associates	-	-
Total	169	182

1.5.9 Specific provisions for loans or default (Third Stage) provisions:

	Current period	Prior period
Loans and receivables with limited collectability	473,916	209,492
Loans and receivables with doubtful collectability	5,172	228,439
Uncollectible loans and receivables	2,045,229	1,119,658
Total	2,524,317	1,557,589

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)	-	1,577	262,750
Restructured Loans and Receivables	-	1,577	262,750
Prior Period			
(Gross Amount Before Specific Provisions)	138	141,817	29,524
Restructured Loans and Receivables	138	141,817	29,524

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

	Group III	Group IV	Group V
Current Period	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2019	250,407	318,133	1,541,141
Additions in the current period (+)	542,258	10,412	1,086,141
Transfers from other categories of non-performing loans (+)	-	197,258	471,969
Transfers to other categories of non-performing loans (-)	197,197	471,975	55
Collections in the current period (-)	44,897	42,636	286,911
Write offs (-)	-	-	250,456
Sold Portfolio (-) (*)	-	-	153,338
Corporate and commercial loans	-	-	153,338
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	550,571	11,192	2,408,491
Specific provisions (-)	473,916	5,172	2,045,229
Net balances on balance sheet	76,655	6,020	363,262

(*) 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 2020 they will get dull 403,794 follow TL deleted from the records. This process had a decreasing effect on the conversion rate by 0.47% 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 31.12.2018	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 Portfolio (-)	-	-	-
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 balance at the 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 1.54% in points.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

	Group III	Group IV	Group V
Current Period			
Ending balance of the current period	532,560	1	312,782
Provision amount (-)	458,800	-	253,025
Net balance at the balance sheet	73,760	1	59,757
Prior Period			
Ending balance of the current period	79,218	5,454	127,352
Provision amount (-)	48,407	4,640	69,392
Net balance at the balance sheet	30,811	814	57,960

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)	76,655	6,020	363,262
Loans granted to real persons and legal entities (Gross)	550,571	11,192	2,408,491
Specific provision (-)	473,916	5,172	2,045,229
Loans to real persons and legal entities (Net)	76,655	6,020	363,262
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2019	40,915	89,694	421,483
Loans 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)	-	-	-

The Parent Bank has collaterals such as cash, mortgages, pledges, and checks of customer issued for non-performing loans.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 (*)	Total
Loans and Receivables				
Corporate Loans	5,734,223	123,369	703,172	6,560,764
Retail Loans	259,740	36,192	58,781	354,713
Credit Cards	128,633	7,255	13,699	149,587
Total	6,122,596	166,816	775,652	7,065,064

(*) Based on the BRSA's decisions dated 17 March 2020 and numbered 8948 and dated 27 March 2020 and numbered 8970, the risks in the number of delay days of 90-180 days are presented in this line.

Prior Period	Less than 30 days	31-60 days	61-90 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

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

	III. Group	IV. Group	V. Group
The Parent Bank	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	371	460	51,485
Profit share accruals, discount and valuation differences	4,485	865	319,370
Provision (-)	4,114	405	267,885

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 2019, non-performing loans amounting to TL 250,456 have been written-off (31 December 2019 – TL 974,156).

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	6,499,810	3,212,924
Quoted on a Stock Exchange	6,203,203	2,859,381
Not Quoted	296,607	353,543
Impairment Provision (-)	1,094	767
Total	6,498,716	3,212,157

1.6.2 Movements of Other Financial Assets Measured at Amortized Cost During The Year

	Current Period	Prior Period
Opening Balance	3,212,924	485,068
Foreign Exchange Gain/Loss	1,353,136	-
Purchases During the Year	1,933,750	4,101,976
Disposals Through Sales and Redemptions	-	1,374,120
Impairment Provision (-)	1,094	767
Ending Balance	6,498,716	3,212,157

1.7 Information on investment in associates (Net):

1.7.1 The Parent Bank used a 1.49% ownership amounting to TL 7,659 (December 31, 2019 - TL 7,659) in Kredi Garanti Fonu A.Ş. - 33 TL), 390 TL (31 December 2019 - 390 TL) Swift shares, 15 TL (31 December 2019 - 15 TL), which is equal to 0.0035% ownership of Borsa İstanbul A.Ş. and JCR Avrasya Rating. A.S. TL 2,755 (December 31, 2019 - TL 0), which corresponds to a 2.86% ownership in, is followed in the financial assets account of which the fair value difference is reflected in other comprehensive income since the share ratio in these partnerships is less than 10% and there is no significant influence.

