

Kuveyt Türk Katılım Bankası Anonim Şirketi

Independent auditor's report, consolidated financial statements and notes for the period ended 1 January-31 March 2020 with independent auditor's limited review report

(Convenience translation of consolidated financial statements and independent auditor's report originally issued in Turkish)

(Convenience translation of the auditor's report originally issued in Turkish – See Note I of Section Three)

REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş.

Introduction

We have reviewed the consolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (the “Bank”) and its subsidiaries (collectively referred as the “Group”) at March 31, 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these consolidated of interim financial information in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Financial Reporting Legislation) and Turkish Accounting Standard 34 “Interim Consolidated Financial Reporting” principles for those matters not regulated by BRSA Legislation; together referred as “BRSA Accounting and Financial Reporting Legislation”. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 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 and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of 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 significant matters which would have been identified in an audit. Accordingly, we do not express an opinion

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the consolidated financial position of Kuveyt Türk Katılım Bankası A.Ş. and its subsidiaries at March 31, 2020, and the results of its operations and its consolidated cash flows for the three-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.



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Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VIII, are not consistent, in all material respects, with the reviewed consolidated financial statements and disclosures.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with "BRSA Accounting and Financial Reporting Legislation" and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified 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.

Güner Bağıntı Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Emre Çelik, SMMM
Associate Partner

28 May 2020
İstanbul, Turkey

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**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE THREE-MONTH PERIOD THEN ENDED 31 MARCH 2020**

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL
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The consolidated interim financial report for the three-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 OF THE GROUP WHICH IS UNDER CONSOLIDATION
- DISCLOSURES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
- CONSOLIDATED INTERIM ACTIVITY REPORT

The subsidiaries, associates and jointly-controlled partners which are consolidated within the framework of this financial report are as follows:

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

The consolidated financial statements for the three-month period and related disclosures and footnotes that are subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira.

Hamd Abdulmohsen AL-MARZOUQ
Chairman of the Board of Directors

Ahmad S A A AL KHARJI
Chairman of the Audit
Committee

Nadir ALPASLAN
Member of the Audit Committee

Mohamad AL-MIDANI
Member of the Audit
Committee

Ufuk UYAN
General Manager

Ahmet KARACA
Chief Financial Officer

İsmail Hakkı YEŞİLYURT
Budget and Management
Reporting

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

Name-Surname/Position: İsmail Hakkı YEŞİLYURT/ Budget and Management Reporting

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 31 MARCH 2020

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

SECTION ONE

GENERAL INFORMATION

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

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

The Parent Bank and its consolidated financial subsidiaries are named together 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 31 March 2020, 62.24% of the Parent Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution for Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

3. Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the Parent bank:

Name	Title	Date of the assignment	Date of Audit Committee assignment	Date of Audit Committee completion	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD	10/10/2002	19/10/2010	24/12/2019	Doctorate	-
Nadir ALPASLAN	Member of BOD and Member of the Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	%0.01
Fawaz KH E AL SALEH	Member of BOD	20/10/2006			Bachelor	-
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015			Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S. A.A. AL KHARJI	Member of BOD and Chairman of the Audit Committee	26/03/2014	24/09/2014		Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	%0.06
Ahmet KARACA	Assistant General Manager, Chief Financial Officer	12/07/2006			Master	%0.00
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	%0.00
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	%0.02
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005			Doctorate	%0.01
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	%0.00
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	%0.001
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	%0.00
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	%0.01

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.12% of the Parent Bank’s share capital (31 December 2019 – 0.12%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 31 MARCH 2020

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

4. Information on qualified shareholders

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,863,098	62.24%	2,863,098	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	861,086	18.72%	861,086	-
Total	3,724,184	80.96%	3,724,184	-

As of 31 March 2020, the shares of parent shareholder of 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 31 March 2020, the Group is operating through 439 domestic branches (31 December 2019 – 436) with 6,158 employees (31 December 2019 – 6,091). 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 Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Customs and Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association.

