

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

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED 1
JANUARY-30 JUNE 2018 WITH
INDEPENDENT AUDITOR’S LIMITED
REVIEW REPORT**

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

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

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (together referred as “ the Group”), as at 30 June 2018, and the consolidated statement of income, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures And Principles Regarding Banks’Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with the number 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position and performance of Kuveyt Türk Katılım Bankası A.Ş. and its consolidated subsidiaries as at 30 June 2018, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Reporting Regulations.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information provided in the Management's interim report included in Section 8 of the consolidated accompanying financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed interim financial statements and the explanatory notes.

Additional paragraph for English translation:

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

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

Yaman Polat, SMMM
Partner
İstanbul, 17 August 2018

**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
AS OF 30 JUNE 2018**

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL
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Web page : www.kuveytturk.com.tr
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The consolidated interim financial report for the six-month period 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 PARENT BANK
- DISCLOSURES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

Our subsidiaries, participants and jointly-controlled partners which are consolidated within the scope of this financial report are as follows:

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

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

Hamad Abdulmohsen AL-MARZOUQ

Chairman of the Board of Directors

Adnan ERTEM

Vice Chairman of BOD
And Head of the Audit Committee

Ahmad S A A AL KHARJI

Member of the Audit Committee

Mohamad AL-MIDANI

Member of the Audit
Committee

Ufuk UYAN

General Manager

Ahmet KARACA

Chief Financial Officer

İsmail Hakkı
YEŞİLYURT

External Reporting
Manager

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

Name-Surname: İsmail Hakkı YEŞİLYURT
Position: External Reporting Manager
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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

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

The Parent Bank and its consolidated partnerships are referred to as "Group".

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

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

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

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

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

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

4. Information on qualified shareholders

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

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

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 bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 30 June 2018, the Group is operating through 406 domestic branches (31 December 2017 – 403) with 5,791 employees (31 December 2017 – 5,846). Summary of some of the Parent Bank’s operations described in the Articles of Association are as follows:

- To collect funds through “Current Accounts” and “Profit/Loss Sharing Accounts” and special fund pools in line with the regulations;
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking;
- To offer financial and operational leasing;
- To handle all kinds of deposits and payments, including travelers’ checks, credit cards and other payment instruments, provide member business services (POS), consulting, advisory, and safe deposit box services;
- To purchase financial instruments on money and capital markets in cash or installments, sell and mediate the sale and trade on the stock exchange in accordance with legislation and principles of non-interest banking;
- To purchase, acquire and construct any kind of real estate and if necessary lease or transfer ownership to other persons;
- To act as a representative, deputy or agent for corporations and enterprises (including insurance companies);
- To provide socially responsible aid for the benefit of the 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 Parent Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Customs and Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association

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

None.

SECTION TWO

THE CONSOLIDATED FINANCIAL STATEMENTS

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- III. Consolidated Income Statement
- IV. Consolidated Statement Of Income/ Expense Items Accounted Under Shareholders' Equity
(Consolidated Other Comprehensive Income/Loss)
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2018

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

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

			Reviewed Current period 30.06.2018	
	Note	TL	FC	Total
I. FINANCIAL ASSETS (Net)		2,743,211	16,257,032	19,000,243
1.1 Cash And Cash Equivalents		826,120	14,327,367	15,153,487
1.1.1 Cash And Balances With Central Bank	(5.1.1)	819,889	8,432,603	9,252,492
1.1.2 Banks	(5.1.3)	6,231	5,894,764	5,900,995
1.1.3 Receivables From Money Markets		-	-	-
1.2 Financial Assets At Fair Value Through Profit Or Loss	(5.1.2)	13,449	108,370	121,819
1.2.1 Government Debt Securities		7,637	22,599	30,236
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		5,812	85,771	91,583
1.3 Financial Assets At Fair Value Through Other Comprehensive Income	(5.1.4)	1,818,312	1,811,482	3,629,794
1.3.1 Government Debt Securities		1,701,518	1,675,388	3,376,906
1.3.2 Equity Instruments		10,502	14,797	25,299
1.3.3 Other Financial Assets		106,292	121,297	227,589
1.4 Financial Assets Measured At Amortised Cost	(5.1.6)	-	-	-
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
1.5. Derivative Financial Assets		87,791	13,954	101,745
1.5.1 Derivative Financial Assets At Fair Value Through Profit Or Loss		87,791	13,954	101,745
1.5.2 Derivative Financial Assets At Fair Value Through Other Comprehensive Income		-	-	-
1.6. Non-Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		2,461	4,141	6,602
II. LOANS (Net)	(5.1.5)	35,008,542	12,060,514	47,069,056
2.1 Loans		33,464,748	11,221,700	44,686,448
2.1.1 Loans Measured At Amortised Cost		33,461,768	11,160,754	44,622,522
2.1.2 Loans At Fair Value Through Profit Or Loss		2,980	60,946	63,926
2.1.3 Loans At Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivable	(5.1.10)	1,707,380	927,792	2,635,172
2.2.1 Finance Lease Receivables		1,943,541	1,103,815	3,047,356
2.2.2 Operational Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		236,161	176,023	412,184
2.3 Factoring Receivables		-	-	-
2.3.1 Measured At Amortised Cost		-	-	-
2.3.2 Fair Value Through Profit Or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		869,814	616	870,430
2.5 Expected Credit Losses (-)		1,033,400	89,594	1,122,994
2.5.1 12-Month Expected Credit Losses (Stage I)		90,674	61,470	152,144
2.5.2 Significant Increase In Credit Risk (Stage II)		283,411	26,932	310,343
2.5.3 Credit-Impaired Losses (Stage III / Special Provision)		659,315	1,192	660,507
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)		144,483	-	144,483
3.1 Held For Sale		144,483	-	144,483
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		46,482	-	46,482
4.1 Investments in Associates (Net)	(5.1.7)	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Subsidiaries (Net)	(5.1.8)	23,680	-	23,680
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680
4.3 Joint Ventures (Net)	(5.1.9)	22,802	-	22,802
4.3.1 Joint Ventures Valued Based on Equity Method		22,802	-	22,802
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. TANGIBLE ASSETS (Net)		466,109	7,291	473,400
VI. INTANGIBLE ASSETS (Net)		136,992	55,792	192,784
6.1 Goodwill		-	-	-
6.2 Other		136,992	55,792	192,784
VII. INVESTMENT PROPERTIES (Net)		25,340	-	25,340
VIII. CURRENT TAX ASSETS		-	-	-
IX. DEFERRED TAX ASSETS	(5.1.12)	162,656	17,550	180,206
X. OTHER ASSETS	(5.1.13)	335,265	663,443	998,708
TOTAL ASSETS		39,069,080	29,061,622	68,130,702

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2018

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

					Audited Prior period 31.12.2017
		Note	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(5.1.1)	625,022	8,399,697	9,024,719
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(5.1.2)	21,768	66,466	88,234
2.1	Held For Trading Financial Assets		21,768	66,466	88,234
2.1.1	Public Sector Sukuk Bonds		7,600	28,719	36,319
2.1.2	Equity Securities		-	-	-
2.1.3	Derivative Financial Assets Held For Trading		14,168	12,531	26,699
2.1.4	Other Marketable Securities		-	25,216	25,216
2.2	Financial Assets At Fair Value Through Profit And Loss		-	-	-
2.2.1	Public Sector Sukuk Bonds		-	-	-
2.2.2	Equity Securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
III.	BANKS	(5.1.3)	8,619	3,563,455	3,572,074
IV.	RECEIVABLES FROM MONEY MARKET	(5.1.4)	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)		2,064,954	2,358,776	4,423,730
5.1	Equity Securities		10,325	38,172	48,497
5.2	Public Sector Sukuk Bonds		2,048,171	2,055,277	4,103,448
5.3	Other Marketable Securities		6,458	265,327	271,785
VI.	Loans And Receivables	(5.1.5)	29,860,983	6,744,517	36,605,500
6.1	Loans And Receivables		29,813,800	6,744,408	36,558,208
6.1.1	Loans To Risk Group Of The Bank		84,022	67,951	151,973
6.1.2	Public Sector Sukuk Bonds		-	-	-
6.1.3	Other		29,729,778	6,676,457	36,406,235
6.2	Non-Performing Loans		714,130	930	715,060
6.3	Specific Provisions (-)		666,947	821	667,768
VII.	HELD TO MATURITY INVESTMENTS (Net)	(5.1.6)	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	-	-	-
8.1	Accounted For Under Equity Method		-	-	-
8.2	Consolidated Associates		-	-	-
8.2.1	Financial Associates		-	-	-
8.2.2	Non-Financial Associates		-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	23,680	-	23,680
9.1	Consolidated Financial Subsidiaries		-	-	-
9.2	Consolidated Non-Financial Subsidiaries		23,680	-	23,680
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.1.9)	19,405	-	19,405
10.1	Accounted For Under Equity Method		19,405	-	19,405
10.2	Consolidated		-	-	-
10.2.1	Financial Subsidiaries		-	-	-
10.2.2	Non-Financial Subsidiaries		-	-	-
XI.	FINANCE LEASE RECEIVABLES	(5.1.10)	1,437,354	643,376	2,080,730
11.1	Finance Lease Receivables		1,624,695	771,045	2,395,740
11.2	Operating Lease Receivables		-	-	-
11.3	Other		-	-	-
11.4	Unearned Income (-)		187,341	127,669	315,010
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(5.1.11)	-	-	-
12.1	Fair Value Hedge		-	-	-
12.2	Cash Flow Hedge		-	-	-
12.3	Hedge Of Net Investment Risks In Foreign Operations		-	-	-
XIII.	TANGIBLE ASSETS (Net)		409,644	6,405	416,049
XIV.	INTANGIBLE ASSETS (Net)		119,146	49,819	168,965
14.1	Goodwill		-	-	-
14.2	Other		119,146	49,819	168,965
XV.	INVESTMENT PROPERTIES (Net)		25,419	-	25,419
XVI.	TAX ASSET		138,710	-	138,710
16.1	Current Tax Asset		-	-	-
16.2	Deferred Tax Asset	(5.1.12)	138,710	-	138,710
XVII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		117,006	-	117,006
17.1	Held For Sale		117,006	-	117,006
17.2	Discontinued Operations		-	-	-
XVIII.	OTHER ASSETS	(5.1.13)	278,349	582,132	860,481
TOTAL ASSETS			35,150,059	22,414,643	57,564,702

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2018

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

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

			Reviewed Currentperiod 30.06.2018		
		Note	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1)	22,492,690	26,644,777	49,137,467
II.	FUNDS BORROWED	(5.2.3)	137,920	3,224,435	3,362,355
III.	MONEY MARKETS		194,593	-	194,593
IV.	SECURITIES ISSUED (Net)	(5.2.4)	1,591,651	5,468,653	7,060,304
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	(5.2.2)	34,673	78,635	113,308
5.1	Derivative Financial Liabilities At Fair Value Through Profit Or Loss		34,673	78,635	113,308
5.2	Derivative Financial Liabilities At Fair Value Through Other Comprehensive Income		-	-	-
VII.	LEASE PAYABLES	(5.2.6)	-	-	-
7.1	Finance Lease Payables		-	-	-
7.2	Operating Lease Payables		-	-	-
7.3	Other		-	-	-
7.4	Deferred Finance Lease Expenses (-)		-	-	-
VIII.	PROVISIONS	(5.2.8)	517,867	160,348	678,215
3.1	Restructuring Provision		-	-	-
3.2	Reserves For Employee Benefits		172,422	678	173,100
3.3	Insurance For Technical Provision (Net)		-	-	-
3.4	Other Provisions		345,445	159,670	505,115
IX.	CURRENT TAX LIABILITIES	(5.2.9)	93,330	844	94,174
X.	DEFERRED TAX LIABILITIES		-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.10)	-	-	-
11.1	Held For Sale		-	-	-
11.2	Related To Discontinued Operations		-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.11)	-	1,643,969	1,643,969
12.1	Loans		-	-	-
12.2	Other Debt Instruments		-	1,643,969	1,643,969
XIII.	OTHER LIABILITIES	(5.2.5)	618,570	117,028	735,598
XIV.	SHAREHOLDERS' EQUITY	(5.2.12)	5,271,104	(160,385)	5,110,719
14.1	Paid-In Capital		3,497,322	-	3,497,322
14.2	Capital Reserves		24,208	-	24,208
14.2.1	Equity Share Premiums		24,208	-	24,208
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Other Capital Reserves		-	-	-
14.3	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit Or Loss		(26,947)	-	(26,947)
14.4	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit Or Loss		(72,401)	(56,781)	(129,182)
14.5	Profit Reserves		1,196,333	-	1,196,333
14.5.1	Legal Reserves		187,591	-	187,591
14.5.2	Statutory Reserves		-	-	-
14.5.3	Extraordinary Reserves		923,692	-	923,692
14.5.4	Other Profit Reserves		125,708	-	125,708
14.6	Profit Or Loss		628,715	(103,604)	525,111
16.6.1	Prior Years' Profits Or Losses		106,742	(107,902)	(1,160)
16.6.2	Current Period Net Profit Or Loss		521,973	4,298	526,271
14.7	Minority Shares	(5.2.13)	23,874	-	23,874
TOTAL LIABILITIES AND EQUITY			30,952,398	37,178,304	68,130,702

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2018

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

				Audited Prior period 31.12.2017	
		Note	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1)	19,951,556	20,303,407	40,254,963
1.1	Funds From Risk Group Of The Bank		389,739	118,271	508,010
1.2	Other		19,561,817	20,185,136	39,746,953
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)	21,446	59,251	80,697
III.	FUNDS BORROWED	(5.2.3)	110,116	3,277,011	3,387,127
IV.	MONEY MARKET BALANCES		750,524	-	750,524
V.	MARKETABLE SECURITIES ISSUED (Net)		1,104,618	4,547,223	5,651,841
VI.	SUNDRY CREDITORS		170,672	29,333	200,005
VII.	OTHER LIABILITIES	(5.2.4)	329,741	16,177	345,918
VIII.	FINANCE LEASE PAYABLES	(5.2.5)	-	-	-
8.1	Finance Lease Payables		-	-	-
8.2	Operating Lease Payables		-	-	-
8.3	Other		-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(5.2.6)	-	70,795	70,795
9.1	Fair Value Hedge		-	-	-
9.2	Cash Flow Hedge		-	70,795	70,795
9.3	Hedge Of Net Investment In Foreign Operations		-	-	-
X.	PROVISIONS	(5.2.7)	642,750	152,670	795,420
10.1	General Loan Loss Provisions		312,384	95,570	407,954
10.2	Restructuring Provisions		-	-	-
10.3	Reserve For Employee Benefits		185,060	334	185,394
10.4	Insurance Technical Reserves (Net)		-	-	-
10.5	Other Provisions		145,306	56,766	202,072
XI.	TAX LIABILITY	(5.2.8)	56,259	-	56,259
11.1	Current Tax Liability		56,259	-	56,259
11.2	Deferred Tax Liability		-	-	-
XII.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.2.9)	-	-	-
12.1	Held For Sale		-	-	-
12.2	Discontinued Operations		-	-	-
XIII.	SUBORDINATED LOANS	(5.2.10)	-	1,360,338	1,360,338
XIV.	SHAREHOLDERS' EQUITY	(5.2.11)	4,706,108	(95,293)	4,610,815
14.1	Paid-In Capital		3,097,322	-	3,097,322
14.2	Capital Reserves		(86,697)	12,609	(74,088)
14.2.1	Share Premiums		24,208	-	24,208
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Marketable Securities Revaluation Reserve		(23,192)	12,609	(10,583)
14.2.4	Tangible Assets Revaluation Reserve		-	-	-
14.2.5	Intangible Assets Revaluation Reserve		-	-	-
14.2.6	Investment Property Revaluation Reserve		-	-	-
14.2.7	Bonus Shares Obtained From Associates, Subsidiaries And Jointly Controlled Entities		-	-	-
14.2.8	Hedging Funds (Effective Portion)		(60,766)	-	(60,766)
14.2.9	Value Increase On Assets Held For Resale		-	-	-
14.2.10	Other Capital Reserves		(26,947)	-	(26,947)
14.3	Profit Reserves		927,236	-	927,236
14.3.1	Legal Reserves		151,688	-	151,688
14.3.2	Status Reserves		-	-	-
14.3.3	Extraordinary Reserves		688,628	-	688,628
14.3.4	Other Profit Reserves		86,920	-	86,920
14.4	Profit Or Loss		745,193	(107,902)	637,291
14.4.1	Prior Period Income/(Losses)		86,367	(77,931)	8,436
14.4.2	Current Period Net Income/(Losses)		658,826	(29,971)	628,855
14.5	Minority Shares	(5.2.12)	23,054	-	23,054
TOTAL LIABILITIES AND EQUITY			27,843,790	29,720,912	57,564,702