1.7.2 Information about investments in unconsolidated associates: None (31 December 2019 – None).

1.7.3 Information related to consolidated associates: None (31 December 2019 – None).

1.8 Information on subsidiaries (Net):

1.8.1 Although the Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş and Architech Bilişim Sistemleri ve Pazarlama 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

	Title	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1	Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Türkiye	99.99	99.99
2	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Türkiye	75.00	83.26
3	KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
4	KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
5	KT Bank AG (*)	Frankfurt/Almanya	100.00	100.00
6	Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş. (**)	İstanbul/Türkiye	100.00	100.00
7	KT Sukuk Company Limited (***)	George Town/Cayman Adaları	100.00	100.00
8	KT Portföy Yönetimi A.Ş.	İstanbul/Türkiye	100.00	100.00
9	Neova Sigorta A.Ş.	İstanbul/Türkiye	100.00	100.00

Information on subsidiaries in the order listed above:

	Total Assets	Equity	Total Fixed assets	Profit Share Income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair Value
1	44,865	43,291	-	-	-	13,859	2,711	-
2	166,892	120,017	4	-	-	6,155	2,688	-
3	661	649	-	-	-	11	139	-
4	6,428,262	310	-	-	-	17	113	-
5	6,394,924	1,273,954	13,683	-	-	7	(6)	-
6	65,057	50,915	5,305	-	-	32,887	13,018	-
7	2,668,149	2	-	-	-	-	-	-
8	25,448	22,854	284	-	-	10,169	6,734	-
9	3,069,268	582,138	14,459	-	-	166,389	110,835	-

(*) As of 31 December 2020, 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 2020.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	610,120	445,754
Insurance Companies (*)	751,796	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	75,419
Total	1,437,335	521,173

(*) The Bank has obtained the necessary legal permissions as of 5 May 2020, Neova Sigorta A.Ş. completed the share transfer transactions and concluded the purchase. Neova Sigorta A.Ş., which has purchased 78,864,212 shares by paying 745,860 TL with the purchase transaction, and 7% before sales increased its partnership share to 100% by owning all the shares.

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, 2020 is EUR 108,787,128 and the capital adequacy ratio are %24.1.

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%	4,077,371	117,883	15,568	41,860	27,514

(**) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	2,249,517	1,783,178	1,227,784	886,869
1 to 4 years	2,829,259	2,631,776	1,572,914	1,445,267
More than 4 years	622,145	596,042	384,461	375,384
Total	5,700,921	5,010,996	3,185,159	2,707,520

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	5,700,921	3,185,159
Unearned finance lease income (-)	(689,925)	(477,639)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	5,010,996	2,707,520

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 52,668 are included in the non-performing loans in the balance sheet (31 December 2019 – TL 48,391).

1.11 Information on derivative financial assets for hedging purposes: None. (31 December 2019 – None).

1.12. Explanations on Tangible Assets

Current Period	Buildings	Leased Tangible Assets (*)	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2019					
Cost	241,830	421,333	56,347	600,337	1,319,847
Accumulated Depreciation (-)	30,000	101,963	11,123	330,418	473,504
Net Book Value	211,830	319,370	45,224	269,919	846,343
Current Period: 31 December 2020					
Net book value at beginning of period	211,830	319,370	45,224	269,919	846,343
Additions	2,360	122,978	47,905	121,312	294,555
Disposals (-)	-	25,741	-	27,295	53,036
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment Losses (-)	-	-	-	1,095	1,095
Depreciation Expense (-)	7,822	103,902	17,081	33,880	162,685
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of period	244,190	518,570	104,252	693,259	1,560,271
Accumulated depreciation at the end of period (-)	37,822	205,865	28,204	364,298	636,189
Closing net book value	206,368	312,705	76,048	328,961	924,082

(*) Includes right-of-use assets acquired under TFRS 16.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior 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	147,711	592,585
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	595,191	1,314,701
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	269,919	846,343

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	396,455	375,197
Accumulated Amortization	(123,310)	(173,198)
Total (net)	273,145	201,999

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

	Current Period	Prior Period
Opening balance	201,999	200,765
Additions	176,494	110,600
Disposals (-), net	23,193	59,679
Depreciation amount (-)	82,155	49,687
Closing net book value	273,145	201,999

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	37,646	29,671
Additions	39,970	9,277
Disposals (-), net	-	-
Depreciation amount (-)	159	1,302
Closing net book value	77,457	37,646

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

1.15 Information on deferred tax asset

As of 31 December 2020, deferred tax is offset as TL 835,522 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 December 2019 is TL 932,455 (31 December 2019 – TL 458,716) and deferred tax liability is TL 96,933 (31 December 2019 – TL 41,863 TL).