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2020

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

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

ASSETS	Note	Reviewed Current Period 31.03.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		4,875,171	38,069,990	42,945,161	4,808,663	38,565,666	43,374,329
1.1 Cash and Cash Equivalents		1,267,901	21,057,783	22,325,684	1,781,528	24,948,531	26,730,059
1.1.1 Cash and Balances with Central Bank	(5.1.1.)	1,200,236	16,185,220	17,385,456	1,768,747	17,447,545	19,216,292
1.1.2 Banks	(5.1.3.)	67,793	4,875,278	4,943,071	12,921	7,503,851	7,516,772
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Expected Credit Loss (-)		128	2,715	2,843	140	2,865	3,005
1.2 Financial Assets at Fair Value Through Profit or Loss		141,908	5,716,457	5,858,365	109,958	3,891,546	4,001,504
1.2.1 Government Debt Securities		107,685	5,655,418	5,763,103	77,977	3,863,617	3,941,594
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		34,223	61,039	95,262	31,981	27,929	59,910
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	3,436,513	10,818,579	14,255,092	2,898,407	9,562,353	12,460,760
1.3.1 Government Debt Securities		3,325,621	10,570,833	13,896,454	2,792,631	9,313,887	12,106,518
1.3.2 Equity Instruments		13,992	25,918	39,910	11,237	27,346	38,583
1.3.3 Other Financial Assets		96,900	221,828	318,728	94,539	221,120	315,659
1.4. Derivative Financial Assets	(5.1.2.)	28,849	477,171	506,020	18,770	163,236	182,006
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		28,849	477,171	506,020	18,770	163,236	182,006
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	40,296,757	33,633,875	73,930,632	32,535,710	27,246,766	59,782,476
2.1 Loans		41,468,505	27,388,804	68,857,309	33,532,383	23,726,265	57,258,648
2.2 Leasing Receivables	(5.1.10.)	1,656,804	1,865,795	3,522,599	1,406,165	1,301,355	2,707,520
2.3 Other Financial Assets Measured At Amortized Cost	(5.1.6.)	-	5,158,882	5,158,882	-	2,859,381	2,859,381
2.3.1 Government Debt Securities		-	5,014,610	5,014,610	-	2,725,997	2,725,997
2.3.2 Other Financial Assets		-	144,272	144,272	-	133,384	133,384
2.4 Expected Credit Loss (-)		2,828,552	779,606	3,608,158	2,402,838	640,235	3,043,073
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)		465,520	-	465,520	473,326	-	473,326
3.1 Held for Sale		465,520	-	465,520	473,326	-	473,326
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		68,498	-	68,498	64,061	-	64,061
4.1 Investments in Associates (Net)	(5.1.7.)	-	-	-	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Investment in Subsidiaries (Net)	(5.1.8.)	23,680	-	23,680	23,680	-	23,680
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
4.3 Investment in Joint Ventures (Net)	(5.1.9.)	44,818	-	44,818	40,381	-	40,381
4.3.1 Joint Ventures Valued Based on Equity Method		44,818	-	44,818	40,381	-	40,381
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		822,506	12,669	835,175	797,960	36,141	834,101
VI. INTANGIBLE ASSETS (Net)		136,406	68,343	204,749	134,064	64,696	198,760
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		136,406	68,343	204,749	134,064	64,696	198,760
VII. INVESTMENT PROPERTIES (Net)		37,607	-	37,607	37,646	-	37,646
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(5.1.12.)	460,135	63,068	523,203	358,279	43,503	401,782
X. OTHER ASSETS	(5.1.13.)	806,602	1,079,245	1,885,847	744,570	954,099	1,698,669
TOTAL ASSETS		47,969,202	72,927,190	120,896,392	39,954,279	66,910,871	106,865,150