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 30 JUNE 2018

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

2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

				Reviewed Current period 30.06.2018
	Notes	TL	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		56,704,813	19,855,825	76,560,638
I. GUARANTEES AND WARRANTIES	(5.3.1)	6,508,637	5,541,509	12,050,146
1.1. Letters Of Guarantee		6,318,786	4,168,870	10,487,656
1.1.1. Guarantees Subject To State Tender Law		233,296	-	233,296
1.1.2. Guarantees Given For Foreign Trade Operations		393,905	171,902	565,807
1.1.3. Other Letters Of Guarantee		5,691,585	3,996,968	9,688,553
1.2. Bank Loans		7,164	61,689	68,853
1.2.1. Import Letter Of Acceptance		7,164	61,689	68,853
1.2.2. Other Bank Acceptances		-	-	-
1.3. Letters Of Credit		6,043	1,141,281	1,147,324
1.3.1. Documentary Letters Of Credit		1,885	360,574	362,459
1.3.2. Other Letters Of Credit		4,158	780,707	784,865
1.4. Guaranteed Refinancing		-	34,999	34,999
1.5. Endorsements		-	-	-
1.5.1. Endorsements To The Central Bank Of Turkey		-	-	-
1.5.2. Other Endorsements		-	-	-
1.6. Other Guarantees		176,644	130,979	307,623
1.7. Other Warranties		-	3,691	3,691
II. COMMITMENTS	(5.3.1)	48,607,422	1,218,876	49,826,298
2.1. Irrevocable Commitments		4,006,787	1,218,876	5,225,663
2.1.1. Forward Asset Purchase And Sales Commitments		215,701	1,210,447	1,426,148
2.1.2. Share Capital Commitment To Associates And Subsidiaries		-	-	-
2.1.3. Loan Granting Commitments		571,349	-	571,349
2.1.4. Securities Underwriting Commitments		-	-	-
2.1.5. Payment Commitments For Reserve Deposits		-	-	-
2.1.6. Payment Commitments For Checks		1,568,103	-	1,568,103
2.1.7. Tax And Fund Liabilities From Export Commitments		-	-	-
2.1.8. Commitments For Credit Card Expenditure Limits		1,633,877	-	1,633,877
2.1.9. Commitments For Credit Cards And Banking Services Promotions		-	-	-
2.1.10. Receivables From Short Sale Commitments Of Marketable Securities		-	-	-
2.1.11. Payables For Short Sale Commitments Of Marketable Securities		-	-	-
2.1.12. Other Irrevocable Commitments		17,757	8,429	26,186
2.2. Revocable Commitments		44,600,635	-	44,600,635
2.2.1. Revocable Loan Granting Commitments		44,600,635	-	44,600,635
2.2.2. Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		1,588,754	13,095,440	14,684,194
3.1. Derivative Financial Instruments Held For Risk Management		-	1,894,183	1,894,183
3.1.1. Fair Value Hedges		-	-	-
3.1.2. Cash Flow Hedges		-	1,894,183	1,894,183
3.1.3. Hedges of net Investments in Foreign Operations		-	-	-
3.2. Held For Trading Transactions		1,588,754	11,201,257	12,790,011
3.2.1. Forward Foreign Currency Buy/Sell Transactions		1,166,564	1,771,734	2,938,298
3.2.1.1. Forward Foreign Currency Buy Transactions		569,455	900,115	1,469,570
3.2.1.2. Forward Foreign Currency Sell Transactions		597,109	871,619	1,468,728
3.2.2. Other Forward Buy/Sell Transactions		422,190	9,429,523	9,851,713
3.3. Other		-	-	-
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		297,201,308	125,085,627	422,286,935
IV. ITEMS HELD IN CUSTODY		10,920,382	3,179,939	14,100,321
4.1. Assets Under Management		-	-	-
4.2. Investment Securities Held In Custody		1,511,879	121,634	1,633,513
4.3. Checks Received For Collection		7,862,264	846,796	8,709,060
4.4. Commercial Notes Received For Collection		1,546,239	257,058	1,803,297
4.5. Other Assets Received For Collection		-	-	-
4.6. Assets Received For Public Offering		-	-	-
4.7. Other Items Under Custody		-	-	-
4.8. Custodians		-	1,954,451	1,954,451
V. PLEDGED ITEMS		286,269,287	121,852,047	408,121,334
5.1. Marketable Securities		205,017	87,026	292,043
5.2. Guarantee Notes		101,681	1,845,300	1,946,981
5.3. Commodity		5,819,904	593,367	6,413,271
5.4. Warranty		-	-	-
5.5. Properties		109,161,892	2,369,209	111,531,101
5.6. Other Pledged Items		170,980,793	116,957,145	287,937,938
5.7. Pledged Items-Depository		-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		11,639	53,641	65,280
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		353,906,121	144,941,452	498,847,573

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 30 JUNE 2018

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

				Audited Prior period 31.12.2017
	Note	TL	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		54,025,598	19,151,373	73,176,971
I. GUARANTEES	(5.3.1)	6,501,080	4,570,973	11,072,053
1.1. Letters Of Guarantees		6,342,565	3,227,614	9,570,179
1.1.1. Guarantees Subject To State Tender Law		214,018	-	214,018
1.1.2. Guarantees Given For Foreign Trade Operations		424,035	187,285	611,320
1.1.3. Other Letters Of Guarantee		5,704,512	3,040,329	8,744,841
1.2. Bank Loans		2,549	53,409	55,958
1.2.1. Import Letter Of Acceptances		2,549	53,409	55,958
1.2.2. Other Bank Acceptances		-	-	-
1.3. Letter Of Credits		1,143	930,957	932,100
1.3.1. Documentary Letter Of Credits		78	358,591	358,669
1.3.2. Other Letter Of Credits		1,065	572,366	573,431
1.4. Guaranteed Refinancing		-	27,919	27,919
1.5. Endorsements		-	-	-
1.5.1. Endorsements To The Central Bank Of Republic Of Turkey		-	-	-
1.5.2. Other Endorsements		-	-	-
1.6. Other Guarantees		154,823	331,074	485,897
1.7. Other Collaterals		-	-	-
II. COMMITMENTS	(5.3.1)	45,832,293	948,032	46,780,325
2.1. Irrevocable Commitments		3,306,919	948,032	4,254,951
2.1.1. Forward Asset Purchase Commitments		217,951	948,032	1,165,983
2.1.2. Share Capital Commitment To Associates And Subsidiaries		-	-	-
2.1.3. Loan Granting Commitments		368,519	-	368,519
2.1.4. Securities Underwriting Commitments		-	-	-
2.1.5. Payment Commitments For Reserve Deposits		-	-	-
2.1.6. Payment Commitment For Checks		1,345,239	-	1,345,239
2.1.7. Tax And Fund Liabilities From Export Commitments		99	-	99
2.1.8. Commitments For Credit Card Expenditure Limits		1,357,354	-	1,357,354
2.1.9. Commitments For Promotions Related With Credit Cards And Banking Activities		-	-	-
2.1.10. Receivables From Short Sale Commitments		-	-	-
2.1.11. Payables For Short Sale Commitments		-	-	-
2.1.12. Other Irrevocable Commitments		17,757	-	17,757
2.2. Revocable Commitments		42,525,374	-	42,525,374
2.2.1. Revocable Loan Granting Commitments		42,525,374	-	42,525,374
2.2.2. Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		1,692,225	13,632,368	15,324,593
3.1. Derivative Financial Instruments For Risk Management		-	1,565,503	1,565,503
3.1.1. Fair Value Hedge		-	-	-
3.1.2. Cash Flow Hedge		-	1,565,503	1,565,503
3.1.3. Hedges Of Net Investment In Foreign Operations		-	-	-
3.2. Held For Trading Transactions		1,692,225	12,066,865	13,759,090
3.2.1. Forward Foreign Currency Buy/Sell Transactions		737,140	1,804,963	2,542,103
3.2.1.1. Forward Foreign Currency Transactions-Buy		388,590	976,977	1,365,567
3.2.1.2. Forward Foreign Currency Transactions-Sell		348,550	827,986	1,176,536
3.2.2. Other Forward Buy/Sell Transactions		955,085	10,261,902	11,216,987
3.3. Other		-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		264,937,891	106,948,648	371,886,539
IV. ITEMS HELD IN CUSTODY		9,232,412	3,224,354	12,456,766
4.1. Assets Under Management		-	-	-
4.2. Investment Securities Held In Custody		965,091	73,865	1,038,956
4.3. Checks Received For Collection		6,397,936	624,523	7,022,459
4.4. Commercial Notes Received For Collection		1,869,385	190,069	2,059,454
4.5. Other Assets Received For Collection		-	-	-
4.6. Assets Received For Public Offering		-	-	-
4.7. Other Items Under Custody		-	-	-
4.8. Custodians		-	2,335,897	2,335,897
V. PLEDGED ITEMS		255,693,840	103,679,813	359,373,653
5.1. Marketable Securities		195,245	73,046	268,291
5.2. Guarantee Notes		101,701	1,527,824	1,629,525
5.3. Commodity		5,045,489	470,272	5,515,761
5.4. Warranty		-	-	-
5.5. Properties		101,298,823	1,970,258	103,269,081
5.6. Other Pledged Items		149,052,582	99,638,413	248,690,995
5.7. Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,639	44,481	56,120
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		318,963,489	126,100,021	445,063,510

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2018

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

3. CONSOLIDATED INCOME STATEMENT

		Current Period Reviewed 01.01.2018 - 30.06.2018	Current Period Reviewed 01.04.2018 - 30.06.2018
	Notes		
I. PROFIT SHARE INCOME	(5.4.1.)	2,602,607	1,397,773
1.1 Profit Share On Loans		2,237,583	1,200,327
1.2 Profit Share On Reserve Deposits		40,312	21,881
1.3 Profit Share On Banks		46,939	28,716
1.4 Profit Share On Money Market Placements		-	-
1.5 Profit Share On Marketable Securities Portfolio		158,671	78,407
1.5.1 Fair Value Through Profit Or Loss		5,016	2,776
1.5.2 Fair Value Through Other Comprehensive Income		153,655	75,631
1.5.3 Measured At Amortised Cost		-	-
1.6 Finance Lease Income		103,677	57,802
1.7 Other Profit Share Income		15,425	10,640
II. PROFIT SHARE EXPENSE	(5.4.2)	1,151,541	627,008
2.1 Expense On Profit Sharing Accounts		788,441	427,492
2.2 Profit Share Expense On Funds Borrowed		112,035	62,107
2.3 Profit Share Expense On Money Market Borrowings		23,604	9,247
2.4 Expense On Securities Issued		223,734	124,435
2.5 Other Profit Share Expense		3,727	3,727
III. NET PROFIT SHARE INCOME (I - II)		1,451,066	770,765
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		176,394	95,287
4.1 Fees And Commissions Received		260,707	136,833
4.1.1 Non-Cash Loans		68,834	35,241
4.1.2 Other		191,873	101,592
4.2 Fees And Commissions Paid		84,313	41,546
4.2.1 Non-Cash Loans		14	9
4.2.2 Other		84,299	41,537
V. PERSONNEL EXPENSES (-)		419,711	196,275
VI. DIVIDEND INCOME	(5.4.3.)	1,227	1,227
VII. NET TRADING INCOME / LOSS	(5.4.4.)	139,040	86,705
7.1 Capital Market Transaction Gain/Losses		2,982	(2,512)
7.2 Gain/Losses From Derivative Financial Instruments		295,064	327,021
7.3 Foreign Exchange Gain/Losses		(159,006)	(237,804)
VIII. OTHER OPERATING INCOME	(5.4.5.)	219,188	53,777
IX. NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		1,567,204	811,486
X. EXPECTED LOSS PROVISIONS (-)	(5.4.6.)	576,043	250,140
XI. OTHER OPERATING EXPENSES (-)	(5.4.7.)	342,228	189,928
XII. NET OPERATING INCOME/(LOSS) (IX-X-XI)		648,993	372,418
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		3,397	1,738
XIV. INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)	(5.4.8.)	652,330	374,156
XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.9.)	(125,239)	(81,354)
17.1 Current Tax Provision		(144,718)	(93,244)
17.2 Deferred Tax Income Effect (+)		25,553	25,553
17.3 Deferred Tax Expense Effect (-)		45,032	37,443
XVIII. CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.10.)	527,091	292,802
XIX. INCOME FROM DISCONTINUED OPERATIONS		-	-
19.1 Income on Non-Current Assets Held For Sale		-	-
19.2 Income on Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
19.3 Income on Other Discontinued Operations		-	-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
20.1 Losses From Non-Current Assets Held For Sale		-	-
20.2 Losses From Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
20.3 Losses From Other Discontinued Operations		-	-
XXI. PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22.1 Current Tax Provision		-	-
22.2 Deferred Tax Expense Effect (+)		-	-
22.3 Deferred Tax Income Effect (-)		-	-
XXIII. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIV. NET PROFIT/LOSS (XVII+XXII)	(5.4.11.)	527,091	292,064
24.1 Group's Income/Loss		526,271	292,089
24.2 Minority Interest Income/Loss (-)		820	713
Earnings Per Share Income/Loss		-	-

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2018

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

			Prior Period Reviewed 01.01.2017 - 30.06.2017	Prior Period Reviewed 01.04.2017 - 30.06.2017
		Notes		
I.	PROFIT SHARE INCOME	(5.4.1)	1,745,062	903,271
1.1	Profit Share On Loans		1,506,051	782,790
1.2	Profit Share On Reserve Deposits		20,351	11,707
1.3	Profit Share On Banks		9,949	2,045
1.4	Profit Share On Money Market Placements		-	-
1.5	Profit Share On Marketable Securities Portfolio		134,173	68,582
1.5.1	Financial Assets Held For Trading		-	-
1.5.2	Financial Assets At Fair Value Through Profit and Loss		6,015	3,686
1.5.3	Financial Assets Available For Sale		128,158	64,896
1.5.4	Investments Held For Maturity		-	-
1.6	Finance Lease Income		62,139	31,194
1.7	Other Profit Share Income		12,399	6,953
II.	PROFIT SHARE EXPENSE	(5.4.2)	787,877	389,622
2.1	Expense On Profit Sharing Accounts		542,206	278,512
2.2	Profit Share Expense On Funds Borrowed		102,794	40,589
2.3	Profit Share Expense On Money Market Borrowings		2,404	-
2.4	Expense On Securities Issued		140,473	70,521
2.5	Other Profit Share Expense		-	-
III.	NET PROFIT SHARE INCOME (I - II)		957,185	513,649
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		113,547	59,094
4.1	Fees And Commissions Received		189,446	100,527
4.1.1	Non-Cash Loans		55,107	29,372
4.1.2	Other		134,339	71,155
4.2	Fees And Commissions Paid		75,899	41,433
4.2.1	Non-Cash Loans		7	3
4.2.2	Other		75,892	41,430
V.	DIVIDEND INCOME	(5.4.3)	-	-
VI.	NET TRADING INCOME / LOSS	(5.4.4)	200,755	70,107
6.1	Capital Market Transaction Gain/Losses		3,200	35
6.2	Gain/Losses From Derivative Financial Instruments		(302,396)	(109,141)
6.3	Foreign Exchange Gain/Losses		499,951	179,213
VII.	OTHER OPERATING INCOME	(5.4.5)	122,422	81,757
VIII.	NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		1,393,909	724,607
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.6)	383,878	243,078
X.	OTHER OPERATING EXPENSES (-)	(5.4.7)	621,808	297,965
XI.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		388,223	183,564
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		2,084	1,456
XIV.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XV.	PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)	(5.4.8)	390,307	185,020
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.9)	(100,209)	(56,633)
16.1	Current Tax Provision		(103,176)	(72,495)
16.2	Deferred Tax Provision		2,967	15,862
XVII.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		290,098	128,387
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income on Non-Current Assets Held For Sale		-	-
18.2	Income on Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
18.3	Income on Other Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Losses From Non-Current Assets Held For Sale		-	-
19.2	Losses From Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
19.3	Losses From Other Discontinued Operations		-	-
XX.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.4.9)	-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)		290,098	128,387
23.1	Group's Income/Loss		288,862	128,035
23.2	Minority Interest Income/Loss (-)		1,236	352
	Earnings Per Share Income/Loss		-	-

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 30 JUNE 2018

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

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

	Reviewed
	Current period
	01.01.2018-30.06.2018
I. CURRENT PROFIT (LOSS)	527,091
II. OTHER COMPREHENSIVE INCOME	(57,833)
2.1 Other Comprehensive Income Not Reclassified Through Profit Or Loss	-
2.1.1 Property And Equipment Revaluation Increase/Decrease	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-
2.1.5 Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.2 Other Comprehensive Income Reclassified Through Profit Or Loss	(57,833)
2.2.1 Foreign Currency Translation Difference	12,036
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	(137,231)
2.2.3 Cash Flow Hedge Income /Loss	59,887
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	7,475
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	469,258

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 30 JUNE 2018

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

		Reviewed Prior period 01.01.2017-30.06.2017
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	52,013
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	7,888
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	1,405
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	(14,218)
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	-
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(6,889)
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	40,199
XI.	PROFIT/LOSS	290,098
XI.1	Change In Fair Value Of Marketable Securities (Transfer To Profit/Loss)	(1,114)
XI.2	Reclassification Of Derivatives Accounted For Cash Flow Hedge Purposes To Income Statement	-
XI.3	Reclassification Of Hedge Of Net Investments In Foreign Operations To Income Statement	-
XI.4	Other	291,212
XII.	Total Profit/Loss Accounted For The Period (X±XI)	330,297