	Current period	Prior period
Reserve for employee benefits	48,263	41,047
Retirement pay liability	37,460	23,220
Deferred income	73,122	56,469
Impairment provision for subsidiaries, fixed assets and assets held for sale	1,281	2,523
Rediscouts for derivative instruments held for trading (net)	243,384	52,909
TFRS 9 Provisions	427,891	214,057
Precious metals valuation difference	-	1,454
Carry forward financial loss	73,642	43,503
Financial Loss From Decommissioning	812	-
Other	26,600	23,534
Deferred tax asset	932,455	458,716
Precious metal valuation difference	(23,908)	-
Tangible assets valuation differences	(12,842)	(9,665)
Financial assets valuation differences	(48,114)	(28,833)
Other	(12,069)	(3,365)
Deferred tax liability	(96,933)	(41,863)
Deferred tax asset (net)	835,522	416,853

(*) Since the Group is planning to generate a sufficient amount of taxable income to offset the financial losses in the future periods, a total of TL 73,642 deferred tax assets (31 December 2019: TL 43,503) have been recorded in the records.

Table of deferred tax asset movement:

	31 December 2020	31 December 2019
As of January 1	401,782	380,683
Effect Of Changes In Accounting Policies	15,071	12,439
Deferred tax (expense)/income	274,753	103,478
Deferred tax accounted under other comprehensive income	120,571	(79,747)
TFRS 9 opening effect	23,345	-
Deferred tax asset	835,522	416,853

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

	Current Period	Prior Period
Opening balance	473,326	270,382
Additions	172,426	270,818
Transfer from tangible assets	-	-
Disposals (-), net	126,809	67,874
Transfer to tangible assets	-	-
Depreciation amount (-)	(144)	-
Impairment losses provision (-)	-	-
Closing net book value	519,087	473,326

1.17 Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 10,037,261 (31 December 2019 – TL 2,283,185). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	9,214,591	-	-	-	-	-	-	-	9,214,591
II. Real persons profit sharing accounts TL	-	6,461,888	8,497,859	508,942	-	729,392	956,849	22,604	17,177,534
III. Other current accounts-TL	5,029,690	-	-	-	-	-	-	-	5,029,690
Public sector	194,879	-	-	-	-	-	-	-	194,879
Commercial sector	4,783,318	-	-	-	-	-	-	-	4,783,318
Other institutions	39,576	-	-	-	-	-	-	-	39,576
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	11,917	-	-	-	-	-	-	-	11,917
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	11,614	-	-	-	-	-	-	-	11,614
Participation banks	303	-	-	-	-	-	-	-	303
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	602,957	989,697	42,390	-	312,745	109,333	2	2,057,124
Public sector	-	322	602	645	-	11,465	-	-	13,034
Commercial sector	-	530,069	841,232	33,935	-	287,086	108,842	2	1,801,166
Other institutions	-	72,504	147,843	7,810	-	14,186	491	-	242,834
Commercial and other institutions	-	62	-	-	-	8	-	-	70
Banks and participation banks	-	-	20	-	-	-	-	-	20
V. Real persons current accounts-FC	21,358,154	-	-	-	-	-	-	-	21,358,154
VI. Real persons profit sharing accounts-FC	-	6,979,266	8,866,523	1,111,289	-	2,284,117	2,464,048	4,205	21,709,448
VII. Other current accounts-FC	10,739,481	-	-	-	-	-	-	-	10,739,481
Commercial residents in Turkey	8,823,743	-	-	-	-	-	-	-	8,823,743
Commercial residents in Abroad	1,282,174	-	-	-	-	-	-	-	1,282,174
Banks and participation banks	633,564	-	-	-	-	-	-	-	633,564
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	628,905	-	-	-	-	-	-	-	628,905
Participation banks	4,659	-	-	-	-	-	-	-	4,659
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	745,772	1,656,288	107,516	-	177,058	123,297	-	2,809,931
Public sector	-	3	-	-	-	-	-	-	3
Commercial sector	-	670,072	1,404,349	34,838	-	30,766	58,728	-	2,198,753
Other institutions	-	32,466	91,760	72,666	-	145,794	64,569	-	407,255
Commercial and other institutions	-	43,231	160,179	12	-	498	-	-	203,920
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	28,025,054	5,342,933	2,559,094	379,540	-	281,184	10,713	90	36,598,608
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	74,366,970	20,132,816	22,569,461	2,149,677	-	3,784,496	3,664,240	26,901	126,694,561