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2020

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

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

LIABILITIES	Note	Reviewed Current Period 31.03.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(5.2.1.)	40,697,703	61,203,691	101,901,394	35,401,409	52,848,363	88,249,772
II. FUNDS BORROWED	(5.2.3.)	161,844	142,226	304,070	160,847	286,378	447,225
III. MONEY MARKETS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)		1,059,517	3,593,585	4,653,102	735,743	3,906,422	4,642,165
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES		288,107	212,798	500,905	129,690	294,447	424,137
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	288,107	83,461	371,568	129,690	164,719	294,409
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.6.)	-	129,337	129,337	-	129,728	129,728
VII. LEASE PAYABLES	(5.2.5.)	329,209	34,217	363,426	315,732	35,223	350,955
VIII. PROVISIONS	(5.2.7.)	886,200	280,077	1,166,277	855,190	244,064	1,099,254
8.1 Restructuring Provision		-	-	-	-	-	-
8.2 Reserves for Employee Benefits		245,993	1,083	247,076	302,114	706	302,820
8.3 Insurance for Technical Provision (Net)		-	-	-	-	-	-
8.4 Other Provisions		640,207	278,994	919,201	553,076	243,358	796,434
IX. CURRENT TAX LIABILITIES	(5.2.8.1.)	106,454	1,326	107,780	224,769	1,452	226,221
X. DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.9.)	-	-	-	-	-	-
11.1 Held for Sale		-	-	-	-	-	-
11.2 Related to Discontinued Operations		-	-	-	-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(5.2.10.)	-	3,661,344	3,661,344	-	3,380,983	3,380,983
12.1 Loans		-	-	-	-	-	-
12.2 Other Debt Instruments		-	3,661,344	3,661,344	-	3,380,983	3,380,983
XIII. OTHER LIABILITIES	(5.2.4.)	1,027,555	368,320	1,395,875	988,695	268,807	1,257,502
XIV. SHAREHOLDERS' EQUITY	(5.2.11.)	7,140,932	(298,713)	6,842,219	6,834,774	(47,838)	6,786,936
14.1 Paid-in Capital		4,595,131	-	4,595,131	3,995,766	-	3,995,766
14.2 Capital Reserves		26,399	-	26,399	25,764	-	25,764
14.2.1 Share Premiums		24,525	-	24,525	24,525	-	24,525
14.2.2 Share Cancellation Profits		1,874	-	1,874	1,239	-	1,239
14.2.3 Other Capital Reserves		-	-	-	-	-	-
14.3 Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(19,082)	-	(19,082)	(19,082)	-	(19,082)
14.4 Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		149,184	(175,126)	(25,942)	176,294	78,477	254,771
14.5 Profit Reserves		1,975,102	-	1,975,102	1,472,776	-	1,472,776
14.5.1 Legal Reserves		287,948	-	287,948	231,728	-	231,728
14.5.2 Statutory Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		1,617,135	-	1,617,135	1,170,797	-	1,170,797
14.5.4 Other Profit Reserves		70,019	-	70,019	70,251	-	70,251
14.6 Profit or Loss		385,719	(123,587)	262,132	1,154,795	(126,315)	1,028,480
14.6.1 Prior Years' Profits or Losses		44,957	(126,315)	(81,358)	22,075	(111,232)	(89,157)
14.6.2 Current Period Net Profit or Loss		340,762	2,728	343,490	1,132,720	(15,083)	1,117,637
14.7 Minority Shares	(5.2.12.)	28,479	-	28,479	28,461	-	28,461
TOTAL LIABILITIES AND EQUITY		51,697,521	69,198,871	120,896,392	45,646,849	61,218,301	106,865,150