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2018

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

5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN THE EQUITY ITEMS	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity	
						1	2	3	4	5	6							
CURRENT PERIOD																		
(01/01/2018-31/06/2018)																		
I. Prior Period Ending Balance		3,097,322	24,208	-	-	-	(26,947)	-	-	(10,583)	(60,766)	927,236	673,291	-	4,587,761	23,054	4,610,815	
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540	
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540	
III. Adjusted Beginning Balance (I+II)		3,097,322	24,208	-	-	-	(26,947)	-	-	(10,583)	(60,766)	927,236	672,831	-	4,623,301	23,054	4,646,355	
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	-	-	-	(107,040)	49,207	-	-	526,271	468,438	820	468,438	
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Reserves		400,000	-	-	-	-	-	-	-	-	-	(400,000)	-	-	-	-	-	
VII. Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase / Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution (*)		-	-	-	-	-	-	-	-	-	-	669,097	(673,991)	-	(4,894)	-	(4,894)	
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)	
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	669,097	(669,097)	-	-	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period																		
(III+IV+.....+X+XI)	(5.2.11.)	3,497,322	24,208	-	-	-	(26,947)	-	-	(117,623)	(11,559)	1,196,333	(1,160)	526,271	5,086,845	23,874	5,110,719	

1. Revaluation income/losses of non-current assets,

2. Revaluation income/losses on defined benefit plans,

3. Other (Accrued amount of the other comprehensive income items that will not be reclassified as other profit or loss and the shares that will not be classified in profit or loss from the other comprehensive income of the investments under the equity method)

4. Foreign currency translation difference.

5. Income/losses on the revaluation and/or the reclassification of financial assets at fair value through other comprehensive income,

6. Other (ome/losses on cash flow hedges, accrued amount of the other comprehensive income items that will be reclassified as other profit or loss, the shares that will be classified in profit or loss from the other comprehensive income of the investments under the equity method)

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2018

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

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other Reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Prior Period (01.01.2017 - 30.06.2017)																			
I. Balances At Beginning Of The Period		2,787,322	-	24,208	-	122,861	-	351,949	253,201	-	550,402	(35,280)	-	-	(70,836)	-	3,983,827	19,993	4,003,820
Changes During The Period																			
II. Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Revaluation Difference		-	-	-	-	-	-	-	-	-	-	42,561	-	-	-	-	42,561	-	42,561
IV. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	11,374	-	-	-	-	-	(10,250)	-	1,124	-	1,124
4.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	1,124	-	-	-	1,124
4.2 Hedge Of Net Investment In Foreign Operation		-	-	-	-	-	-	-	11,374	-	-	-	-	-	(11,374)	-	-	-	-
V. Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	(136,532)	-	136,532	-	-	-	-	-	-	-	-
Associates,		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Subsidiaries And Jointly Controlled Operati		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-	-	-	7,888	-	-	-	-	-	-	-	7,888	-	7,888
IX. Changes Related To The Disposal Of Assets		-	-	-	-	-	-	-	(90,767)	-	-	-	-	-	40,593	-	(50,174)	-	(50,174)
X. Changes Related To The Reclassification Of		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The Effect Of Change In Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal Sources		310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-
XIII. Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation Adjustment To Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net Income/(Loss) For The Period		-	-	-	-	-	-	-	-	288,862	-	-	-	-	-	-	288,862	1,236	290,098
XVIII. Profit Distribution (*)		-	-	-	-	27,528	-	336,679	51,667	-	(420,165)	-	-	-	-	-	(4,291)	-	(4,291)
18.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	(4,291)	-	-	-	-	-	(4,291)	-	(4,291)
18.2 Transfers To Reserves		-	-	-	-	27,528	-	336,679	51,667	-	(415,874)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period																			
(III+IV+.....+X+XI)	(5.2.11)	3,097,322	-	24,208	-	150,389	-	688,628	45,164	288,862	8,436	7,281	-	-	(40,493)	-	4,269,797	21,229	4,291,026

(*) In the Ordinary General Assembly Meeting dated 28 March 2017, the Bank decided on reserving primary reserves amounting to TL 27,098; transferring the property sales profit amounting to TL 51,007, deposited through the retained profit from sales of immovable properties, to other reserves; subsequently using the aforementioned amount to fund the capital increase from internal sources; abstaining the cash dividend payments to shareholders, rendering the dividend payment to management amounting to TL 4,291; using the remaining net income amounting to TL 121,801 to fund the capital increase from internal sources; subsequently distributing bonus shares to shareholders proportioned to their partnership interests; reserving secondary reserves amounting to TL 430; transferring the remaining amount of TL 336,679 to extraordinary legal reserves, not distributing the incentive amounting to TL 660 obtained for development activities as per the Article 3 of the Law no. 5746 on the support for the research and development activities; transferring the aforementioned amount to other reserves; subsequently using the aforementioned amount to fund the capital increase from internal sources; as well as using the other reserves amounting TL 136,532, deposited through the retained profit from sales of immovable properties, to fund the capital increase from internal sources.

(**) The accumulated exchange rate difference in the liquidation of the subsidiary in Dubai and the cancellation of hedge funds.

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CASH FLOWS STATEMENT FOR THE PERIOD ENDED 30 JUNE 2018

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

6. CONSOLIDATED CASH FLOWS STATEMENT

		Reviewed Current period Note 01.01.2018-30.06.2018
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating Profit Before Changes In Assets And Liabilities From Banking Operations	1,090,872
1.1.1	Profit Share Income Received	996,698
1.1.2	Profit Share Expense Paid	(986,842)
1.1.3	Dividends Received	1,050
1.1.4	Fees And Commissions Received	264,386
1.1.5	Other Income	308,576
1.1.6	Collections From Previously Written Off Loans	153,308
1.1.7	Payments To Personnel And Service Suppliers	(413,540)
1.1.8	Taxes Paid	(144,455)
1.1.9	Others	911,691
1.2	Changes In Assets And Liabilities Subject to Banking Operations	(2,039,654)
1.2.1	Net (Increase) Decrease in Financial Assets Held For Sale	(20,530)
1.2.2	Net (Increase) Decrease In Financial Assets At Fair Value Through Profit Or Loss	-
1.2.3	Net (Increase) Decrease In Due From Banks And Other Financial Institutions	(2,586,442)
1.2.4	Net (Increase) Decrease In Loans	(7,372,906)
1.2.5	Net (Increase) Decrease In Other Assets	(344,456)
1.2.6	Net Increase (Decrease) In Bank Deposits	164,243
1.2.7	Net Increase (Decrease) In Other Deposits	8,637,174
1.2.8	Net Increase (Decrease) In Funds Borrowed	(63,858)
1.2.9	Net Increase (Decrease) In Due Payables	-
1.2.10	Net Increase (Decrease) In Other Liabilities	(453,179)
I.	Net Cash Provided From / (Used In) Banking Operations	(949,082)
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net Cash Provided From / (Used In) Investing Activities	720,559
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	(174,603)
2.4	Fixed Assets Sales	170,374
2.5	Cash Paid For Purchase Of Financial Assets Available For Sale	(1,369,731)
2.6	Cash Obtained From Sale Of Financial Assets Available For Sale	1,135,304
2.7	Cash Paid For Purchase Of Investment Securities	-
2.8	Cash Obtained From Sale Of Investment Securities	-
2.9	Other	(40,785)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net Cash Provided From / (Used In) Financing Activities	262,256
3.1	Cash Obtained From Funds Borrowed And Securities Issued	1,072,150
3.2	Cash Used For Repayment Of Funds Borrowed And Securities Issued	(1,805,000)
3.3	Capital Increase	-
3.4	Dividends Paid	(4,894)
3.5	Payments For Finance Leases	-
3.6	Other	-
IV.	Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(5.5.4) (63,481)
V.	Net Increase (Decrease) In Cash And Cash Equivalents	(29,748)
VI.	Cash And Cash Equivalents At The Beginning Of The Period	(5.5.1) 5,595,655
VII.	Cash And Cash Equivalents At The End Of The Period	(5.5.1) 5,565,907

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CASH FLOWS STATEMENT FOR THE PERIOD ENDED 30 JUNE 2018

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

		Reviewed Prior period 01.01.2017-30.06.2017
	Note	
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating Profit Before Changes In Operating Assets And Liabilities	687,593
1.1.1	Profit Share Income Received	1,770,440
1.1.2	Profit Share Expense Paid	(795,073)
1.1.3	Dividend Received	-
1.1.4	Fees And Commissions Received	193,355
1.1.5	Other Income	291,884
1.1.6	Collections From Previously Written Off Loans	39,250
1.1.7	Payments To Personnel And Service Suppliers	(507,270)
1.1.8	Taxes Paid	(82,708)
1.1.9	Others	(222,285)
1.2	Changes In Operating Assets And Liabilities	(1,950,118)
1.2.1	Net (Increase) Decrease Held For Trading Financial Assets	(54,060)
1.2.2	Net (Increase) Decrease In Financial Assets At Fair Value Through Profit Or Loss	-
1.2.3	Net (Increase) Decrease In Due From Banks And Other Financial Institutions	(55,925)
1.2.4	Net (Increase) Decrease In Loans	(4,487,806)
1.2.5	Net (Increase) Decrease In Other Assets	(185,959)
1.2.6	Net Increase (Decrease) In Bank Deposits	(211,652)
1.2.7	Net Increase (Decrease) In Other Deposits	4,858,216
1.2.8	Net Increase (Decrease) In Funds Borrowed	(718,796)
1.2.9	Net Increase (Decrease) In Due Payables	-
1.2.10	Net Increase (Decrease) In Other Liabilities	(1,094,136)
I.	Net Cash Provided From / (Used In) Banking Operations	(1,262,525)
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net Cash Provided From / (Used In) Investing Activities	(685,825)
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	-
2.2	Cash Obtained From Sale Of Jointly Controlled Operations, Associates And Subsidiaries(*)	132,619
2.3	Fixed Assets Purchases	(29,338)
2.4	Fixed Assets Sales	1,998
2.5	Cash Paid For Purchase Of Financial Assets Available For Sale	(1,939,995)
2.6	Cash Obtained From Sale Of Financial Assets Available For Sale	1,179,401
2.7	Cash Paid For Purchase Of Investment Securities	-
2.8	Cash Obtained From Sale Of Investment Securities	-
2.9	Other	(30,510)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net Cash Provided From / (Used In) Financing Activities	(162,087)
3.1	Cash Obtained From Funds Borrowed And Securities Issued	1,216,590
3.2	Cash Used For Repayment Of Funds Borrowed And Securities Issued	(1,050,000)
3.3	Capital Increase	-
3.4	Dividends Paid	(4,291)
3.5	Payments For Finance Leases	(212)
3.6	Other	-
IV.	Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(5.5.4) (16,854)
V.	Net Increase (Decrease) In Cash And Cash Equivalents (I + II + III + IV)	(1,803,117)
VI.	Cash And Cash Equivalents At The Beginning Of The Period	(5.5.1) 4,898,436
VII.	Cash And Cash Equivalents At The End Of The Period	(5.5.1) 3,095,319

(*) As a result of the liquidation of the Group's subsidiary in Dubai, TL 202,431 cash inflow has occurred and TL 69,812 of this cash is shown in the cash and cash equivalents line at the beginning of the period.

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

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

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SECTION THREE

ACCOUNTING PRINCIPLES APPLIED IN THE 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 Accounting Standards issued by the Public Oversight Accounting and Auditing Standards Authority.

1.2 Classification:

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

- A-** As of 1 January 2018, securities portfolio amounting to TL 216,708 classified under “Held for Trading Financial Assets” in the prior period, were reclassified under “Financial Assets at the Fair Value through Profit or Loss” as they were considered within the scope of a business model whose objective is to collect and to sell contractual cash flows.
- B-** As of 1 January 2018, securities portfolio amounting to TL 4,423,730 classified under “Available for Sale Financial Assets” in the prior period, were reclassified under “Financial Assets classified as Fair Value through Other Comprehensive Income” as they were considered within the scope of a business model whose objective is to collect and to sell contractual cash flows
- C-** In accordance with TFRS 9, as of 1 January 2018, prior period “General Provisions” item has been written off and the impact of “Expected Loss Provisions” is reflected thorough relevant lines. As per the scope of TFRS 9, expected credit losses for financial assets and loans are classified as “Expected Loss Provisions” under Assets, credit losses for non-cash loans are classified as “Other Provisions” under in Liabilities.

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

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

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

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1. Explanations on basis of presentation (continued)

1.3 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 TAS 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.

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

1.5 Disclosures Regarding TFRS 9 Financial Instruments:

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

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

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

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

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

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

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

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Classification and measurement of financial instruments:

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

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

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

Impairment:

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

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

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

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

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

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

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

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

Profit 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.

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

The Group's portion of risk regarding loans originating from participation accounts followed in receivables to be written off, doubtful commission, fees and other receivables, uncollectible loans and other receivables, along with foreign currency (FC) loans and receivables originating from the Group's equity and private current accounts are converted to Turkish Lira with the rates prevailing at the date of the transfer of such receivables to non-performing loan portfolio. The participation accounts' portion of the risk of the foreign currency loans and FC pegged loans, originating from participation accounts, is evaluated with the current foreign currency rates and the differences are recorded foreign currency profit/losses account in the income statement.

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

3. Information on subsidiaries and associates

Consolidated financial statements are prepared in compliance with the TFRS 10 "Consolidated Financial Statements".

Titles, locations of the headquarters, main operations and Group's shares relating the consolidated entities are as follows:

Title	Address (City/Country)	Main Operation	30 June 2018	31 December 2017	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	100.00%	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
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 method
KT Sukuk Company Limited	GeorgeTown/ Cayman Islands	Financial Institution	100.00%	100.00%	Full consolidation

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 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.

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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. 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 Held for Trading” account in the balance sheet. The Bank has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

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

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

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with 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 Group enters into profit share rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under hedging reserves in shareholders’ equity, and the ineffective portion is recognised in income statement. The changes recognised in shareholders’ equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

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

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

5. Explanations on profit share income and expense

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

The 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.

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6. Explanations on fees and commission income and expenses

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

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

7. Explanations on financial assets

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

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

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7.2 Financial assets at fair value through other comprehensive income (continued):

values of the securities can be reliably measured. In contrary case, the securities are carried at cost, less provision for impairment.

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

7.3 Financial assets measured at amortized cost:

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

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

7.4 Derivative financial assets:

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

Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income".

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

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, the positive fair value amounts are classified as "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income"; and the negative fair value amounts are classified as "Derivative Financial Liabilities Designated at Fair Value through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value through Other Comprehensive Income". 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 principles on accounting for derivative transactions for hedging purposes, are explained in Note VIII of Section Four. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

7.5 Loans:

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

As the Parent Banks's loans indexed below the amount of TL 63,926 were not able to pass the contractual cash flow test, these loans are recorded under the items which are "Fair Value Through Profit or Loss" account.

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8. Explanations on impairment of financial assets:

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

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

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

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

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

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

9. Explanations on offsetting of financial instruments

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

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

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

As of 30 June 2018, the Group has TL 194,593 repurchasing agreements (31 December 2017 – TL 750,524).

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

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

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

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.

However, the Bank has assets acquired due to receivables and debtors' obligations to the Bank, such assets are classified as assets held for sale depending on the contract of term sale .

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

12. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

13. Explanations on tangible assets

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

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

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

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

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

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

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

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

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13. Explanations on tangible assets (continued)

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

14. Explanations on leasing transactions

Bank as a lessee

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

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

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

Bank as a lessor

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

15. Explanations on provisions and contingent liabilities

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

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

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

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

16. Explanations on liabilities relating to employee benefits

16.1 Defined benefit plans:

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

Liabilities amount which is related to “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm. Bank is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

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16.2 Defined contribution plans:

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

16.3 Short term benefits to employees:

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

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

17. Explanations on taxation

Current tax

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

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

The corporate tax rate will be applied as 22% for the years 2018, 2019 and 2020. This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. According to the tax legislations, advance tax amount shall also be calculated using a rate of 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 seventeenth 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

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carrying value before its transfer to resource institution or asset leasing in lesser or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

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

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

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

Deferred tax

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

18. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Group.

The Group has not issued convertible bonds.

19. Explanations on share certificates issued

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

20. Explanations on acceptances and availed drafts

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

21. Explanations on government grants

There are no government grants received by the Group.

22. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note IX.

23. Explanations on other matters

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

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24. Additional paragraph for convenience translation

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

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SECTION FOUR

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT
OF THE GROUP**

1. Explanations on consolidated equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 June 2018 Bank’s total capital has been calculated as TL 6,111,720 (31 December 2017: TL 5,825,898), capital adequacy ratio is 15.73% (31 December 2017: 17.32 %).