There are no 7 days notification accounts of the Group.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	7,951,114	-	-	-	-	-	-	-	7,951,114
II. Real persons profit sharing accounts-TL	-	7,232,001	11,223,102	725,113	-	610,209	911,230	22,190	20,723,845
III. Other current accounts-TL	4,390,638	-	-	-	-	-	-	-	4,390,638
Public sector	200,309	-	-	-	-	-	-	-	200,309
Commercial sector	4,146,563	-	-	-	-	-	-	-	4,146,563
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	1,108,842	103,271	-	235,942	60,845	-	2,101,827
Public sector	-	373	68	611	-	3,046	-	-	4,098
Commercial sector	-	546,923	1,007,502	79,737	-	225,544	59,133	-	1,918,839
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	6,032,043	-	-	-	-	-	-	-	6,032,043
Commercial residents in Turkey	4,547,539	-	-	-	-	-	-	-	4,547,539
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	97,624	-	114,694	66,878	-	3,229,706
Public sector	-	10	-	-	-	-	-	-	10
Commercial sector	-	520,552	2,112,990	35,707	-	45,383	50,331	-	2,764,963
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	37,027,614	16,654,880	26,294,028	2,539,102	-	2,590,402	2,866,055	24,054	87,996,135

There are no 7 days notification accounts of the Group.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	15,907,330	17,752,145	10,483,445	10,782,495
FC accounts	33,522,314	16,294,727	40,073,387	24,484,448
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 150,000 (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	11,651	9,044
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	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	23,081	2,927	13,191	974
Swap transactions	1,367,405	283,393	116,499	163,745
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	1,390,486	286,320	129,690	164,719

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	129,343	38,870	160,847	172,998
From Foreign Banks, Institutions and Funds	45,929	4,990,179	-	113,380
Total	175,272	5,029,049	160,847	286,378

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	175,272	3,914,835	160,847	286,378
Medium and Long-Term	-	1,114,214	-	-
Total	175,272	5,029,049	160,847	286,378

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

None

2.5 Information on other liabilities and miscellaneous payables:

As of 31 December 2020, other liabilities amount to TL 1,410,151 (31 December 2019 – TL 1,111,061), miscellaneous payable amount to TL 783,731 (31 December 2019 - TL 388,179), 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	147,042	137,379	124,506	87,233
1 to 4 years	253,354	165,644	294,798	169,220
More than 4 years	127,183	46,271	139,376	97,598
Total	527,579	349,294	558,680	354,051

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 2019 – None).

2.6.1.1. Information on Financial Lease Obligations

None (31 December 2019 – 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.

2.7 Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	-	-	129,728
Hedge of net investment in foreign operations	-	-	-	-
Total	-	-	-	129,728

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2020, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 3 (31 December 2019 – TL 5) and TL 87 for leasing receivables (31 December 2019 – TL 192) 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	440,411	422,274
Special Provisions for non-cash loans	165,538	127,145
General Provisions for non-cash loans	447,552	150,934
Provision for Profits will be Allocated to Participation Accounts	3,237	2,332
Other (*)	109,796	96,212
Total	1,166,534	798,897

(*) The other item is the amounting regarding TL 35,525 (December 31, 2019 - TL 27,573) for litigation, TL 100 (31 December 2019 - TL 6,500) for the expense provision and TL 70,786 (31 December 2019 - TL 60,976) 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 189,033 (31 December 2019 – TL 116,242), vacation pay liability amounting to TL 2,714 (31 December 2019 – TL 712), performance premium amounting to TL 145,178 (31 December 2019 – TL 124,414), retirement bonuses on payment of TL 86,659 (31 December 2019 – TL 63,437), committee fee amounting to TL 12,321 (31 December 2019 – TL 12,321) and other fees amounting to TL 243 (31 December 2019 – TL 196).