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 MARCH 2020

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

2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

	Note	Reviewed Current Period 31.03.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		67,392,258	62,273,917	129,666,175	67,365,973	56,290,702	123,656,675
I. GUARANTEES AND WARRANTIES	(5.3.1.)	6,963,410	5,709,603	12,673,013	6,938,439	4,963,915	11,902,354
1.1. Letters of Guarantee		6,527,892	3,925,235	10,453,127	6,592,042	3,415,529	10,007,571
1.1.1. Guarantees Subject to State Tender Law		205,218	53,177	258,395	218,286	62,740	281,026
1.1.2. Guarantees Given for Foreign Trade Operations		376,009	56,267	432,276	375,091	79,315	454,406
1.1.3. Other Letters of Guarantee		5,946,665	3,815,791	9,762,456	5,998,665	3,273,474	9,272,139
1.2. Bank Loans		30,477	49,999	80,476	8,546	46,489	55,035
1.2.1. Import Letter of Acceptances		30,477	49,999	80,476	8,546	46,489	55,035
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		16,790	1,642,570	1,659,360	10,567	1,363,442	1,374,009
1.3.1. Documentary Letters of Credit		86	557,139	557,225	86	371,829	371,915
1.3.2. Other Letters of Credit		16,704	1,085,431	1,102,135	10,481	991,613	1,002,094
1.4. Guaranteed Refinancing		-	-	-	-	147	147
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		388,251	91,799	480,050	327,284	138,308	465,592
1.7. Other Warrantees		-	-	-	-	-	-
II. COMMITMENTS	(5.3.1.)	53,507,933	5,741,497	59,249,430	52,151,025	1,893,989	54,045,014
2.1. Irrevocable Commitments		5,897,279	5,741,497	11,638,776	4,795,885	1,893,989	6,689,874
2.1.1. Forward Asset Purchase and Sales Commitments		814,636	5,715,978	6,530,614	455,887	1,890,943	2,346,830
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3. Loan Granting Commitments		435,045	-	435,045	358,094	-	358,094
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments for Reserve Deposits Requirements		-	-	-	-	-	-
2.1.6. Payment Commitments for Checks		1,437,496	-	1,437,496	1,305,235	-	1,305,235
2.1.7. Tax and Fund Liabilities From Export Commitments		-	-	-	-	-	-
2.1.8. Commitments for Credit Card Expenditure Limits		3,189,532	-	3,189,532	2,656,398	-	2,656,398
2.1.9. Commitments for Credit Cards and Banking Services Promotions		2,813	-	2,813	2,514	-	2,514
2.1.10. Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11. Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		17,757	25,519	43,276	17,757	3,046	20,803
2.2. Revocable Commitments		47,610,654	-	47,610,654	47,355,140	-	47,355,140
2.2.1. Revocable Loan Granting Commitments		47,610,654	-	47,610,654	47,355,140	-	47,355,140
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		6,920,915	50,822,817	57,743,732	8,276,509	49,432,798	57,709,307
3.1. Derivative Financial Instruments Held for Risk Management		-	1,648,322	1,648,322	-	2,451,906	2,451,906
3.1.1. Fair Value Hedges		-	-	-	-	-	-
3.1.2. Cash Flow Hedges		-	1,648,322	1,648,322	-	2,451,906	2,451,906
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held for Trading Transactions		6,920,915	49,174,495	56,095,410	8,276,509	46,980,791	55,257,300
3.2.1. Forward Foreign Currency Buy/Sell Transactions		687,733	1,588,758	2,276,491	512,110	1,242,703	1,754,813
3.2.1.1. Forward Foreign Currency Buy Transactions		361,021	785,867	1,146,888	276,131	603,627	879,758
3.2.1.2. Forward Foreign Currency Sell Transactions		326,712	802,891	1,129,603	235,979	639,076	875,055
3.2.2. Other Forward Buy/Sell Transactions		6,233,182	47,585,737	53,818,919	7,764,399	45,738,088	53,502,487
3.3. Other		-	-	-	-	101	101
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		408,993,220	181,660,638	590,653,858	381,449,255	165,631,022	547,080,277
IV. ITEMS HELD IN CUSTODY		11,339,607	18,489,757	29,829,364	11,299,056	14,947,964	26,247,020
4.1. Customers' Securities Held		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		2,205,703	282,111	2,487,814	2,891,875	424,980	3,316,855
4.3. Checks Received for Collection		7,539,331	990,354	8,529,685	6,828,688	869,224	7,697,912
4.4. Commercial Notes Received for Collection		1,594,573	320,379	1,914,952	1,578,493	280,131	1,858,624
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		-	16,896,913	16,896,913	-	13,373,629	13,373,629
V. PLEDGED ITEMS		397,641,974	163,093,946	560,735,920	370,138,560	150,613,354	520,751,914
5.1. Marketable Securities		78,959	-	78,959	194,245	111,336	305,581
5.2. Guarantee Notes		101,727	2,655,172	2,756,899	101,727	2,402,814	2,504,541
5.3. Commodity		9,907,577	777,951	10,685,528	8,938,138	701,641	9,639,779
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		131,823,717	3,271,284	135,095,001	124,206,037	2,983,314	127,189,351
5.6. Other Pledged Items		255,729,994	156,389,539	412,119,533	236,698,413	144,414,249	381,112,662
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		11,639	76,935	88,574	11,639	69,704	81,343
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		476,385,478	243,934,555	720,320,033	448,815,228	221,921,724	670,736,952