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1.1 Information on consolidated equity items

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	3,500,000	
Share Premium	24,208	
Reserves	1,196,333	
Other Comprehensive Income According To TAS	-	
Profit	525,111	
Current Period Profit	526,271	
Prior Period Profit	(1,160)	
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	
Minority Shares	23,874	
Common Equity Tier I Capital Before Deductions	5,269,526	
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 (-)	183,764	
Leasehold Improvements On Operational Leases (-)	49,868	
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	186,689	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	13,924	
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	
Securitization Gain	-	
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	
Net Amount Of Defined Benefit Plans	26,947	
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	2,678	
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Consolidated 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 Consolidated 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	463,870	
Total Common Equity Tier I Capital	4,805,656	

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ADDITIONAL TIER I CAPITAL		
Preferred Stock Not Included In Common Equity Tier I Capital And The Related Share Premiums	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Additional Tier I Capital Before Deductions	-	
Deductions From Additional Tier I Capital		
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Consolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	
Other Items To Be Defined By The BRSA (-)	-	
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)		
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	4,805,656	
TIER II CAPITAL		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	1,597,761	
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)	316,553	
Total Deductions From Tier II Capital	1,914,314	
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 Consolidated 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 Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	
Other Items To Be Defined By The BRSA (-)		
Total Deductions From Tier II Capital	-	
Total Tier II Capital	1,914,314	
Total Equity (Total Tier I And Tier II Capital)	6,719,970	

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Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)	-	
Other Items To Be Defined By The BRSA (-)	148,908	
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 Consolidated 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 Consolidated 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 Consolidated 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)	6,571,062	
Total Risk Weighted Assets	41,766,912	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	11.51	
Tier I Capital Ratio (%)	11.51	
Capital Adequacy Ratio (%)	15.73	
BUFFERS		
Bank-Specific Total CET1 Capital Ratio	1.88	
Capital Conservation Buffer Ratio (%)	1.88	
Systemic Significant Bank Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	7.07	
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Consolidated 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)	316,553	
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	316,553	
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4	-	
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4	-	
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	

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<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	3,100,000	
Share Premium	24,208	
Reserves	927,236	
Other Comprehensive Income According To TAS	12,609	
Profit	637,291	
Current Period Profit	628,855	
Prior Period Profit	8,436	
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	
Minority Shares	23,054	
Common Equity Tier I Capital Before Deductions	4,724,398	
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 (-)	110,905	
Leasehold Improvements On Operational Leases (-)	47,518	
Goodwill Netted With Deferred Tax Liabilities		
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	135,173	168,966
Net Deferred Tax Asset/Liability (-)	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	
Securitization Gains	-	
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	
Net Amount Of Defined Benefit Plans	-	
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	2,678	
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Consolidated 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 Consolidated 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	296,274	
Total Common Equity Tier I Capital	4,428,124	

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ADDITIONAL TIER I CAPITAL		
Preferred Stock Not Included In Common Equity Tier I Capital And The Related Share Premiums	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Additional Tier I Capital Before Deductions	-	
Deductions From Additional Tier I Capital		
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Consolidated 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 (-)	33,792	
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	33,792	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital = Common Equity Tier I Capital + Additional Tier I Capital)	4,394,331	
TIER II CAPITAL		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	1,322,272	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	280,412	
Total Deductions From Tier II Capital	1,602,684	
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 Consolidated 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 Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	
Other Items To Be Defined By The BRSA (-)		
Total Deductions From Tier II Capital	-	
Total Tier II Capital	1,602,684	
Total Equity (Total Tier I And Tier II Capital)	5,997,015	

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Total Tier I Capital And Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)	-	
Other Items To Be Defined By The BRSA (-)	171,117	
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Consolidated 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 Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)	-	
CAPITAL		
Total Capital (Total Of Tier I Capital And Tier II Capital)	5,825,898	
Total Risk Weighted Assets	33,628,878	
CAPITAL ADEQUACY RATIOS		
Cet1 Capital Ratio (%)	13.17	
Tier I Capital Ratio (%)	13.07	
Capital Adequacy Ratio (%)	17.32	
BUFFERS		
Bank-Specific Total CET1 Capital Ratio	1.25	
Capital Conservation Buffer Ratio (%)	1.25	
Systemic Significant Bank Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	7.07	
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Consolidated 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)	280,412	
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	280,412	
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4	-	
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4	-	
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	

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

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

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

2. Explanations on consolidated currency risk

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

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

As of 30 June 2018, the Parent Bank carries a net foreign currency short position of TL 355,794 (31 December 2017 – TL 542 short position) comprising of TL 455,337 balance sheet long position (31 December 2017 - TL 300,898 long position) and TL 99,543 off balance sheet long position (31 December 2017 – TL 300,356 long position).

The announced current foreign exchange rates of the Parent Bank as of 30 June 2018 and the previous five working days are as follows (full TL):

	25/06/2018	26/06/2018	27/06/2018	28/06/2018	29/06/2018	Balance Sheet Evaluation Rate
USD	4.63372	4.66565	4.62981	4.60401	4.56503	4.56503
EURO	5.40256	5.44782	5.38565	5.32451	5.31464	5.31464
GBP	6.14176	6.18324	6.1089	6.02259	5.99757	5.99757
CHF	4.69102	4.71873	4.66755	4.61367	4.59414	4.59414
100 JPY	0.04231	0.04254	0.04209	0.04175	0.04125	0.04125

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	4.6194
EUR	5.4038
GBP	6.1459
CHF	4.6732
JPY	0.0420

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2. Explanations on consolidated currency risk

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	1,035,787	4,959,356	2,437,460	8,432,603
Banks	4,136,406	263,454	1,494,904	5,894,764
Financial Assets At Fair Value Through Profit And Loss	30,844	77,526	-	108,370
Money Market Placements	-	-	-	-
Financial Assets At Fair Value Through Other Comprehensive Income	-	1,807,341	-	1,807,341
Loans And Finance Lease Receivables (*)	5,536,242	14,357,847	61,444	19,955,533
Subsidiaries, Associates And Joint Ventures	-	-	-	-
Financial Assets At Amortized Cost	-	-	-	-
Derivative Financial Assets For Hedging Purposes	-	-	-	-
Tangible Assets	7,091	200	-	7,291
Intangible Assets	55,739	53	-	55,792
Other ASSETS	663,116	13,014	4,622	680,752
Total Assets	11,465,225	21,478,791	3,998,430	36,942,446
Liabilities				
Current Account And Funds Collected From Banks Via Participation				
Accounts	234,206	105,520	123,452	463,178
Current And Profit Sharing Accounts (**)	6,679,879	15,521,410	3,980,310	26,181,599
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	166,986	3,734,277	967,141	4,868,404
Marketable Securities Issued	-	5,468,653	-	5,468,653
Miscellaneous Payables	18,143	22,740	433	41,316
Derivative Financial Liabilities For Hedging Purposes	-	-	-	-
Other Liabilities (****)	74,169	112,593	88,328	275,090
Total Liabilities	7,173,383	24,965,193	5,159,664	37,298,240
Net Balance Sheet Position	4,291,842	(3,486,402)	(1,161,234)	(355,794)
Net Off-Balance Sheet Position	(4,230,029)	3,502,009	1,183,357	455,337
Financial Derivative Assets	502,129	5,587,144	1,291,339	7,380,612
Financial Derivative Liabilities	4,732,158	2,085,135	107,982	6,925,275
Non-Cash Loans (**)	1,686,245	3,289,278	565,986	5,541,509
Prior Period				
Total Assets	8,922,919	17,632,243	3,087,584	29,642,746
Total Liabilities	4,844,204	20,831,263	3,967,821	29,643,288
Net Balance Sheet Position	4,078,715	(3,199,020)	(880,237)	(542)
Net Off-Balance Sheet Position	(3,840,325)	3,230,809	910,414	300,898
Financial Derivative Assets	665,383	5,406,552	1,368,737	7,440,672
Financial Derivative Liabilities	4,505,708	2,175,743	458,323	7,139,774
Non-Cash Loans (**)	1,549,915	2,616,933	404,125	4,570,973

(*) Includes foreign currency indexed loans amounting to TL 7,895,019 (31 December 2016 – TL 7,240,328) followed as TL on the balance sheet.

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

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

(****) Other liabilities at fair value through TL 634 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 38,820.

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 13,954 (31 December 2017 – TL 12,531)
- Prepaid expenses : TL 241 (31 December 2017 – TL 408)
- Derivative financial liabilities held for trading : TL 18,171 (31 December 2017 – TL 59,251)
- Marketable securities of FC revaluation reverse: TL (56,781) (31 December 2017 – TL 12,609)
- Derivative financial liabilities held for hedging : TL 60,464 (31 December 2017- TL 70,795)

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

- Forward foreign currency purchase transactions TL 575,911 (31 December 2017 - TL 492,002)
- Forward foreign currency sale transactions: TL 634,536 (31 December 2017 - TL 456,030)

3. Explanations on position risk of equity securities in banking book

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

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

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

Prior Period		Comparison	
Share Investments	Carrying Value	Fair Value	Market Value
1 Securities At Fair Value Through			
Other Comprehensive Income (*)	25,299	-	-
Quoted Securities	-	-	-
2 Investments In Associates	-	-	-
Quoted Securities	-	-	-
3 Investment In Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
4 Other	22,802	-	-
Quoted Securities	-	-	-

Prior Period		Comparison	
Share Investments	Carrying Value	Fair Value	Market Value
1 Securities Available-For-Sale (*)	48,497	-	-
Quoted Securities	-	-	-
2 Investments In Associates	-	-	-
Quoted Securities	-	-	-
3 Investment In Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
4 Other	19,405	-	-
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.

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

None (31 December 2017 – None).

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4. 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.

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

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

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

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

The 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.

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4.4 Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Group'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.

4.5 Information on liquidity risk mitigation techniques:

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

4.6 Information on the use of stress tests:

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

4.7 General information on urgent and unexpected liquidity situation plans:

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

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Consolidated liquidity coverage ratio

<i>Current Period (Parent Bank)</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total High-Quality Liquid Assets (HQLA)	9,292,624	8,022,089	9,275,626	8,005,091
CASH OUTFLOWS					
2	Retail Deposits And Deposits From Small Business Customers, Of Which:	32,419,721	16,023,411	2,757,041	1,602,341
3	Stable Deposits	9,698,635	-	484,932	-
4	Less Stable Deposits	22,721,086	16,023,411	2,272,109	1,602,341
5	Unsecured Wholesale Funding, Of Which:	9,307,985	5,175,176	4,618,089	2,486,425
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	8,607,304	5,098,327	3,917,408	2,409,576
8	Unsecured Funding	700,681	76,849	700,681	76,849
9	Secured Wholesale Funding	-	-	-	-
10	Other Cash Outflows Of Which:	6,720,531	4,943,089	6,720,531	4,943,089
11	Outflows Related To Derivative Exposures And Other Collateral Requirements	6,380,210	4,943,089	6,380,210	4,943,089
12	Outflows Related To Restructured Financial Instruments	340,321	-	340,321	-
13	Payment Commitments And Other Off-Balance Sheet Commitments Granted For Debts To Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments And Contractual Obligations	-	-	-	-
15	Other Irrevocable Or Conditionally Revocable Off-Balance Sheet Obligations	15,184,952	5,499,528	1,240,135	285,369
16	TOTAL CASH OUTFLOWS			15,335,796	9,317,224
CASH INFLOWS					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	9,925,769	6,486,405	5,270,544	3,384,597
19	Other Cash Inflows	6,353,312	5,954,900	6,353,312	5,954,900
20	TOTAL CASH INFLOWS	16,279,081	12,441,305	11,623,856	9,339,497
				Üst Sınır Uygulanmış Değer	
21	TOTAL HQLA			9,275,626	8,005,091
22	TOTAL NET CASH OUTFLOWS			3,833,949	2,329,306
23	LIQUIDITY COVERAGE RATIO (%)			241.93	343.67

(*) 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 June 2018:

	Highest	Date	Lowest	Date	Average
TL+FC	288.47	16/02/2018	215.80	27/04/2018	246.48
FC	422.71	16/02/2018	309.99	01/06/2018	360.28

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 Central Bank, securities not subject to repo/assurance, institutional qualified participation accounts, funds of foreign origins and receivables from banks. These items have a higher influence over the liquidity coverage ratio as their amounts have a higher share of liquid assets and net cash outflows, their consideration rate is higher and they may show variability over time.

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Consolidated liquidity coverage ratio

<i>Prior Period (Parent Bank)</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total High-Quality Liquid Assets (HQLA)	9,241,665	8,060,513	9,199,442	8,018,290
NAKİT ÇIKIŞLARI					
2	Retail Deposits And Deposits From Small Business Customers, Of Which:	27,782,868	12,778,991	2,335,598	1,277,899
3	Stable Deposits	8,853,762	-	442,688	-
4	Less Stable Deposits	18,929,106	12,778,991	1,892,910	1,277,899
5	Unsecured Wholesale Funding, Of Which:	8,201,705	4,077,294	4,123,296	2,008,329
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	7,479,666	3,999,733	3,401,257	1,930,768
8	Unsecured Funding	722,039	77,561	722,039	77,561
9	Secured Wholesale Funding			-	-
10	Other Cash Outflows Of Which:	21,400,263	10,829,912	8,183,772	6,425,919
11	Outflows Related To Derivative Exposures And Other Collateral Requirements	6,814,394	6,185,757	6,814,394	6,185,757
12	Outflows Related To Restructured Financial Instruments	320,000	-	320,000	-
13	Payment Commitments And Other Off-Balance Sheet Commitments Granted For Debts To Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments And Contractual Obligations	-	-	-	-
15	Other Irrevocable Or Conditionally Revocable Off-Balance Sheet Obligations	14,265,869	4,644,155	1,049,378	240,162
16	TOTAL CASH OUTFLOWS			14,642,666	9,712,147
CASH INFLOWS					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	6,637,367	4,169,519	5,037,108	3,778,429
19	Other Cash Inflows	6,993,193	5,664,245	6,993,193	5,664,245
20	TOTAL CASH INFLOWS	13,630,560	9,833,764	12,030,301	9,442,674
				Üst Sınır Uygulanmış Değer	
21	TOTAL HQLA			9,199,442	8,018,290
22	TOTAL NET CASH OUTFLOWS			3,660,667	2,428,037
23	LIQUIDITY COVERAGE RATIO (%)			251.31	330.24

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

The table below presents highest, lowest and average liquidity coverage ratios for 31 December 2017:

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

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Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up To 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated (**)	Total
Assets								
Cash (Cash In Vault, Effectives, Cash In Transit, Cheques Purchased) And Balances With The Central Bank Of The Republic Of Turkey	2,227,844	7,024,648	-	-	-	-	-	9,252,492
Banks	5,642,919	-	258,076	-	-	-	-	5,900,995
Financial Assets At Fair Value Through Profit And Loss	-	7,752	26,905	87,162	-	-	-	121,819
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets At Fair Value Through Other Comprehensive Income	-	19,020	15,489	640,422	2,235,133	344,974	374,756	3,629,794
Loans (*)	-	9,653,694	5,625,630	14,834,938	14,462,316	2,740,128	(247,650)	47,069,056
Loans Measured At Amortised Cost	-	-	-	-	-	-	-	-
Other Assets (**)	6,765	854,583	77,190	-	162,646	-	1,055,362	2,156,546
Total Assets	7,877,528	17,559,697	6,003,290	15,562,522	16,860,095	3,085,102	1,182,468	68,130,702
Liabilities								
Current Account And Funds Collected From Banks Via Participation Accounts	450,700	24,013	-	-	-	-	-	474,713
Current And Profit Sharing Accounts	20,261,115	22,748,503	4,453,477	1,137,329	62,330	-	-	48,662,754
Funds Provided From Other Financial Institutions	-	782,653	975,263	1,442,509	161,930	1,643,969	-	5,006,324
Money Market Borrowings	-	194,593	-	-	-	-	-	194,593
Marketable Securities Issued	-	386,374	821,553	2,630,684	3,221,693	-	-	7,060,304
Miscellaneous Payables	165,128	86,886	-	-	-	-	-	252,014
Other Liabilities (**)	-	491,734	108,977	12,487	60,501	-	5,806,301	6,480,000
Total Liabilities	20,876,943	24,568,358	6,359,270	5,223,009	3,506,454	1,643,969	5,806,301	68,130,702
Net Liquidity Gap	(12,999,415)	(7,155,059)	(355,980)	10,339,513	13,353,641	1,441,133	(4,623,833)	-
Prior Period								
Total Assets	6,171,125	14,062,475	5,827,793	12,796,499	14,680,788	3,066,996	959,026	57,564,702
Total Liabilities	16,430,348	21,035,351	4,354,487	4,053,616	4,913,272	1,360,338	5,417,290	57,564,702
Net Liquidity Gap	(10,259,223)	(6,972,876)	1,473,306	8,742,883	9,767,516	1,706,658	(4,458,264)	-

(*) Includes receivables from leasing transactions.