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 6,730.15 (full amount) (31 December 2019 – TL 6,379.86 (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

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

	Current Period	Prior Period
Balance at the beginning of the period	116,242	83,002
Effect Of Changes In Accounting Policies	6,506	3,816
Provisions recognized during the period	30,769	29,510
Paid during the period	(4,704)	(7,319)
Actuarial loss / gain	40,220	7,233
Balances at the end of the period	189,033	116,242

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.9 Explanations on tax liability:

2.9.1 Explanations on current tax liability:

2.9.1.1 Information on tax provisions: TL 389,870 (31 December 2019-TL 255,397)

2.9.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	26,382	39,489
Taxation of immovable property	969	1,796
Banking Insurance Transaction Tax (BITT)	30,458	29,327
Foreign Exchange Transaction Tax	23,676	4,532
Value Added Tax Payable	2,792	2,663
Income tax deducted from wages	15,010	12,624
Other	1,679	4,059
Total	100,966	94,490

2.9.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Insurance Premiums-Employee	8,626	7,430
Social Insurance Premiums-Employer	9,270	8,000
Unemployment insurance-Employee	617	532
Unemployment insurance-Employer	1,484	1,263
Other	-	-
Total	19,997	17,225

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

2.9.1.4 Information on deferred tax liability: None (31 December 2019 - None).

2.10 Information on payables related to assets held for sale:

None (31 December 2019 – 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	-	4,590,265	-	3,380,983
Total	-	4,590,265	-	3,380,983

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

2.12 Information on shareholders' equity:

2.12.1 Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,600,000	4,000,000
Preference shares	-	-
Repurchased shares amount (*)	(4,869)	(4,234)
Total	4,595,131	3,995,766

(*) 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
30-Mar-20	600,000	-	600,000

The Parent Bank has made a capital increase of 600,000 TL in accordance with the decision numbered 7 at the ordinary general assembly meeting held on 26 March 2020. 599,611 TL of the capital increase has been covered by the Bank's profit in 2019, and 389 TL of this amount that it was covered by the profit of the period obtained under Law No. 5746 and transferred to other reserves in 2019.

2.12.4 Information on share capital increases from capital reserves during the current period:

None

2.12.5 Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the 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 2019- 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 (*)	(81,130)	94,206	136,954	82,154
Foreign Exchange Difference	-	-	-	-
Total	(81,130)	94,206	136,954	82,154

(*) 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 2020 – 30,004 TL. (31 December 2019; 28,461 TL)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2020 amounts to TL 3,503,366 (31 December 2019 – TL 2,656,398); payment commitments for cheque books amounts to TL 1,372,786 (31 December 2019 – TL 1,305,235).

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 2020, the Group has guarantees and surety ships constituting of TL 9,588,633 (31 December 2019 – TL 9,708,470) of letters of guarantee; TL 40,996 (31 December 2019 – TL 55,035) of acceptances and TL 1,685,022 (31 December 2019 – TL 1,374,009) of letters of credit. Also, banks has other acceptances amounting to TL 546,682 (31 December 2019 – TL 465,592).

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	33,229	-
With original maturity of 1 year or less	33,229	-
With original maturity of more than 1 year	-	-
Other non-cash loans	11,828,104	11,603,253
Total	11,861,333	11,603,253

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

3.1.4. Sectorial risk concentration of non-cash loans:

	Current Period			
	TP	%	YP	%
Agriculture	75,932	1.02	29,596	0.67
Farming and stockbreeding	38,954	0.52	21,670	0.49
Forestry	36,978	0.50	7,926	0.18
Fishery	-	0.00	-	0.00
Manufacturing	1,426,416	19.10	1,467,734	33.39
Mining and quarrying	338,206	4.53	421,851	9.60
Production	774,486	10.37	1,006,187	22.89
Electricity, Gas, Water	313,724	4.20	39,696	0.90
Construction	3,036,920	40.68	603,648	13.73
Services	2,346,149	31.43	1,466,554	33.36
Wholesale and Retail Trade	1,314,073	17.60	729,169	16.59
Hotel, Food and Beverage Services	103,682	1.39	22,615	0.51
Transportation and Telecom.	475,975	6.38	363,945	8.28
Financial Institutions	18,502	0.25	226,343	5.15
Real Estate and Renting Services	52,713	0.71	27,995	0.64
Self-Employment Type Services	272	0.00	-	0.00
Educational Services	19,695	0.26	1,237	0.03
Health and Social Services	361,237	4.84	95,250	2.17
Other	579,894	7.77	828,490	18.85
Total	7,465,311	100.00	4,396,022	100.00