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 31 MARCH 2020

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

3. CONSOLIDATED INCOME STATEMENT

		Reviewed Current Period 01.01.2020- 31.03.2020	Reviewed Prior Period 01.01.2019- 31.03.2019
I.	PROFIT SHARE INCOME	(5.4.1.)	1,868,136
1.1	Profit Share on Loans	1,464,412	1,478,177
1.2	Profit Share on Reserve Deposits	782	26,967
1.3	Profit Share on Banks	40,104	59,451
1.4	Profit Share on Money Market Placements	-	-
1.5	Profit Share on Marketable Securities Portfolio	276,230	133,055
1.5.1	Fair Value Through Profit or Loss	30,650	6,867
1.5.2	Fair Value Through Other Comprehensive Income	216,608	114,789
1.5.3	Measured at Amortised Cost	28,972	11,399
1.6	Finance Lease Income	74,916	61,654
1.7	Other Profit Share Income	11,692	20,715
II.	PROFIT SHARE EXPENSE	711,351	985,742
2.1	Expense on Profit Sharing Accounts	(5.4.4.) 527,957	730,259
2.2	Profit Share Expense on Funds Borrowed	(5.4.2.) 80,273	57,496
2.3	Profit Share Expense on Money Market Borrowings	2,800	2,514
2.4	Expense on Securities Issued	83,653	181,106
2.5	Profit Share Expense on Lease	16,668	14,367
2.6	Other Profit Share Expense	-	-
III.	NET PROFIT SHARE INCOME (I - II)	1,156,785	794,277
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	92,596	119,041
4.1	Fees and Commissions Received	205,307	192,129
4.1.1	Non-Cash Loans	46,809	43,826
4.1.2	Other	158,498	148,303
4.2	Fees and Commissions Paid	112,711	73,088
4.2.1	Non-Cash Loans	2,544	1,448
4.2.2	Other	(5.4.13.) 110,167	71,640
V.	DIVIDEND INCOME	(5.4.3.) -	803
VI.	NET TRADING INCOME / LOSS	(5.4.5.) 613,081	263,167
6.1	Capital Market Transaction Gains/Losses	23,670	13,013
6.2	Gains/Losses From Derivative Financial Instruments	5,054	216,135
6.3	Foreign Exchange Gains/Losses	584,357	34,019
VII.	OTHER OPERATING INCOME	(5.4.6.) 200,745	311,465
VIII.	NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)	2,063,207	1,488,753
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.) 837,299	649,958
X.	OTHER PROVISIONS (-)	(5.4.8.) 152,747	47,476
XI.	PERSONNEL EXPENSES (-)	345,351	295,996
XII.	OTHER OPERATING EXPENSES (-)	289,836	207,437
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	437,974	287,886
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD	4,437	3,270
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION	-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.) 442,411	291,156
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10) (98,903)	(65,893)
18.1	Current Tax Provision	(105,235)	(45,423)
18.2	Deferred Tax Income Effect (+)	147,819	199,503
18.3	Deferred Tax Expense Effect (-)	154,151	179,033
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.11.) 343,508	225,263
XX.	INCOME FROM DISCONTINUED OPERATIONS	-	-
20.1	Income on Non-Current Assets Held For Sale	-	-
20.2	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-	-
20.3	Income on Other Discontinued Operations	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)	-	-
21.1	Expenses From Non-Current Assets Held For Sale	-	-
21.2	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-	-
21.3	Expenses From Other Discontinued Operations	-	-
XXII.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-	-
23.1	Current Tax Provision	-	-
23.2	Deferred Tax Expense Effect (+)	-	-
23.3	Deferred Tax Income Effect (-)	-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	-	-
XXV.	NET PROFIT/LOSS (XVII+XXII)	(5.4.12.) 343,508	225,263
25.1	Group's Income/Loss	343,490	225,300
25.2	Minority Interest Income/Loss (-)	18	(37)
2	Earnings Per Share Income/Loss	-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 31 MARCH 2020