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

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5. Explanations on consolidated leverage ratio

Disclosure of consolidated leverage ratio template

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

On-Balance Sheet Assets		Current Period (*)
1	On-Balance Sheet Items (Excluding Derivative Financial Instruments And Credit Derivatives But Including Collateral)	66,324,399
2	(Assets Deducted In Determining Tier I Capital)	(360,804)
3	Total On-Balance Sheet Risks (Sum Of Lines 1 And 2)	65,963,595
Derivative Financial Instruments And Credit Derivatives		
4	Replacement Cost Associated With All Derivative Instruments And Credit Derivatives	89,545
5	Add-On Amounts For PFE Associated With All Derivative Instruments And Credit Derivatives	111,313
6	Total Risks Of Derivative Financial Instruments And Credit Derivatives (Sum Of Lines 4 To 5)	200,858
Securities Or Commodity Financing Transactions (SCFT)		
7	Risks From SCFT Assets (Excluding On-Balance Sheet)	891,113
8	Risks From Brokerage Activities Related Exposures	-
9	Total Risks Related With Securities Or Commodity Financing Transactions (Sum Of Lines 7 To 8)	891,113
Other Off-Balance Sheet Transactions		
10	Gross Notional Amounts Of Off-Balance Sheet Transactions	61,360,531
11	(Adjustments For Conversion To Credit Equivalent Amounts)	(39,869,847)
12	Total Risks Of Off-Balance Sheet Items (Sum Of Lines 10 And 11)	21,940,684
Capital And Total Risks		
13	Tier I Capital	4,810,870
14	Total Risks (Sum Of Lines 3, 6, 9 And 12)	88,546,250
Leverage Ratio		
15	Leverage Ratio	5.43

(*) 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 Group’s consolidated balance sheet date was 5.43% (31 December 2017 – 5.55%). The main reason for the changes from the previous period is that the increase in the items related to the derivative financial instruments and credit derivetis is higher compared to the decrease in other items. Therefore, the core capital decreased by 9% due to the profit for the period, balance-sheet risks increased by 15%, and off balance sheet items decreased by 6%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 12 basis points.

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5. Explanations on consolidated leverage ratio (continued)

Disclosure of consolidated leverage ratio template (continued)

On-Balance Sheet Assets		Prior Period ^(*)
1	On-Balance Sheet Items (Excluding Derivative Financial Instruments And Credit Derivatives But Including Collateral)	57,880,037
2	(Assets Deducted In Determining Tier I Capital)	(278,887)
3	Total On-Balance Sheet Risks (Sum Of Lines 1 And 2)	57,601,150
Derivative Financial Instruments And Credit Derivatives		
4	Replacement Cost Associated With All Derivative Instruments And Credit Derivatives	55,367
5	Add-On Amounts For PFE Associated With All Derivative Instruments And Credit Derivatives	118,417
6	Total Risks Of Derivative Financial Instruments And Credit Derivatives (Sum Of Lines 4 To 5)	173,784
Securities Or Commodity Financing Transactions (SCFT)		
7	Risks From SCFT Assets (Excluding On-Balance Sheet)	647,446
8	Risks From Brokerage Activities Related Exposures	-
9	Total Risks Related With Securities Or Commodity Financing Transactions (Sum Of Lines 7 To 8)	647,446
Other Off-Balance Sheet Transactions		
10	Gross Notional Amounts Of Off-Balance Sheet Transactions	57,807,376
11	(Adjustments For Conversion To Credit Equivalent Amounts)	(36,583,749)
12	Total Risks Of Off-Balance Sheet Items (Sum Of Lines 10 And 11)	21,223,627
Capital And Total Risks		
13	Tier I Capital	4,424,981
14	Total Risks (Sum Of Lines 3, 6, 9 And 12)	79,646,007
Leverage Ratio		
15	Leverage Ratio	5.55

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6. Explanations on consolidated risk management

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

In line with the Group’s strategies, risk policies and vision, Internal Systems Committee and Audit Committee of RMD exhibit analyses including credit risks, market risks, liquidity risk, operational risks and Information Technology (“IT”) risk evaluations. Besides, market trends, economic conditions and scenario analysis and stress test related to the capital adequacy in line with the Bank’s strategic growth, evaluation of economic developments in world and Turkey are presented to Risk Management Committee and Internal Systems Committee by RMD. These analyses contribute significantly to the decision making processes of Group’s Executives about risk appetite and risk awareness, capital adequacy, strategy revisions and future estimation.

Additionally, RMD coordinates with a proactive approach for Business Continuity and in order to make the Group ready and take a quick reaction in an emergency situation about related issues.

RMD conduct all kinds of risk monitoring and risk analysis activities for the Board of Directors to manage the risk that might arise in line with Groups’s mission, vision and growth strategy. Within this framework, in addition to works on credit and market risks, liquidity risk, operational risks and all limitations and IT risks; internal self scoring and corporate rating modelling, evaluation of IT risk, operational loss database, key risk indicator, operational risk insurances, market risk calculations and asset-liability risks are monitored.

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6.1 Explanations on risk management and risk weighted amounts:

Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30.06.2018	Prior Period 31.12.2017	Current Period 30.06.2018
1	Credit Risk (Excluding Counterparty Credit Risk) (CCR)	36,635,804	29,273,292	2,930,864
2	Of Which Standardised Approach (SA)	36,635,804	29,273,292	2,930,864
3	Of Which Internal Rating-Based (IRB) Approach	-	-	-
4	Counterparty Credit Risk	104,066	81,509	8,325
5	Of Which Standardised Approach For Counterparty Credit Risk (SA-CCR)	104,066	81,509	8,325
6	Of Which Internal Model Method (IMM)	-	-	-
7	Equity Position In Banking Book Under Basic Risk Weighting Or Internal Rating-Based	-	-	-
8	Equity Investments In Funds – Look-Through Approach	-	-	-
9	Equity Investments In Funds – Mandate-Based Approach	-	-	-
10	Equity Investments In Funds – 1250% Risk Weighting Approach	-	-	-
11	Settlement Risk	-	-	-
12	Securitisation Exposures In Banking Book	-	-	-
13	Of Which IRB Ratings-Based Approach (RBA)	-	-	-
14	Of Which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of Which SA/Simplified Supervisory Formula Approach (SSFA)	-	-	-
16	Market Risk	672,764	664,964	53,821
17	Of Which Standardised Approach (SA)	672,764	664,964	53,821
18	Of Which Internal Model Approaches (IMM)	-	-	-
19	Operational Risk	4,354,278	3,552,857	348,342
20	Of Which Basic Indicator Approach	4,354,278	3,552,857	348,342
21	Of Which Standardised Approach	-	-	-
22	Of Which Advanced Measurement Approach	-	-	-
23	Amounts Below The Thresholds For Deduction From Capital (Subject To 250% Risk Weight)	-	-	-
24	Floor Adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	41,766,912	33,572,622	3,341,353

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6.2 Explanations on credit risk:

Credit Quality of assets:

		<i>Yasal konsolidasyona göre hazırlanan finansal tablolarda yer alan TMS uyarınca değerlendirilmiş brüt tutarı</i>		<i>Allowances/amortisation and impairments</i>	<i>Net değer</i>
		<i>Temerrüt Etmis</i>	<i>Temerrüt Etmemiş</i>		
1	Loans	870,430	47,321,620	1,122,994	47,069,056
2	Debt Securities	-	3,490,205	139,589	3,629,794
3	Off-balance sheet exposures	-	16,777,684	-	16,777,684
4	Toplam	870,430	67,751,053	798,017	67,823,466

Changes in stock of defaulted loans and debt securities:

	Current Period
1 Defaulted loans and debt securities at end of the previous reporting period	715,060
2 Loans and debt securities that have defaulted since the last reporting period	360,056
3 Receivables back to non-defaulted status	-
4 Amounts written off	-
5 Other changes	(204,686)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	870,430

Credit risk mitigation techniques:

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	36,424,596	11,054,947	793,247	-	-	-	-
2	Debt securities	3,514,239	-	-	-	-	-	-
3	Total	39,938,835	11,054,947	793,247	-	-	-	-
4	Overdue	166,296	43,627	639	-	-	-	-

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Standard Approach - Credit risk exposed and credit risk mitigation effects:

	Risk Classes	Receivable before CCF and CRM		Receivable post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount
1	Receivables from central governments and Central Banks	11,173,850	-	11,375,558	-	957,986	8
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	3,493,572	6,946,327	3,493,572	6,244,385	5,059,303	52
7	Receivables from corporate	10,644,221	7,053,461	10,442,513	3,366,357	13,508,935	98
8	Retail receivables	7,584,934	6,568,659	7,584,934	2,149,550	7,173,455	74
9	Receivables secured by residential property	6,645,581	712,068	6,645,581	297,876	2,410,613	35
10	Receivables secured by commercial property	8,224,226	1,275,755	8,224,226	601,670	5,584,008	63
11	Non-performing receivables	113,021	-	113,021	-	80,537	71
12	Receivables in high-risk categories	36,686	-	36,686	-	55,019	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Other receivables	-	3,430,603	-	3,430,604	1,805,948	-
17	Equity share investments	-	-	-	-	-	-
18	Total	47,916,091	25,986,873	47,916,091	16,090,442	36,635,804	57

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CCR exposures by risk class and risk weights:

Risk Classes/Risk Weights(*)	%0	%10	%20	%50	%75	%100	%150	%200	Diğerleri	Total Credit Risk (**)
1 Receivables from central governments and Central Banks	9,464,134	-	-	1,906,876	-	4,548	-	-	-	957,986
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	12,243	-	2,097,844	5,976,270	-	1,651,599	-	-	-	5,059,303
7 Receivables from corporate	211,972	-	109,953	-	-	13,486,944	-	-	-	13,508,935
8 Retail receivables	102,605	-	91,736	-	9,540,144	-	-	-	-	7,173,455
9 Receivables secured by residential property	42,334	-	31,867	-	-	-	-	-	6,869,256	2,410,613
10 Receivables secured by commercial property	94,768	-	107,469	6,122,291	-	2,501,369	-	-	-	5,584,008
11 Non-performing receivables	525	-	12	63,898	-	48,586	-	-	-	80,537
12 Receivables in high-risk categories	6	-	1	-	-	-	36,679	-	-	55,019
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16 Equity share investments	-	-	-	-	-	-	-	-	-	-
17 Other receivables	1,168,874	-	569,726	-	-	1,692,003	-	-	-	1,805,948
18 Total	11,097,461	-	3,008,608	14,069,335	9,540,144	19,385,049	36,679	-	6,869,256	36,635,804

* 35% Risk Weight is classified in Others.

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

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6.3. Explanations on counterparty credit risk (CCR):

Counterparty credit risk (CCR) approach analysis:

		Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	100,079	111,264	-	1.4	211,344	87,577
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	-	-	-	-	-	87,577

Capital requirement for credit valuation adjustment (CVA):

		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation		
1	(i) VaR component (including the 3×multiplier)		
2	(ii) Stressed VaR component (including the 3×multiplier)		
3	All portfolios subject to the Standardised CVA capital obligation	211,344	16,489
4	Total subject to the CVA capital obligation	211,344	16,489

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CCR exposures by risk class and risk weights:

		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
Risk Classes / Risk Weights *											
1	Receivables from central governments and Central Banks	194,892	-	-	-	-	-	-	-	-	-
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	-	-	91,523	92,349	-	29	-	-	-	64,508
7	Receivables from corporate	-	-	-	-	-	11,712	-	-	-	11,712
8	Retail receivables	-	-	-	-	14,432	-	-	-	-	10,824
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	1,062	372
10	Receivables secured by commercial property	-	-	-	152	-	85	-	-	-	161
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	Total	194,892	-	91,523	92,501	14,432	11,826	-	-	1,062	87,577

* 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.

Explanations on securitization positions:

None.

Loan Derivatives:

None.

Exposures to central counterparties (CCP):

None.

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6.4. Explanations on securitization positions: None.

6.5. Explanations on market risk:

Market risk under standardised approach:

		Risk Weighted Amounts
	Outright products	672,764
1	Profit share risk (general and specific)	367,887
2	Equity risk (general and specific)	-
3	Foreign exchange risk	303,979
4	Commodity risk	898
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	672,764

7. Securitization positions

None.

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

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

9. Explanations on consolidated business segments

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

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

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

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign banks. Besides supplying syndicated loans and issue the Sukuk for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (forward, swap) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in BIST and international markets and conducts Murabaha transactions with foreign banks.

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Selected balance sheet and income statement items according to segments:

Current Period 1 January 2018 – 30 June 2018	Retail And Enterprise Banking	Commercial Banking	Corporate And International Banking	Unallocated	Group's Total Operation
Operating Income	2,187,388	929,661	105,720	-	3,222,769
Operating Expenses	1,264,657	193,361	354,806	761,012	2,573,836
Transfers Between Segments	857,236	(143,722)	(713,514)	-	-
Net Operating Income / Loss	1,779,967	592,578	(962,600)	(761,012)	648,933
Income From Associates	-	-	-	3,397	3,397
Income / (Loss) Before Tax	1,779,967	592,578	(962,600)	(757,615)	652,330
Provision For Taxation	-	-	-	125,239	125,239
Net Income For The Period	1,779,967	592,578	(962,600)	(883,854)	527,091
Prior Period (31 December 2017)					
Segment Assets	20,324,219	26,012,203	19,877,360	-	66,213,782
Associates, Subsidiaries And Joint Ventures	-	-	-	46,482	46,482
Undistributed Assets	-	-	-	1,870,438	1,870,438
Total Assets	20,324,219	26,012,203	19,877,360	1,916,920	68,130,702
Segment Liabilities	37,884,304	11,139,070	12,488,622	-	61,511,996
Undistributed Liabilities	-	-	-	1,507,987	1,507,987
Shareholders' Equity	-	-	-	5,110,719	5,110,719
Total Liabilities	37,884,304	11,139,070	12,488,622	6,618,706	68,130,702
Current Period 1 January 2017 – 30 June 2017					
	Retail And Enterprise Banking	Commercial Banking	Corporate And International Banking	Unallocated	Group's Total Operation
Operating Income	1,077,898	1,000,127	179,660	-	2,257,685
Operating Expenses	738,618	234,488	274,597	621,759	1,869,462
Transfers Between Segments	549,073	(93,517)	(455,556)	-	-
Net Operating Income / Loss	888,353	672,122	(550,493)	(621,759)	388,223
Income From Associates	-	-	-	2,084	2,084
Income / (Loss) Before Tax	888,353	672,122	(550,493)	(619,675)	390,307
Provision For Taxation	-	-	-	100,209	100,209
Net Income For The Period	888,353	672,122	(550,493)	(719,884)	290,098
Prior Period (31 December 2017)					
Segment Assets	17,955,408	20,095,632	17,743,947	-	55,794,987
Associates, Subsidiaries And Joint Ventures	-	-	-	43,085	43,085
Undistributed Assets	-	-	-	1,726,630	1,726,630
Total Assets	17,955,408	20,095,632	17,743,947	1,769,715	57,564,702
Segment Liabilities	30,626,355	9,627,238	11,302,692	-	51,556,285
Undistributed Liabilities	-	-	-	1,397,602	1,397,602
Shareholders' Equity	-	-	-	4,610,815	4,610,815
Total Liabilities	30,626,355	9,627,238	11,302,692	6,008,417	57,564,702

(*) The balance sheet data are dated 31 December 2017.

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to consolidated assets

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

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

	Current Period	
	TL	FC
Cash/Foreign Currency	304,984	574,793
The Central Bank Of Republic Of Turkey	444,860	7,041,400
Other (*)	70,045	816,410
Total	819,889	8,432,603
	Prior Period	
	TL	FC
Cash/Foreign Currency	366,164	1,025,763
The Central Bank Of Republic Of Turkey	255,738	6,468,109
Other (*)	3,120	905,825
Total	625,022	8,399,697

(*) As of 30 June 2018, precious metal account amounting to TL 398,324 (31 December 2017 - TL 693,239) and money in transit amounting to TL 397,234 (31 December 2017 - TL 215,706) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey:

	Current Period	
	TL	FC
Unrestricted Demand Deposit	439,670	45
Restricted Time Deposit	-	-
Unrestricted Time Deposit	5,190	7,041,355
Total	444,860	7,041,400
	Prior Period	
	TL	FC
Unrestricted Demand Deposit	254,185	38
Restricted Time Deposit	-	-
Unrestricted Time Deposit	1,553	6,468,071
Total	255,738	6,468,109

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

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1. Explanations and notes related to consolidated assets (continued)

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

1.2.1 As of 30 June 2018 there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2016 – None).

1.2.2 Positive differences related to marketable derivative financial assets:

Derivative Financial Assets	Current Period	
	TL	FC
Forward Transactions	34,348	6,871
Swap Transactions	53,443	7,083
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	87,791	13,954

Derivative Financial Assets	Prior Period	
	TL	FC
Forward Transactions	11,141	5,326
Swap Transactions	3,027	7,205
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	14,168	12,531

1.3 Information on Banks:

	Current Period	
	TL	FC
Banks	6,231	5,894,764
Domestic	6,231	3,635,138
Foreign	-	2,259,626
Branches And Head Office Abroad	-	-
Total	6,231	5,894,764

	Prior Period	
	TL	FC
Banks	8,619	3,563,455
Domestic	8,505	2,413,931
Foreign	114	1,149,524
Branches And Head Office Abroad	-	-
Total	8,619	3,563,455

Information on foreign bank accounts:

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

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

	Current period
Debt Securities	3,605,333
Quoted On Stock Exchange	3,605,333
Not Quoted On Stock Exchange	-
Share Certificates	164,050
Quoted On Stock Exchange	106,252
Not Quoted On Stock Exchange	57,798
Impairment Provision	(139,589)
Total	3,629,794
	Prior period
Debt Securities	4,289,387
Quoted On Stock Exchange	4,289,387
Not Quoted On Stock Exchange	-
Share Certificates	174,134
Quoted On Stock Exchange	124,923
Not Quoted On Stock Exchange	49,211
Impairment Provision	(39,791)
Total	4,423,730

1.5 Information on loans:

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

	Current period	
	Cash	Non-Cash
Direct Loans Granted To Shareholders	1,355	935
Corporate Shareholders	-	935
Real Person Shareholders	1,355	-
Indirect Loans Granted To Shareholders	169,192	1,053
Loans Granted To Employees	15,461	3
Total	186,008	1,991
	Prior period	
	Cash	Non-Cash
Direct Loans Granted To Shareholders	1,030	786
Corporate Shareholders	-	786
Real Person Shareholders	1,030	-
Indirect Loans Granted To Shareholders	150,924	917
Loans Granted To Employees	18,134	3
Total	170,088	1,706

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

Current Period	Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring	
			Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	44,222,254	2,748,661	248,972	-
Export Loans	16,018	545	37	-
Import Loans	2,298,409	41,973	-	-
Corporation Loans	25,526,168	2,344,462	234,487	-
Consumer Loans	6,944,676	226,533	8,190	-
Credit Cards	648,484	35,420	5,285	-
Loans given to financial sector	2,781,944	-	-	-
Other	6,006,555	99,728	973	-
Other Receivables	2,745	95,424	3,564	-
Total	44,224,999	2,844,085	252,536	-

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	35,390,714	632,516	-	1,159,692	653,608	-
Financing Commodity Against Document	-	-	-	-	-	-
Exports Loan	43,351	16	-	603	-	-
Imports Loans	1,687,948	-	-	168	-	-
Enterprise Loans	22,529,634	610,366	-	836,171	550,430	-
Consumer Loans	6,636,210	17,986	-	212,748	46,444	-
Credit Cards	555,456	-	-	7,250	-	-
Precious Metal Loans	55,033	-	-	-	-	-
Loans Given To Financial Sector	1,226,735	-	-	1	-	-
Loans Extended Abroad	209,358	4,148	-	60,611	56,734	-
Other	2,446,989	-	-	42,140	-	-
Other Receivables	7,045	-	-	757	-	-
Total	35,397,759	632,516	-	1,160,449	653,608	-

Current Period	Standard Loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	152,144	-
Significant Increase in Credit Risk	-	310,343

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

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

Not prepared as per the Article 25 of the Communiqué on "Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof."