	Prior Period			
	TP	%	YP	%
Agriculture	68,479	1.03	51,421	1.04
Farming and stockbreeding	38,634	0.58	35,958	0.72
Forestry	29,622	0.45	15,463	0.31
Fishery	223	0.00	-	0.00
Manufacturing	1,270,772	19.14	1,171,799	23.61
Mining and quarrying	297,536	4.48	328,922	6.63
Production	658,204	9.91	809,325	16.30
Electricity, Gas, Water	315,032	4.74	33,552	0.68
Construction	2,694,124	40.58	1,231,633	24.81
Services	1,875,473	28.25	1,624,067	32.72
Wholesale and Retail Trade	1,137,190	17.13	733,830	14.78
Hotel, Food and Beverage Services	117,951	1.78	19,622	0.40
Transportation and Telecom.	482,266	7.26	529,429	10.67
Financial Institutions	19,270	0.29	248,354	5.00
Real Estate and Renting Services	22,379	0.34	9,874	0.20
Self-Employment Type Services	267	0.00	-	0.00
Educational Services	37,913	0.57	2,523	0.05
Health and Social Services	58,237	0.88	80,435	1.62
Other	730,490	11.00	884,995	17.83
Total	6,639,338	100.00	4,963,915	100.00

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	6,724,723	2,551,225	268,049	44,636
Bills of Exchange and Bank Acceptances	4,503	34,535	1,000	958
Letters of Credit	14,424	1,649,067	-	21,531
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	409,241	94,070	43,371	-
Total	7,152,891	4,328,897	312,420	67,125

Prior Period	Group I		Group II	
	TP	YP	TP	YP
Letters of Guarantee	6,002,392	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	-
Total	6,345,089	4,896,427	294,249	67,488

3.2. Financial derivative instruments:

		Trading Derivatives
		Current Period
Foreign Currency Related Derivative		
Foreign Currency Related Derivative Transactions (I):		84,075,081
Currency Forwards-Purchases, sales		2,735,214
Currency Swaps-Purchases, sales		81,339,867
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)		12,274,248
A.Total Trading Derivatives (I+II+III)		96,349,329
		-
Hedging Derivatives		
Fair value hedges		-
Cash flow hedges		-
Foreign currency investment hedges		-
B. Total Hedging Derivatives		-
Total Derivatives Transactions (A+B)		96,349,329

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

	Trading Derivatives
	Prior 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

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 2020, the Group has commitments to buy TL 786,085, USD 3,290,068,000, EUR 71,021,000, GBP 44,126,000, SAR 56,279,000, 54,078,000 RUB in return of selling commitments of TL 24,397,571, USD 530,027,000, EUR 2,268,647,000, GBP 29,000 and RUB 38,805,000 (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)

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Fitch Rating's Ekim 2020	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
Financial Capacity Ratio	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	5,250,272	1,033,495	5,264,646	812,938
Short term loans	1,117,394	200,101	1,466,189	185,252
Medium and long-term loans	4,085,874	831,630	3,763,974	627,302
Profit share on non-performing loans	47,004	1,764	34,483	384
Premiums received from resource utilization support fund	-	-	-	-
Total	5,250,272	1,033,495	5,264,646	812,938

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	102,242	98	89,826	529
Foreign Banks	60,698	66,551	78,818	177,591
Branches and head office abroad	-	342	-	1,245
Total	162,940	66,991	168,644	179,365

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

4.1.3 Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TP	YP	TP	YP
Financial Assets at Fair Value Through Profit or Loss	114,454	228,084	45,654	50,540
Financial Assets at Fair Value Reflected in Other Comprehensive Income	1,772,260	349,355	325,767	339,397
Financial Assets Valued Over Amortized Cost	51,580	186,632	67,844	78,732
Total	1,938,294	764,071	439,265	468,669

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	180	-

4.2 Information on profit share expenses:

4.2.1 Information on the profit share given to the loans used:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	23,948	35,557	16,893	27,333
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	22,052	4,506	16,893	9,997
Foreign banks	1,896	31,051	-	17,336
Branches and head office abroad	-	-	-	-
Other Institutions	-	337,447	-	227,877
Total	23,948	373,004	16,893	255,210

4.2.2 Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,034	4,913

4.2.3 Profit share expense paid to securities issued:

31 December 2020; 365,387 TL (1 January – 31 December 2019: 581,094).

4.3 Information on dividend income:

	Current Period	Prior Period
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other	68	2,841
Total	68	2,841

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 months	Up to 6 months	Up to 9 months	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	552,292	816,805	51,283	-	61,964	93,576	1,358	1,577,278
Public sector profit sharing account	25	27	54	-	39	-	-	145
Commercial sector profit sharing account	47,506	91,317	4,310	-	1,795	1,324	-	146,252
Other institutions profit sharing account	5,484	12,324	967	-	440	115	-	19,330
Total	605,307	920,474	56,614	-	64,238	95,015	1,358	1,743,006
FC								
Banks	15	559	27	-	-	-	-	601
Real person’s non-trading profit sharing account	42,018	81,687	9,074	-	10,000	14,125	25	156,929
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	3,869	11,087	384	-	410	53	-	15,803
Other institutions profit sharing account	387	1,395	111	-	63	-	-	1,956
Precious metal accounts	8,614	6,313	845	-	791	-	-	16,563
Total	54,903	101,041	10,441	-	11,264	14,178	25	191,852
Grand Total	660,210	1,021,515	67,055	-	75,502	109,193	1,383	1,934,858