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

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

	Reviewed Current Period 31.03.2020	Reviewed Prior Period 31.03.2019
I. CURRENT PROFIT (LOSS)	343,508	225,263
II. OTHER COMPREHENSIVE INCOME	(280,713)	(9,837)
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	(280,713)	(9,837)
2.2.1 Foreign Currency Translation Difference	59,607	22,863
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(395,209)	(8,149)
2.2.3 Cash Flow Hedge Income/Loss	414	(7,897)
2.2.4 Foreign Net Investment Hedge Income/Loss	(60,614)	(23,607)
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	115,089	6,953
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	62,795	215,426

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 MARCH 2020

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

5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			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						
Prior Period (01/01/2019 – 31/03/2019)																	
I.		3,497,322	24,208	-	-	-	(13,296)	-	173,232	(117,150)	(88,812)	1,110,535	808,383	-	5,394,422	25,112	5,419,534
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		3,497,322	24,208	-	-	-	(13,296)	-	173,232	(117,150)	(88,812)	1,110,535	808,383	-	5,394,422	25,112	5,419,534
IV.		-	-	-	-	-	-	-	22,863	(2,933)	(29,767)	-	-	225,300	215,463	(37)	215,426
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	364	-	-	364	-	364
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		3,497,322	24,208	-	-	-	(13,296)	-	173,232	(117,150)	(88,812)	1,110,535	808,383	-	5,394,422	25,112	5,419,534
		3,497,322	24,208	-	-	-	(13,296)	-	196,095	(120,083)	(118,579)	1,110,899	808,383	225,300	5,610,249	25,075	5,635,324
Current Period (01/01/2020 – 31/03/2020)																	
I.		3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,472,776	(89,157)	1,117,637	6,758,475	28,461	6,786,936
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,472,776	(89,157)	1,117,637	6,758,475	28,461	6,786,936
IV.		-	-	-	-	-	-	-	59,607	(304,681)	(35,639)	-	-	343,490	62,777	18	62,795
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		600,000	-	-	-	-	-	-	-	-	-	(600,000)	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		(635)	-	635	-	-	-	-	-	-	-	(232)	7,799	(7,799)	(232)	-	(232)
XI.		-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,109,838)	(7,280)	-	(7,280)
11.1		-	-	-	-	-	-	-	-	-	-	-	-	(7,280)	(7,280)	-	(7,280)
11.2		-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,102,558)	-	-	-
11.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,472,776	(89,157)	1,117,637	6,758,475	28,461	6,786,936
		4,595,131	24,525	1,874	-	-	(19,082)	-	285,119	(89,986)	(221,075)	1,975,102	(81,358)	343,490	6,813,740	28,479	6,842,219

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

2. Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan

3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)