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	62,702	6,876,919	6,939,621
Housing Loans	15,325	6,094,080	6,109,405
Vehicle Loans	17,032	427,167	444,199
Consumer Loans	25,422	203,584	229,006
Other	4,923	152,088	157,011
Consumer Loans-FC Indexed	-	674	674
Housing Loans	-	674	674
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	228,698	228,698
Housing Loans	-	150,839	150,839
Vehicle Loans	-	136	136
Consumer Loans	-	66,488	66,488
Other	-	11,235	11,235
Retail Credit Cards-TL	310,458	185	310,643
With Installment	68,509	185	68,694
Without Installment	241,949	-	241,949
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	905	9,501	10,406
Housing Loans	-	916	916
Vehicle Loans	134	4,502	4,636
Consumer Loans	769	4,083	4,852
Other	2	-	2
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	9,111	80	9,191
With Installment	3,412	80	3,492
Without Installment	5,699	-	5,699
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	383,176	7,116,057	7,499,233

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

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

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1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	272,459	5,175,523	5,447,982
Business Loans	18,674	1,424,287	1,442,961
Vehicle Loans	192,753	1,834,728	2,027,481
Consumer Loans	61,032	1,916,507	1,977,539
Other	-	1	1
Commercial Installment Loans-FC Indexed	32,421	1,786,181	1,818,602
Business Loans	17,515	429,732	447,247
Vehicle Loans	12,886	332,700	345,586
Consumer Loans	2,020	1,021,608	1,023,628
Other	-	2,141	2,141
Commercial Installment Loans-FC	48,524	913,183	961,707
Business Loans	47,496	672,097	719,593
Vehicle Loans	1,028	70,092	71,120
Consumer Loans	-	-	-
Other	-	170,994	170,994
Corporate Credit Cards-TL	369,355	-	369,355
With Installment	140,786	-	140,786
Without Installment	228,569	-	228,569
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	722,759	7,874,887	8,597,646
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	203,320	4,618,220	4,821,540
Business Loans	7,379	1,237,846	1,245,225
Vehicle Loans	134,318	1,517,461	1,651,779
Consumer Loans	61,623	1,862,838	1,924,461
Other	-	75	75
Commercial Installment Loans-FC Indexed	27,462	1,644,797	1,672,259
Business Loans	14,998	339,825	354,823
Vehicle Loans	9,581	374,138	383,719
Consumer Loans	2,883	923,133	926,016
Other	-	7,701	7,701
Commercial Installment Loans-FC	28,632	595,549	624,181
Business Loans	28,632	397,096	425,728
Vehicle Loans	-	37,664	37,664
Consumer Loans	-	-	-
Other	-	160,789	160,789
Corporate Credit Cards-TL	292,685	-	292,685
With Installment	106,201	-	106,201
Without Installment	186,484	-	186,484
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	552,099	6,858,566	7,410,665

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1.5.6 Breakdown of domestic and foreign loans:

	Current period
Domestic Loans	44,321,714
Foreign Loans	364,734
Total	44,686,448
	Prior period
Domestic Loans	36,288,239
Foreign Loans	269,969
Total	36,558,208

1.5.7 Loans granted to subsidiaries and associates:

	Current period
Loans Granted Directly To Subsidiaries And Associates (*)	16
Loans Granted Indirectly To Subsidiaries And Associates	-
Total	16
	Prior period
Loans Granted Directly To Subsidiaries And Associates(*)	19
Loans Granted Indirectly To Subsidiaries And Associates	-
Total	19

(*) The loan amounts stated above, that are granted to the subsidiaries and associates of the Bank are presented in line of "Banks" in the accompanying financial statements.

1.5.8 Specific provisions for loans:

	Current period
Loans And Receivables With Limited Collectability	70,084
Loans And Receivables With Doubtful Collectability	186,173
Uncollectible Loans And Receivables	404,250
Total	660,507
	Prior period
Specific Provisions	
Loans And Receivables With Limited Collectability	145,827
Loans And Receivables With Doubtful Collectability	97,155
Uncollectible Loans And Receivables	424,786
Total	667,768

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1.5.9 Information on non-performing loans (Net):

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

None (31 December 2017-None).

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

	Group III	Group IV	Group V
	Loans and	Loans and	
	receivables with	receivables with	
	limited	doubtful	
Current Period	collectability	collectability	Uncollectible
			loans and
			receivables
Ending Balance Of Prior Period 31.12.2017	158,589	117,234	439,237
Additions In The Current Period (+)	242,035	107,554	10,467
Transfers From Other Categories Of Non-Performing Loans(+)	-	246,474	222,115
Transfers To Other Categories Of Non-Performing Loans (-)	246,426	222,163	-
Collections In The Current Period (-)	46,990	15,231	142,779
Write Offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate And Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending Balance Of The Current Period	107,208	233,868	529,354
Specific Provisions (-)	70,084	186,173	404,250
Net Balance At The Balance Sheet	37,124	47,695	125,104

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

	Group III	Group IV	Group V
	Loans and	Loans and	
	receivables with	receivables with	
	limited	doubtful	
	collectability	collectability	Uncollectible
			loans and
			receivables
Current Period			
Ending Balance Of The Current Period	-	-	616
(Provision)	-	-	(1,192)
Prior Period			
Ending Balance Of The Prior Period	-	-	930
(Specific Provision)	-	-	(821)

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period (Net)	37,124	47,695	125,104
Loans Granted To Real Persons And Legal Entities (Gross)	107,208	233,868	529,354
Specific Provision (-)	70,084	186,173	404,250
Loans To Real Persons And Legal Entities (Net)	37,124	47,695	125,104
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans And Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans And Receivables (Net)	-	-	-
Prior Period (Net)	12,762	20,079	14,451
Loans To Real Persons And Legal Entities (Gross)	158,589	117,234	439,237
Specific Provision (-)	145,827	97,155	424,786
Loans To Real Persons And Legal Entities (Net)	12,762	20,079	14,451
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans And Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans And Receivables (Net)	-	-	-

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

1.5.9.5 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)	961	2,148	2,575
Profit Share Accruals Rediscount And Valuation Differences	2,207	6,901	5,989
Provision (-)	1,246	4,753	3,414

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

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

1.5.11 Information on the write-off policy:

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

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1.6 Information on financial assets measured at amortised cost:

None (31 December 2017 – None).

1.7 Information on investment in associates (Net):

1.7.1 The 1.54% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 4,897 (31 December 2017 – TL 4,719), 8.36% ownership of the shares of Islamic International Rating Agency amounting to TL 714 (31 December 2017 – TL 714), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,201 (31 December 2017 – TL 5,201), Swift shares amounting to TL 390 (31 December 2017 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2017 – TL 15) and VISA Inc.shares amounting to TL 78,639 (31 December 2017 – TL 7,149) are classified as financial assets available for sale 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 consolidated associates: None (31 December 2017 – None).

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

1.8 Information on Subsidiaries (Net):

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

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1.8.2 Information on subsidiaries:

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

Information on subsidiaries according to the order of the above table:

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
30,267	29,498	-	-	-	(2,829)	7,255	-
106,661	96,803	9,862	-	-	1,008	4,973	-
180,418	408	-	-	-	193	61	-
7,140,658	195	-	-	-	88	15	-
1,374,484	40,000	6,140	-	-	6,795	4,169	-
6,679	6,253	182	-	-	(100)	(1)	-
12,907	10,504	700	-	-	3,818	2,968	-
1,643,971	1	-	-	-	-	-	-

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

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

(***) 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.

Movement regarding the subsidiaries

	Current period
Balance At The Beginning Of The Year	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
Capital Commitments	-
Share Percentage At The End Of The Year (%)	-

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	Prior period
Balance At The Beginning Of The Year	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
Capital Commitments	-
Share Percentage At The End Of The Year (%)	-

1.8.3 Information on the consolidated subsidiaries:

Title	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Turkey	100.00%	100.00%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	100.00%	100.00%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	75.00%	%97.61
KT Bank AG (*)	Frankfurt/Germany	100.00%	100.00%
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	100.00%	100.00%
KT Sukuk Company Limited (*)	GeorgeTown/ Cayman Islands	100.00%	100.00%
(*) Financial statements of the related subsidiary as of 30 June 2018 are prepared as per the legal legislations of the country at which the subsidiary is located.			
(**) Despite not being a subsidiary, of the Parent Bank has control over the 100% of KT Sukuk Varlık Kiralama A.Ş. which is a Special Purpose Entity founded in 24 August 2010, for the issuance of islamic bonds ("Sukuk"). KT Sukuk Varlık Kiralama A.Ş. was also included in the scope of the consolidation.			

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period
Banks	293,694
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	63,515
	Prior period
Banks	293,694
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	60,273

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

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1.8.4 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of June 30, 2018 was EUR 60,299,733 and the capital adequacy ratio was 27.93%.

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

The entities that are not considered in the scope of the consolidation due to them not being a financial subsidiary, are accounted at their cost value less impairment, if any.

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

	Share of the Bank	Total Asset	Equity	Total Fixed Asset	Current Period Profit/Loss	Previous Period Profit/Loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	%50	1,374,484	43,202	6,140	6,795	4,169

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

(**) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish the Pension Company in line with main shares. Parent Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş. and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 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	
	Gross	Net
Less than 1 year	1,775,867	1,443,620
1 to 4 years	956,812	889,252
More than 4 years	314,677	302,300
Total	3,047,356	2,635,172
	Prior period	
	Gross	Net
Less than 1 year	1,601,249	1,325,209
1 to 4 years	615,546	583,034
More than 4 years	178,945	172,487
Total	2,395,740	2,080,730

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1.10.2 Net investments in finance leases:

	Current period
Gross Receivable From Finance Leases	3,047,356
Unearned Finance Lease Income (-)	(412,184)
Cancelled Lease Amount (-)	-
Net Receivable From Finance Leases	2,635,172
	Prior period
Gross Receivable From Finance Leases	2,395,740
Unearned Finance Lease Income (-)	(315,010)
Cancelled Lease Amount (-)	-
Net Receivable From Finance Leases	2,080,730

1.10.3 Information on finance lease contracts:

The Group 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 Group gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Group sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 10,257 are included in the non-performing loans in the balance sheet (31 December 2017 – TL 5,040).

1.11 Information on derivative financial assets for hedging purposes:

None (31 December 2017 – None).

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1.12 Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 30 June 2018 is TL 199,166 (31 December 2017 – TL 111,110) and deferred tax liability is TL 18,960 (31 December 2017 – TL 18,535).

	Current period
Reserve For Employee Benefits	16,504
Retirement Pay Liability	19,792
Deferred Income	53,746
Rediscounts For Derivative Instruments Held For Trading (Net)	7,001
Impairment Provision For Subsidiaries, Fixed Assets And Assets Held For Sale	40,077
TFRS 9 Provisions	19,542
Carry Forward Financial Losses	17,550
Precious Metals Valuation Difference	24,954
Other	
Deferred Tax Asset	199,166
Difference Between Carrying Value And Tax Base Of Tangible Assets	(8,925)
Valuation Difference On Available For Sale Financial Asset	(5,280)
Precious Metals Valuation Difference	(447)
Other	(4,308)
Deferred Tax Liability	(18,960)
Deferred Tax Asset, (Net)	180,206
	Prior Period
Reserve For Employee Benefits	20,197
Retirement Pay Liability	16,788
Deferred Income	46,597
Rediscounts For Derivative Instruments Held For Trading (Net)	26,181
Impairment Provision For Subsidiaries, Fixed Assets And Assets Held For Sale	36,436
Other	11,046
Deferred Tax Asset	157,245
Difference Between Carrying Value And Tax Base Of Tangible Assets	(10,044)
Valuation Difference On Available For Sale Financial Asset	(3,556)
Precious Metals Valuation Difference	(652)
Other	(4,283)
Deferred Tax Liability	(18,535)
Deferred Tax Asset, (Net)	138,710

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Table of deferred tax asset movement:

	Current Period
As Of January 1	138,710
Deferred Tax (Expense)/Income	19,479
Deferred Tax Accounted Under Other Comprehensive Income	26,557
TFRS 9 Opening Effect	(8,986)
Other	4,446
Deferred Tax Asset	180,206
	Prior Period
As Of January 1	118,111
Deferred Tax (Expense)/Income	2,967
Deferred Tax Accounted Under Other Comprehensive Income	(6,889)
Deferred Tax Asset	114,189

1.13 Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 998,708 (31 December 2017 – TL 860,481). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and notes related to consolidated liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real Persons Current Accounts-TI	5,361,974	-	-	-	-	-	-	-	5,361,974
II. Real Persons Profit Sharing Accounts TI	-	4,361,214	6,687,360	439,524	-	230,422	224,907	13,191	11,956,618
III. Other Current Accounts-TI	3,089,444	-	-	-	-	-	-	-	3,089,444
Public Sector	66,751	-	-	-	-	-	-	-	66,751
Commercial Sector	2,977,852	-	-	-	-	-	-	-	2,977,852
Other Institutions	33,321	-	-	-	-	-	-	-	33,321
Commercial And Other Institutions	-	-	-	-	-	-	-	-	-
Banks And Participation Banks	11,520	-	-	-	-	-	-	-	11,520
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	11,372	-	-	-	-	-	-	-	11,372
Participation Banks	148	-	-	-	-	-	-	-	148
Others	-	-	-	-	-	-	-	-	-
IV. Profit Sharing Accounts-TI	-	498,807	1,093,477	140,826	-	230,490	121,002	52	2,084,654
Public Sector	-	48	28,691	-	-	492	-	-	29,231
Commercial Sector	-	450,069	968,946	129,233	-	220,633	119,044	52	1,887,977
Other Institutions	-	48,675	94,918	11,593	-	9,362	1,754	-	166,302
Commercial And Other Institutions	-	15	907	-	-	3	204	-	1,129
Banks And Participation Banks	-	-	15	-	-	-	-	-	15
V. Real Persons Current Accounts-Fc	6,640,160	-	-	-	-	-	-	-	6,640,160
VI. Real Persons Profit Sharing Accounts-Fc	-	2,970,156	5,184,082	972,379	-	552,892	296,643	529	9,976,681
VII. Other Current Accounts-Fc	3,579,222	-	-	-	-	-	-	-	3,579,222
Commercial Residents In Turkey	2,721,621	-	-	-	-	-	-	-	2,721,621
Commercial Residents In Abroad	521,543	-	-	-	-	-	-	-	521,543
Banks And Participation Banks	336,058	-	-	-	-	-	-	-	336,058
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	336,058	-	-	-	-	-	-	-	336,058
Participation Banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts- Fc	-	559,583	1,710,653	99,828	-	199,145	13,234	449	2,582,892
Public Sector	-	8	28	-	-	-	-	-	36
Commercial Sector	-	489,929	1,436,206	79,398	-	189,488	6,812	449	2,202,282
Other Institutions	-	24,650	181,465	5,897	-	8,943	6,336	-	227,291
Commercial And Other Institutions	-	44,990	69,048	14,533	-	714	-	-	129,285
Banks And Participation Banks	-	6	23,906	-	-	-	86	-	23,998
IX. Precious Metal Funds	2,041,015	525,552	1,138,701	104,164	-	55,016	1,369	5	3,865,822
X. Profit Sharing Accounts Special Funds - TI	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Funds - Fc	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	20,711,815	8,915,312	15,814,273	1,756,721	-	1,267,965	657,155	14,226	49,137,467