Prior period		Profit Sharing Accounts						
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year	Accumulat ed 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	108,077	14,944	-	2,063	1,719	-	185,524
Other institutions profit sharing account	6,951	13,437	1,748	-	409	194	-	22,739
Total	891,286	1,410,803	92,001	-	49,024	56,779	2,676	2,502,569
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	1,708,281	125,187	-	68,285	74,796	2,737	3,013,663

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	847,844	1,328,159
Income	61,984,441	37,499,390
Gain on capital market transactions	74,885	46,127
Gain on derivative financial instruments	5,905,668	2,782,732
Foreign exchange profit	56,003,888	34,670,531
Losses (-)	(61,136,597)	(36,171,231)
Losses on capital market transactions	(29,857)	(14,011)
Losses on derivative financial instruments	(8,116,336)	(2,317,929)
Foreign exchange losses	(52,990,404)	(33,839,291)

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	1,688,050	1,217,576
Income from sale of assets	69,847	70,497
Revenues from real estates sold under the lease certificate.	-	-
Income from the real estate sales' gains by rent certificates	8,052	3,050
Other Income	53,408	639,254
Total	1,819,357	1,930,377

4.7 Provisions for loan losses and other receivables of the Bank:

	Current Period(*)	Prior Period
Expected Credit Loss	3,240,522	2,640,410
12 month expected credit loss (Stage 1)	731,099	166,823
Significant increase in credit risk (Stage 2)	807,415	387,889
Non-performing loans (Stage 3)	1,702,008	2,085,698
Marketable Securities Impairment Expense	22,488	611
Financial Assets at Fair Value through Profit or Loss	22,488	611
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	302,730	67,951
Total	3,565,740	2,708,972

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

4.8 Information on other operating expenses:

	Current Period	Prior Period
Provision for retirement pay liability (*)	26,065	22,191
Depreciation expenses of tangible assets	1,095	-
Impairment expenses of tangible assets	162,685	191,309
Depreciation expenses of intangible assets	-	-
Depreciation expenses of assets held for sale	82,155	49,687
Other operating expenses	-	-
Lease Expenses Regarding TFRS 16 Exemptions	493,978	406,124
Rent expenses	14,204	12,215
Maintenance expenses	92,209	94,788
Advertisement expenses	46,007	48,723
Communication expenses	64,681	53,690
Heating, electricity and water expenses	26,048	27,332
Cleaning expenses	8,688	7,646
Vehicle expenses	9,328	11,120
Stationery expenses	10,437	10,118
Other expenses	222,376	140,492
Losses on sales of assets	344	1,125
Deposit insurance fund expenses	320,386	179,892
Other	1,251,379	1,163,871
Total	2,338,087	2,014,199

(*) 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 2,264,486 increased by 39,39% as compared to the prior period (1 January - 31 December 2019 – TL 1,624,549). Income before tax includes TL 6,535,122 (1 January - 31 December 2019 – TL 3,813,719) net profit share income and TL 261,839 (1 January - 31 December 2019 – TL 368,932) net fees and commission income. Other operating expense amount is TL 2,312,022 (1 January - 31 December 2019 – TL 1,992,008).

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 836,371 (1 January-31 December 2019 - TL 451,634), deferred tax income of TL 187,277 (1 January-31 December 2019 - TL 205,627) and TL 462,030 (1 January-31 December 2019 - TL 309,105) 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 2020, net profit share income is TL 6,535,122 (1 January-31 December 2019 – TL 3,813,719), net fees and commission income is TL 261,839 (1 January-31 December 2019 – TL 368,932).

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 2019 – None).

4.12.3 Profit/Loss attributable to minority interest:

	Current Period	Prior Period
Profit/(Loss) attributable to minority interest	(33,270)	2,452

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 2020, other fees and commissions received is TL 725,542 (1 January - 31 December 2019 – TL 643,870), TL 147,028 of this amount is related with credit card fees and commissions (1 January - 31 December 2019 – TL 197,886) and TL 118,516 of this amount is related with POS machine commissions (1 January – 31 December 2019 – TL 142,735).