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

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Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real Persons Current Accounts-TI	4,089,584	-	-	-	-	-	-	-	4,089,584
II. Real Persons Profit Sharing Accounts-TI	-	3,920,064	6,325,033	449,754	-	245,635	194,490	-	11,134,976
III. Other Current Accounts-TI	2,892,984	-	-	-	-	-	-	-	2,892,984
Public Sector	70,537	-	-	-	-	-	-	-	70,537
Commercial Sector	2,775,649	-	-	-	-	-	-	-	2,775,649
Other Institutions	42,423	-	-	-	-	-	-	-	42,423
Commercial And Other Institutions	-	-	-	-	-	-	-	-	-
Banks And Participation Banks	4,375	-	-	-	-	-	-	-	4,375
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	3,875	-	-	-	-	-	-	-	3,875
Participation Banks	500	-	-	-	-	-	-	-	500
Others	-	-	-	-	-	-	-	-	-
IV. Profit Sharing Accounts-TI	-	421,907	960,907	131,032	-	193,737	126,429	-	1,834,012
Public Sector	-	108	34,391	-	-	29	-	-	34,528
Commercial Sector	-	394,722	852,072	122,025	-	187,200	124,735	-	1,680,754
Other Institutions	-	27,062	74,334	9,007	-	6,505	1,694	-	118,602
Commercial And Other Institutions	-	15	96	-	-	3	-	-	114
Banks And Participation Banks	-	-	14	-	-	-	-	-	14
V. Real Persons Current Accounts-Fc	5,006,983	-	-	-	-	-	-	-	5,006,983
VI. Real Persons Profit Sharing Accounts-Fc	-	2,406,130	4,048,379	857,533	-	426,661	229,940	-	7,968,643
VII. Other Current Accounts-Fc	2,824,367	-	-	-	-	-	-	-	2,824,367
Commercial Residents In Turkey	2,444,177	-	-	-	-	-	-	-	2,444,177
Commercial Residents In Abroad	288,612	-	-	-	-	-	-	-	288,612
Banks And Participation Banks	91,578	-	-	-	-	-	-	-	91,578
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	91,578	-	-	-	-	-	-	-	91,578
Participation Banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts- Fc	-	336,381	941,748	83,056	-	166,331	55,867	-	1,583,383
Public Sector	-	5	47	-	-	-	-	-	52
Commercial Sector	-	281,489	868,374	62,970	-	165,324	55,781	-	1,433,938
Other Institutions	-	24,687	25,848	48	-	423	-	-	51,006
Commercial And Other Institutions	-	30,195	39,112	20,038	-	584	-	-	89,929
Banks And Participation Banks	-	5	8,367	-	-	-	86	-	8,458
IX. Precious Metal Funds	1,478,006	270,606	1,038,247	87,510	-	45,658	4	-	2,920,031
X. Profit Sharing Accounts Special Funds - TI	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Funds - Fc	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	16,291,924	7,355,088	13,314,314	1,608,885	-	1,078,022	606,730	-	40,254,963

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

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

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

	Under The Guarantee Of Saving Deposit Insurance	Exceeding The Limit Of Saving Deposit
	Current Period	Current Period
Real Persons Current And Profit Sharing Accounts That Are Not Subject To Commercial Activities		
TL Accounts	10,807,134	6,430,791
FC Accounts	6,977,209	12,781,609
Foreign Branches' Deposits		
Under Foreign Authorities' Insurance	-	-
Off-Shore Banking Regions'		
Under Foreign Authorities' Insurance	-	-
	Under The Guarantee Of Saving Deposit Insurance	Exceeding The Limit Of Saving Deposit
	Prior Period	Prior Period

Real Persons Current And Profit Sharing
Accounts That Are Not Subject To Commercial
Activities

TL Accounts	9,730,510	5,440,996
FC Accounts	5,804,410	9,535,405
Foreign Branches' Deposits		
Under Foreign Authorities' Insurance	-	-
Off-Shore Banking Regions'		
Under Foreign Authorities' Insurance	-	-

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

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

The headquarters of the Parent Bank is in Turkey.

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

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

	Current Period
Foreign Branches' Profit Sharing Accounts And Other Accounts	-
Profit Sharing Accounts And Other Accounts Of Controlling Shareholders And Profit Sharing Accounts Of Their Mother, Father, Spouse, Children In Care	-
Profit Sharing Account And Other Accounts Of President And Members Of Board Of Directors, CEO And Vice Presidents And Profit Sharing Accounts Of Their Mother, Father, Spouse And Children In Care	8,882
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	-
	Prior Period
Foreign Branches' Profit Sharing Accounts And Other Accounts	-
Profit Sharing Accounts And Other Accounts Of Controlling Shareholders And Profit Sharing Accounts Of Their Mother, Father, Spouse, Children In Care	-
Profit Sharing Account And Other Accounts Of President And Members Of Board Of Directors, CEO And Vice Presidents And Profit Sharing Accounts Of Their Mother, Father, Spouse And Children In Care	4,573
Profit Sharing Account And Other Accounts In Scope Of The Property Holdings Derived From Crime Defined In Article 282 Of Turkish Criminal Law No:5237 Dated 26 September 2004	-
Profit Sharing Accounts In Participation Banks Which Are Established In Turkey In Order To Engage In Off-Shore Banking Activities Solely	-

2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period	
	TL	FC
Forward Transactions	34,673	4,009
Swap Transactions	-	14,162
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	34,673	18,171
	Prior Period	
	TL	FC
Forward Transactions	10,269	4,679
Swap Transactions	11,177	54,572
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	21,446	59,251

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2.3 Information on funds borrowed:

2.3.1 Information on banks and other financial institutions:

	Current Period	
	TL	FC
Loans From The Central Bank Of The Republic Of Turkey	-	-
From Domestic Banks And Institutions	76,137	290,834
From Foreign Banks, Institutions And Funds	61,783	2,933,601
Total	137,920	3,224,435
	Prior Period	
	TL	FC
Loans From The Central Bank Of The Republic Of Turkey	-	-
From Domestic Banks And Institutions	51,243	280,602
From Foreign Banks, Institutions And Funds	58,873	2,996,409
Total	110,116	3,277,011

2.3.2 Information on maturity structure of borrowings:

	Current Period	
	TL	FC
Short-Term	137,920	3,062,505
Medium And Long-Term	-	161,930
Total	137,920	3,224,435
	Prior Period	
	TL	FC
Short-Term	110,116	3,113,321
Medium And Long-Term	-	163,690
Total	110,116	3,277,011

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2.3.3 The details of some significant transactions that are accounted under the borrowings line are as follows:

Current Period

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
Wekale	KFH - KUWAIT	27/06/2017	03/07/2018	USD	2.40%	100,000,000	2,473,333
Wekale	KFH - KUWAIT	07/08/2017	14/08/2018	USD	2.40%	100,000,000	2,480,000
Wekale	KFH - KUWAIT	28/09/2017	05/10/2018	USD	2.50%	100,000,000	2,583,333
Wekale	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	07/11/2017	14/11/2018	USD	2.30%	103,925,361	2,469,959

Prior Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
Wekale	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	07/11/2017	14/11/2018	USD	% 2.30	103,925,361	2,469,959
Wekale	KFH - KUWAIT	02/06/2017	08/06/2018	USD	% 2.25	120,000,000	2,782,500

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

All of the borrowings consist of foreign currency loans.

There is no risk concentration of the Parent Bank's current and profit sharing accounts.

2.4 Information on the issued marketable securities:

The Group has the following issued sukuk certificates. The average income rate for the issued marketable securities is 13% for Turkish Lira, 5% for US Dollar, 6% for Malaysian Ringgit. The maturities for the sukuk issued in Turkish Lira, US Dollar and Malaysian Ringgit are between April 2018 – March 2019, between June 2019 – November 2021, between March 2020 – July 2020, respectively.

Current Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	1,212,060	345,000	2,245,379	3,186,987
Distribution of residual income	54,550	-	-	818,643
Carrying value	1,245,063	346,588	2,246,960	3,221,693

Prior Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	1,031,433	45,000	-	4,524,360
Distribution of residual income	40,051	-	-	601,376
Carrying value	1,059,378	45,240	-	4,547,223

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2.5 Information on other liabilities and miscellaneous payables:

As of 30 June 2018, other liabilities amount to TL 483,584 (31 December 2017 – TL 345,918), sundry creditors amount to TL 252,014 (31 December 2017 - TL 200,005). These items are included in the “Other Liabilities” line of the balance sheet and they do not exceed 10% of the balance sheet total.

2.6 Information on finance lease payables (net):

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

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

None (31 December 2017 – None).

2.6.2 Information on Financial Lease Obligations:

None (31 December 2017 – None).

2.6.3 Information on Operational Leases:

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

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

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

2.6.4 Information on sale and leaseback transactions:

None (31 December 2017 – None).

2.7 Information on hedging derivative financial liabilities:

	Current Period	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	-	60,464
Hedge Of Net Investment In Foreign Operations	-	-
Total	-	60,464
	Prior Period	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	-	70,795
Hedge Of Net Investment In Foreign Operations	-	-
Total	-	70,795

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2.8 Information on provisions:

2.8.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 30 June 2018, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 5,922 (31 December 2017 – TL 19,143) and TL 173 for leasing receivables (31 December 2017 – TL 376) is offset against loans and receivables.

2.8.2 Information on other provisions:

	Current Period
Provisions For Non- Liquidated Non Cash Loans	207,303
General Provisions for Non Cash Loans	28,692
Provisions For Cheque Books	64,545
Provisions From Equity/Profit Sharing Accounts	123,509
Provisions For Promotion Activities For Credit Cards	1,534
Other (*)	79,532
Total	505,115
	Prior Period
Provisions For Non- Liquidated Non Cash Loans	95,685
Provisions For Cheque Books	2,276
Provisions From Equity/Profit Sharing Accounts	30,422
Provisions For Promotion Activities For Credit Cards	1,242
Other (*)	72,447
Total	202,072

(*) Other item includes TL 6,915 (31 December 2017 – TL 6,915) litigation provision. In addition to this, TL 14,450 (31 December 2017 – TL 14,450) includes provision amount which belongs to audit related penalty from Ministry of Customs and Trade, TL 49,560 (31 December 2017 – TL 40,560) includes provision amount for projected repayment of delay penalties and TL 5,347 (31 December 2017- TL 6,500) of expense provision.

2.8.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 98,081 (31 December 2017 – TL 84,286), vacation pay liability amounting to TL 12,859 (31 December 2017 – TL 522), performance premium amounting to TL 34,070 (31 December 2017 – TL 69,670), retirement bonuses on payment of TL 23,500 (31 December 2017 – TL 23,500), committee fee amounting to TL 4,440 (31 December 2017 – TL 7,291) and other fees amounting to TL 150 (31 December 2017 – TL 125).

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 5,002 (full amount) (31 December 2017 – TL 4,732) for each year of service. The liability is not funded, as there is no funding requirement.

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

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	Current Period
Discount Rate (%)	11.60
Inflation Rate (%)	8.90
Salary Increase Rate (%)	9.90

	Prior Period
Discount Rate (%)	11.60
Inflation Rate (%)	8.90
Salary Increase Rate (%)	9.90

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

	Current Period
Balance At The Beginning Of The Period	84,286
Provisions Recognized During The Period	18,876
Paid During The Period	(5,081)
Actuarial Loss	-
Balances At The End Of The Period	98,081

	Prior Period
Balance At The Beginning Of The Period	55,465
Provisions Recognized During The Period	10,580
Paid During The Period	(2,817)
Actuarial Loss	-
Balances At The End Of The Period	63,228

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2.9 Explanations on tax liability:

2.9.1 Explanations on current tax liability:

2.9.1.1 Information on tax provisions: As of 30 June 2018, the Group has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 52,528.

	Current Period
Provision For Corporate Income Tax	145,977
Prepaid Taxes	(51,803)
Total (*)	94,174
	Prior Period
Provision For Corporate Income Tax	199,510
Prepaid Taxes	(143,251)
Total (*)	56,259

(*) The mentioned amount is included in the current tax liability under liabilities in the financial statements.

2.9.1.2 Information on tax payable (*):

	Current Period
Taxation Of Marketable Securities	24,153
Taxation Of Immovable Property	1,506
Banking Insurance Transaction Tax (Bitt)	25,524
Value Added Tax Payable	835
Income Tax Deducted From Wages	8,467
Other	1,248
Total	61,613
	Prior Period
Taxation Of Marketable Securities	19,651
Taxation Of Immovable Property	1,185
Banking Insurance Transaction Tax (Bitt)	18,431
Value Added Tax Payable	1,349
Income Tax Deducted From Wages	8,192
Other	1,128
Total	49,936

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

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2.9.1.3 Information on premiums (*):

	Current Period
Social Security Premiums-Employee	10,920
Social Security Premiums-Employer	11,748
Unemployment Insurance-Employee	782
Unemployment Insurance-Employer	1,825
Total	25,275
	Prior Period
Social Security Premiums-Employee	4,862
Social Security Premiums-Employer	5,234
Unemployment Insurance-Employee	348
Unemployment Insurance-Employer	801
Total	11,245

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

2.9.1.4 Information on deferred tax liability: None (31 December 2017 – None).

2.10 Information on held for trade and discontinued activities related tangible assets:

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

2.11 Information on subordinated loans:

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

2.12 Information on shareholders’ equity:

2.12.1 Presentation of paid-in capital:

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

(*) The amount 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

2.12.2 Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital: Registered capital system is not applied in the Parent Bank.

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

Increase Date	Increase Amount	Internal Sources	Legal Reserves Used In The Increase
3 April 2018	400,000	400,000	-

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- 2.12.4 Information on share capital increases from capital reserves during the current period: None (31 December 2017 – None).
- 2.12.5 Possible effect of estimations made for the Group’s revenues, profitability and liquidity on equity considering prior period indicators and uncertainties: Based on the evaluation made considering the prior and current period indicators related to net profit share and commission income, it is observed that the Bank continues its operations profitably.
- 2.12.6 Summary of privileges given to shares representing the capital: None.
- 2.12.7 Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From Associates, Subsidiaries And Entities Under Common Control (Joint Vent.)		
Valuation Difference(*)	(72,401)	(56,781)
Foreign Exchange Difference	-	-
Total	(72,401)	(56,781)
	Prior period	
	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)		
Valuation Difference(*)	(23,192)	12,609
Foreign Exchange Difference	-	-
Total	(23,192)	12,609

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

2.13 Information on minority shares:

These amount is to TL 23,874 (31 December 2017– TL 23,054).

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

3.1 Explanations on off-balance sheet accounts:

3.1.1 Type and amount of irrevocable commitments: Commitment for credit card limits, as of 30 June 2018 is TL 1,633,877 (31 December 2017 – TL 1,357,354); payment commitments for cheque books are TL 1,568,103 (31 December 2017 – TL 1,345,239).

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

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

As of 30 June 2018, the Group has guarantees and surety ships constituting of TL 10,487,656 (31 December 2017 – TL 9,570,179) letters of guarantee; TL 68,853 (31 December 2017 – TL 55,958) acceptances and TL 1,147,324 (31 December 2017 – TL 932,100) letters of credit. Also banks has other acceptances amount of TL 346,313 (31 December 2017 – TL 513,816).

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

3.1.3 Total amount of non-cash loans:

	Current Period
Non-Cash Loans Given Against Cash Loans	-
With Original Maturity Of 1 Year Or Less	-
With Original Maturity Of More Than 1 Year	-
Other Non-Cash Loans	12,050,146
Total	12,050,146
	Prior Period
Non-Cash Loans Given Against Cash Loans	-
With Original Maturity Of 1 Year Or Less	-
With Original Maturity Of More Than 1 Year	-
Other Non-Cash Loans	11,072,053
Total	11,072,053

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4. Explanations and notes related to the consolidated income statement

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current Period	
	TL	FC
Profit Share On Loans	2,068,642	168,941
Short Term Loans	545,825	32,186
Medium And Long Term Loans	1,515,588	136,755
Profit Share On Non-Performing Loans	7,229	-
Premiums Received From Resource Utilization Support Fund	-	-
	Prior Period	
	TL	FC
Profit Share On Loans	1,399,885	106,166
Short Term Loans	365,383	14,164
Medium And Long Term Loans	1,030,503	92,002
Profit Share On Non-Performing Loans	3,999	-
Premiums Received From Resource Utilization Support Fund	-	-

4.1.2 Information on profit share received from banks:

	Current Period	
	TL	FC
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	8	46,931
Branches And Head Office Abroad	-	-
Total	8	46,931
	Prior Period	
	TL	FC
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	-	9,949
Branches And Head Office Abroad	-	-
Total	-	9,949

4.1.3 Information on profit share income from securities portfolio:

The Group has received TL 158,671 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information (1 January – 30 June 2017 - TL 134,173).

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

None (1 January – 30 June 2017 – None).

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4.2 Information on profit share expenses:

4.2.1 Profit share expense paid to utilized loans:

	Current Period	
	TL	FC
Banks	4,555	15,477
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	1,659	4,594
Foreign Banks	2,896	10,883
Branches And Head Office Abroad	-	-
Other Institutions	-	92,003
Total	4,555	107,480
	Prior Period	
	TL	FC
Banks	2,694	31,679
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	617	4,426
Foreign Banks	2,077	27,253
Branches And Head Office Abroad	-	-
Other Institutions	31,242	37,179
Total	33,936	68,858

4.2.2 Profit share expense given to associates and subsidiaries:

	Current Period	
Profit Share Expenses Given To Associates And Subsidiaries		539
	Prior Period	
Profit share expenses given to associates and subsidiaries		1,114

4.2.3 Profit share expense paid to securities:

Within the year 2018, profit share expense amounting to TL 223,734 was realised (1 January-30 June 2017 – TL140,473).

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4.2.4 Distribution of profit share on funds based on maturity of funds:

Current Period		Profit Sharing Accounts						Accumulated profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
TL									
Collected Funds From Banks Through Current									
And Profit Share Accounts	-	1	-	-	-	-	-	1	
Real Person's Non-Trading Profit Sharing Account	196,524	318,435	21,932	-	11,758	11,189	-	559,838	
Public Sector Profit Sharing Account	648	1,567	-	-	-	-	-	2,215	
Commercial Sector Profit Sharing Account	19,963	47,322	8,441	-	715	578	-	77,019	
Other Institutions Profit Sharing Account	1,995	4,886	588	-	205	101	-	7,775	
Total	219,130	372,211	30,961	-	12,678	11,868	-	646,848	
FC									
Banks	8	124	-	-	-	-	-	132	
Real Person's Non-Trading Profit Sharing Account	28,044	52,712	11,236	-	5,550	3,136	-	100,678	
Public Sector Profit Sharing Account	-	-	-	-	-	-	-	-	
Commercial Sector Profit Sharing Account	3,747	17,800	3,070	-	2,131	53	-	26,801	
Other Institutions Profit Sharing Account	900	2,614	381	-	12	-	-	3,907	
Precious Metal Accounts	2,197	6,933	603	-	342	-	-	10,075	
Total	34,896	80,183	15,290	-	8,035	3,189	-	141,593	
Grand Total	254,026	452,394	46,251	-	20,713	15,057	-	788,441	

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Prior Period	Profit Sharing Accounts						Accumulated	
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	profit sharing accounts	Total
TL								
Collected Funds From Banks Through Current								
And Profit Share Accounts	-	-	-	-	-	-	-	-
Real Person's Non-Trading Profit Sharing								
Account	129,887	239,639	18,661	-	8,543	7,423	-	404,153
Public Sector Profit Sharing Account	8	1,555	-	-	-	-	-	1,563
Commercial Sector Profit Sharing								
Account	14,009	33,716	5,808	-	444	398	-	54,375
Other Institutions Profit Sharing								
Account	1,012	2,556	365	-	110	42	-	4,085
Total	144,916	277,466	24,834	-	9,097	7,863	-	464,176
FC								
Banks	716	64	-	-	-	-	-	780
Real Person's Non-Trading Profit								
Sharing Account	17,529	28,971	6,810	-	4,011	1,817	-	59,138
Public Sector Profit Sharing Account	-	-	-	-	-	-	-	-
Commercial Sector Profit Sharing								
Account	1,978	7,454	1,608	-	57	50	-	11,147
Other Institutions Profit Sharing								
Account	1,048	857	197	-	13	97	-	2,212
Precious Metal Accounts	8	4,233	330	-	182	-	-	4,753
Total	21,279	41,579	8,945	-	4,263	1,964	-	78,030
Grand Total	166,195	319,045	33,779	-	13,360	9,827	-	542,206

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4.3 Information on dividend income:

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

4.4 Information on trading income/loss (Net):

	Current Period
Trading Income/Loss (Net)	139,040
Income	10,646,629
Gain On Capital Market Transactions	8,309
Gain On Derivative Financial Instruments	1,033,113
Foreign Exchange Profit	9,605,207
Losses (-)	(10,507,589)
Losses On Capital Market Transactions	(5,327)
Losses On Derivative Financial Instruments	(738,049)
Foreign Exchange Losses	(9,764,213)
	Prior Period
Trading Income/Loss (Net)	200,755
Income	7,229,962
Gain On Capital Market Transactions	4,661
Gain On Derivative Financial Instruments	996,169
Foreign Exchange Profit	6,229,132
Losses (-)	(7,029,207)
Losses On Capital Market Transactions	(1,461)
Losses On Derivative Financial Instruments	(1,298,565)
Foreign Exchange Losses	(5,729,181)

4.5 Information on other operating income:

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

	Current Period
Reversal Of Prior Period Provisions	180,398
Income From Sale Of Assets	11,963
Income From the Real Estate Sales’ Gains by Rent Certificates	13,463
Rent Income	1,296
Other Income	12,068
Total	219,188
	Prior Period
Reversal Of Prior Period Provisions	56,159
Income From Sale Of Assets	55,404
Income From the Real Estate Sales’ Gains by Rent Certificates	1,274
Other Income	9,585
Total	122,422

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4.6 Impairment provisions for the loans and other receivables:

	Current Period
Expected Credit Loss	563,801
12 Month Expected Credit Loss (Stage 1)	45,970
Significant Increase In Credit Risk (Stage 2)	121,550
Non-Performing Loans (Stage 3)	396,281
Marketable Securities Impairment Expense	1,486
Financial Assets At Fair Value Through Profit Or Loss	1,478
Financial Assets At Fair Value Through Other Comprehensive Income	8
Impairment Losses From Associates, Subsidiaries And Jointly Controlled Entities	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other (*)	10,756
Total	576,043
	Prior Period
Specific Provisions For Loans And Other Receivables	311,855
Iii. Group Loans And Receivables	94,766
Iv. Group Loans And Receivables	141,360
V. Group Loans And Receivables	75,729
Doubtful Commissions, Fees And Other Receivables	970
General Provision Expenses	70,301
Provision Expenses From Possible Losses	-
Impairment Provision Of Marketable Securities	76
Financial Assets At Fair Value Through Profit And Loss	76
Investment Securities Available For Sale	-
Impairment Provision Of Associates, Subsidiaries, Joint Ventures And Held To Maturity Investments	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Held To Maturity Investments	-
Other (*)	676
Total	383,878

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

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4.7 Information on other operating expenses:

	Current Period
Personnel Expenses	405,916
Provision For Retirement Pay Liability	13,795
Depreciation Expenses Of Fixed Assets	31,253
Impairment Expenses Of Tangible Assets	13,463
Depreciation Expenses Of Intangible Assets	16,966
Depreciation Expenses Of Assets Held For Sale	-
Other Operating Expenses	173,562
Rent Expenses	64,552
Maintenance Expenses	17,891
Advertisement Expenses	15,372
Communication Expenses	18,751
Heating, Electricity And Water Expenses	7,464
Cleaning Expenses	3,149
Vehicle Expenses	3,793
Stationery Expenses	3,732
Other Expenses	38,858
Losses On Sales Of Assets	927
Deposit Insurance Fund Expenses	47,762
Other	58,295
Total	761,939
	Prior Period
Personnel Expenses	340,878
Provision For Retirement Pay Liability	7,763
Depreciation Expenses Of Fixed Assets	27,076
Impairment Expenses Of Tangible Assets	-
Depreciation Expenses Of Intangible Assets	14,483
Depreciation Expenses Of Assets Held For Sale	-
Other Operating Expenses	144,715
Rent Expenses	55,676
Maintenance Expenses	15,992
Advertisement Expenses	11,915
Communication Expenses	17,986
Heating, Electricity And Water Expenses	6,847
Cleaning Expenses	2,670
Vehicle Expenses	2,685
Stationery Expenses	3,299
Other Expenses	27,645
Losses On Sales Of Assets	49
Deposit Insurance Fund Expenses	39,964
Other	46,880
Total	621,808

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

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

4.9 Information on tax provision for continued and discontinued operations:

As of 30 June 2018, deferred tax income of the Group is TL 25,553 (1 January-30 June 2017 – TL 2,967), deferred tax expense is TL 45,032 and current tax provision expense is TL 144,718(1 January-31 June 2017 –TL 103,176 expense).

4.10 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.

4.11 Information on net income/loss:

4.11.1 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 30 June 2018, net profit share income is TL 1,451,066 (30 June 2017 – TL 957,185), net fees and commission income is TL 176,394 (30 June 2017 – TL 113,547).

4.11.2 Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (30 June 2017 – None).

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

As of 30 June 2018, other fees and commissions received is TL 191,873 (30 June 2017 – TL 134,339), TL 47,019 of this amount is related with credit card fees and commissions (30 June 2017 – TL 29,360) and TL 36,043 of this amount is related with POS machine commissions (30 June 2017 – TL 25,213).

As of 30 June 2018, other fees and commissions given is TL 84,299 (30 June 2017 – TL 75,892), TL 40,401 (30 June 2017 – TL 26,630) of this amount is related with POS clearing commissions and installation expenses, TL 7,751 (30 June 2017 – TL 4,865) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and notes related to the consolidated shareholders’ equity

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

6. Explanations and notes related to the consolidated cash flow statement

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

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

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

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	Cash	Cash	Non-Cash
Loans And Other Receivables						
Balance At Beginning Of Period	19	447	1,030	786	150,924	917
Balance At End Of Period	16	11,951	1,355	935	169,192	1,053
Profit Share And Commission Income	-	79	50	6	6,920	2

(*) 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	Cash	Cash	Non-Cash
Loans And Other Receivables						
Balance At Beginning Of Period	14	132	998	16,818	135,364	20,290
Balance At End Of Period	19	447	1,030	786	150,924	917
Profit Share And Commission Income	-	1	47	-	4,341	-

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

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

Risk Group Of The Bank (*)	Investment In Associates, Subsidiaries And Joint Ventures (Business Partnerships)		Direct And Indirect Shareholders Of The Bank		Other Real Or Legal Persons Included In The Risk Group	
	Current Period		Current Period		Current Period	
Current And Profit Sharing Accounts						
Balance At Beginning Of Period		30,010		60,187		417,813
Balance At End Of Period		28,735		71,866		311,009
Profit Share Expense		249		1,168		5,023

Risk Group Of The Bank (*)	Investment In Associates, Subsidiaries And Joint Ventures (Business Partnerships)		Direct And Indirect Shareholders Of The Bank		Other Real Or Legal Persons Included In The Risk Group	
	Prior Period		Prior Period		Prior Period	
Current And Profit Sharing Accounts						
Balance At Beginning Of Period		18,799		58,441		113,915
Balance At End Of Period		30,010		60,187		417,813
Profit Share Expense		1,114		1,957		5,483

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

Forward and option agreements and other similar agreements with the risk group of the Bank: None. (30 June 2017 - None).

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Information on loans associated 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		Current Period

Borrowings			
Balance At Beginning Of Period	-	2,175,759	-
Balance At End Of Period	-	2,099,219	-
Profit Share Expense	-	40,283	-

Risk Group Of The Bank (*)	Investment In Associates, Subsidiaries And Joint Ventures (Business Partnerships)	Direct And Indirect Shareholders Of The Bank	Other Real Or Legal Persons Included In The Risk Group
	Prior Period	Prior Period	Prior Period

Borrowings			
Balance At Beginning Of Period	-	2,954,769	166,742
Balance At End Of Period	-	2,175,759	-
Profit Share Expense	-	23,895	-

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

7.2 Information on remunerations provided to top management:

As of 1 January – 30 June 2018, the Parent Bank has paid TL 25,915 to top management (1 January – 30 June 2017- TL 20,540).

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

The Bank has signed a contract with KFH Capital Investment Company on 5 October 2017 for the transfer of 50% of the shares of KT Portföy Yönetimi A.Ş. (Subsidiary). On 20 July 2018, KFH Capital Investment Company transferred its 50% share in a subsidiary which has a capital of TL 5,000 with a price of TL 16,901. The Bank records its subsidiary as a joint venture.

The Parent Bank has issued sukuk with nominal value of TL 450,000 thousand, 100 days maturity and 16.76% cost.

Turkish Lira depreciated against foreign currencies, mainly US Dollars, between 30 June 2018 and 17 August 2018, when the financial statements were approved (US Dollars %21.09, Euro %19.26). The Bank is not expected to experience any negativity because there is no foreign exchange position.

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SECTION SIX
OTHER EXPLANATIONS

- 1. Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet**

None.

SECTION SEVEN
LIMITED REVIEW REPORT

- 1. Explanations on the limited review report**

The consolidated financial statements have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 17 August 2018 is presented preceding the consolidated financial statements.

- 2. Notes and disclosures prepared by the independent auditor**

None.

SECTION EIGHT
CONSOLIDATED INTERIM ANNUAL REPORT

- 1. Explanations on Interim Annual Report**

- 1.1 About Kuveyt Türk**

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

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

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1.2 Financial Informations Summary

CONSOLIDATED BALANCE SHEET	30 June 2018
CASH BALANCES AND CENTRAL BANK	9,252,492
BANKS	5,900,995
LOANS	44,433,884
FINANCE LEASE RECEIVABLES (Net)	2,635,172
TANGIBLE ASSETS (Net)	473,400
OTHER ASSETS	5,434,759
TOTAL ASSETS	68,130,702
FUND COLLECTED	49,137,467
FUNDS BORROWED	3,362,355
MARKETABLE SECURITIES ISSUED (Net)	7,060,304
SUBORDINATED LOANS	1,643,969
OTHER LIABILITIES	1,815,888
EQUITY	5,110,719
TOTAL LIABILITIES	68,130,702
CONSOLIDATED BALANCE SHEET	31 December 2017
CASH BALANCES AND CENTRAL BANK	9,024,719
BANKS	3,572,074
LOANS	36,605,500
FINANCE LEASE RECEIVABLES (Net)	2,080,730
TANGIBLE ASSETS (Net)	416,049
OTHER ASSETS	5,865,630
TOTAL ASSETS	57,564,702
FUND COLLECTED	40,254,963
FUNDS BORROWED	3,387,127
MARKETABLE SECURITIES ISSUED (Net)	5,651,841
SUBORDINATED LOANS	1,360,338
OTHER LIABILITIES	2,299,618
EQUITY	4,610,815
TOTAL LIABILITIES	57,564,702

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 June 2018
PROFIT SHARE INCOME	2,602,607
PROFIT SHARE EXPENSE	1,151,541
NET PROFIT SHARE INCOME/EXPENSE	1,451,066
NET FEES AND COMMISSION INCOME/EXPENSE	176,394
PERSONNEL EXPENSES	419,711
DIVIDEND INCOME	1,227
NET TRADING INCOME / LOSS	139,040
OTHER OPERATING INCOME	219,188
EXPECTED LOSS PROVISIONS (-)	576,043
OTHER OPERATING EXPENSES (-)	342,228
INCOME/LOSS FROM SHAREHOLDERS UNDER EQUITY METHOD	3,397
INCOME/ LOSS BEFORE TAX	652,330
TAX CHARGE	125,239
PERIOD NET INCOME/LOSSES	527,091

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 June 2017
PROFIT SHARE INCOME	1,745,062
PROFIT SHARE EXPENSE	787,877
NET PROFIT SHARE INCOME/EXPENSE	957,185
NET FEES AND COMMISSION INCOME/EXPENSE	113,547
NET TRADING INCOME / LOSS	200,755
OTHER OPERATING INCOME	122,422
EXPECTED LOSS PROVISIONS (-)	383,878
OTHER OPERATING EXPENSES (-)	621,808
INCOME/LOSS FROM SHAREHOLDERS UNDER EQUITY METHOD	2,084
INCOME/ LOSS BEFORE TAX	390,307
TAX CHARGE	(100,209)
PERIOD NET INCOME/LOSSES	290,098

	30 June 2018
Total Loans/Total Assets (*)	%69.24
Total Loans/Fund Collected (*)	%95.79
Average Equity Profit (**)	%21.66
Average Assets Profit (**)	%1.68
Capital Adequacy Ratio	%15.73

	31 December 2017
Total Loans/Total Assets (*)	%67.20
Total Loans/Fund Collected (*)	%96.10
Average Equity Profit (**)	%14.62
Average Assets Profit (**)	%1.18
Capital Adequacy Ratio	%17.32

(*) Finance Lease Receivables is included in total loans.

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

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

As of 30 June 2018, consolidated financial statements asset size is TL 68 million 131 thousand, amount of the utilization of funds is TL 47 million 069 thousand and funds collected amount is TL 49 million 137 thousand. Due to the effect of the first six months' profit of TL 526 thousand, the ratio of shareholder equity increased 11% by reaching TL 5 million 111 thousand. As of 30 June 2018, consolidated capital adequacy ratio has been realized as 15.73%.

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

1.4 Announcement regarding important developments during the period

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

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

The Bank has issued sukuk with a total nominal value of TL 1,485,000 thousand with seven separate transactions over KT Kira Sertifikaları Varlık Kiralama A.Ş. with a minimum 11.81% and maximum 14.01% cost in different maturity periods.

1.5 Assessment of the expectations related to the postintermediate period

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