As of 31 December 2020, other fees and commissions given is TL 588,668 (1 January - 31 December 2019 – TL 441,401), TL 111,537 (1 January - 31 December 2019 – TL 167,123) of this amount is related with POS clearing commissions and installation expenses, TL 38,445 (1 January - 31 December 2019 – TL 26,590) 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 7,280 to members of Board of Directors. In the General Assembly meeting held in 26 March 2020 it has been decided that TL 56,220 would be transferred to legal reserves, TL 446,338 would be transferred to extraordinary reserve, TL 389 would be transferred to other reserves and TL 600,000 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	19,216,292
Cash in TL/foreign currency, others	3,200,843
Demand deposits at banks	16,015,449
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	19,216,292
	Prior Period
Cash	7,214,008
Cash in TL/foreign currency, others	2,145,124
Demand deposits at banks	5,068,884
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	7,214,008

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

	Current Period
Cash	13,995,430
Cash in TL/foreign currency, others	13,995,430
Demand deposits at banks (up to 3 months)	-
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	13,995,430
	Prior Period
Cash	20,412,202
Cash in TL/foreign currency, others	20,412,202
Demand deposits at banks (up to 3 months)	-
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	20,412,202

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 2019 – None).

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

“Other items” amounting to TL (2,332,109) (1 January-31 December 2019: TL (3,991,471)) 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 2,473,519 (1 January-31 December 2019: TL 2,666,305) 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 (9,559,006) (1 January-31 December 2019: TL (6,527,612)) 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 5,637,262 as of 31 December 2020 (31 December 2019 – TL 1,704,243). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	182	18,827	1,868	7,206	780,512	723
Balance at end of period	169	16,291	4,695	6,709	54,992	6,632
Profit share and commission income	-	180	258	85	5,263	-

(*) 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	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.

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	54,178	34,808	151,321	35,032	137,061	255,239
Balance at end of period	24,405	54,178	58,677	151,321	203,570	137,061
Profit share expense	1,034	4,913	852	2,281	271	38,300

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

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	-	-	607,498	287,483	-	-
Balance at end of period	-	-	716,065	607,498	-	-
Total Profit / Loss	-	-	(13,619)	(2,006)	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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	-	-	68,696	802,108	-	-
Balance at end of period	-	-	1,481,347	68,696	-	-
Profit share expense	-	-	41	41,221	-	-

7.1.2.1 Information on subordinated loans used by the Parent Bank from the risk group:

The amount of US \$ 1,450,000 (full balance) of the subordinated contribution capital (Tier-II) sukuk in the amount of US \$ 350,000,000 (full balance) made by the Bank on 17/02/2016, to Kuwait Finance House; The part of the amount of USD 50,000,000 (full balance) belongs to Islamic Development Bank.

All of the subordinated additional tier-I capital (Tier-I) sukuk amounting to USD 200,000,000 (full balance) made by the Bank on 16/07/2019 and USD 50,000,000 (full balance) made by the Bank on 28/09/2020) The subordinated Tier-I Sukuk is entirely owned by Kuwait Finance House.

7.2 Information on remunerations provided to top management:

As of 1 January - 31 December 2020, the Group has paid TL 69,370 to top management (1 January - 31 December 2019 TL 53,253).

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 (*)	434	4,071			
			Country		
Foreign representative offices	-	-	-	Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign bank	1	109	Germany	6,394,925	82,375,957
Off-shore branches	1	3	Bahrain (**)	4,709,510	-
Foreign branches	-	-	-	-	-

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

(**) Bahrain Branch is controlled by the Central Bank of Bahrain and the total of Assets is 4,709,510 Turkish lira as of 31 December 2020.

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

In 2020, 4 new domestic branches (2019-16 branches) were opened and 0 domestic branch was closed (2019-1 branch).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 13, 2021 with a nominal value of TL 800,000 thousand and a maturity of 72 days with a cost of 17.75%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 21, 2021 with a nominal value of TL 300,000 thousand and a maturity of 36 days with a cost of 16.77%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 27, 2021 with a nominal value of TL 400,000 thousand and a maturity of 84 days with a cost of 17.26%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 29, 2021 with a nominal value of TL 300,000 thousand and a maturity of 90 days with a cost of 17.26%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 08, 2021 with a nominal value of TL 130,000 thousand and a maturity of 81 days with a cost of 16.77%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 10, 2021 with a nominal value of TL 200,000 thousand and a maturity of 70 days with a cost of 17.16%

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2020

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

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 3 March 2021 is presented preceding the financial statements.

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

CONTACT INFORMATION AND BRANCH DIRECTORY

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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 435 branches, has 434 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/en/branches-and-atms>

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