4. Foreign Currency Translition Differences

5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income

6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS AS OF 31 MARCH 2020

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

6. CONSOLIDATED STATEMENT OF CASH FLOWS

		Reviewd Current Period	Reviewed Prior Period
	Note	01.01.2020- 31.03.2020	01.01.2019- 31.03.2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Assets And Liabilities From Banking Operations	39,500	923,957
1.1.1	Profit Share Income Received	1,759,077	2,286,691
1.1.2	Profit Share Expense Paid	(747,203)	(940,802)
1.1.3	Dividends Received	-	-
1.1.4	Fees and Commissions Received	205,307	195,353
1.1.5	Other Income	572,418	82,347
1.1.6	Collections From Previously Written Off Loans	138,267	178,108
1.1.7	Payments to Personnel and Service Suppliers	(289,607)	(375,172)
1.1.8	Taxes Paid	(79,512)	(181,850)
1.1.9	Others	(1,519,247)	(320,718)
1.2	Changes in Assets and Liabilities from Banking Operations	1,127,519	3,060,511
1.2.1	Net (Increase) Decrease Held for Trading Financial Assets	(1,867,664)	(1,587,737)
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	2,580,981	(409,587)
1.2.3	Net (Increase) Decrease in Due From Banks And Other Financial Institutions	(12,644,040)	(4,228,711)
1.2.4	Net (Increase) Decrease in Loans	(671,113)	1,027,504
1.2.5	Net (Increase) Decrease in Other Assets	484,557	(235,612)
1.2.6	Net Increase (Decrease) in Bank Deposits	13,180,292	9,891,122
1.2.7	Net Increase (Decrease) in Other Deposits	(368)	-
1.2.8	Net Increase (Decrease) in Funds Borrowed	(144,362)	(192,295)
1.2.9	Net Increase (Decrease) in Due Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	209,236	(1,204,173)
I.	Net Cash Provided From / (Used in) Banking Operations	1,167,019	3,984,468
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided From / (Used in) Investing Activities	(4,119,447)	(5,766,467)
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	(25,676)	(153,158)
2.4	Fixed Assets Sales	92	1,392
2.5	Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(2,178,457)	(3,149,177)
2.6	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income	139,964	58,984
2.7	Cash Paid for Purchase of Investment Securities	(2,049,453)	(2,523,610)
2.8	Cash Obtained From Sale of Investment Securities	-	-
2.9	Other	(5,917)	(898)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided From / (Used in) Financing Activities	(165,320)	627,383
3.1	Cash Obtained From Funds Borrowed And Securities Issued	1,044,717	1,711,363
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(1,185,966)	(1,053,287)
3.3	Capital Increase	-	-
3.4	Dividends Paid	(7,280)	(15,632)
3.5	Payments for Finance Leases	(16,791)	(15,061)
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(5.5.4) 1,286,911	303,615
V.	Net Increase (Decrease) in Cash and Cash Equivalents	(1,830,837)	(851,001)
VI.	Cash and Cash Equivalents at The Beginning of The Period	(5.5.1) 19,216,292	6,710,455
VII.	Cash and Cash Equivalents at The End of The Period	(5.5.1) 17,385,455	5,859,454

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

1.1. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

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

Additional paragraph for convenience translation

The differences between the standards set out by BRSA Accounting and Financial Reporting Legislation and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

1.2. Accounting policies and valuation principles applied in the preparation of financial statements:

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

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

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively effects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures are still being taken in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to the measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of March 31, 2020, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in third section footnote numbered 1.5 “*Explanations on Exptected Credit Loss*”. In the upcoming periods, the Bank will update its revelant assumptions are necessary and revise the realizations of past estimates.

1.3. Changes in accounting estimates, errors and classifications

If changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. There were no significant changes in the accounting estimates of the Group in the current year. Significant accounting errors are applied retrospectively and prior period financial statements are restated.

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

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

1.5. Disclosures Regarding TFRS 9 Financial Instruments:

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

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

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

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

As a result of the combination of contractual cash flow characteristics and business models, the differences in the classification of financial assets are reflected in the financial statements compared to the current classification in TAS 39.

During the first recognition of a financial asset into the financial statements, business model determined by the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

Classification And Measurement of Financial Instruments:

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

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

Explanations on Expected Credit Loss:

As of 1 January 2018, the Parent Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

Modeling studies were carried out on the principal components of the Expected Loan Loss calculation and the default probability (PD) models were developed on various loan portfolios. Credit portfolios are determined according to customer segments that form the basis of banking activities. The cyclical default probabilities generated by these models developed for use in the Internal Rating Based Approach (IDD) are translated into the Instantaneous Default Probabilities and these instantaneous default probabilities are used when calculating the Expected Loan Loss on TFRS 9 Calculation on Default (LGD) calculation reflects the legal deduction rates and the Bank's past collection performance on unsecured loans. Default Amount (EAD) corresponds to the balance used in cash at the reporting date for cash loans, non-cash loans and balance after application of the loan to commitment risks.

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Macroeconomic scenarios affect PD and LGD values. The amount of credit losses expected with 3 different scenarios, Base and Good and Bad scenario, is calculated. The probability of default of the debtors and the loss rates in default vary with each scenario.

As mentioned in the accounting policies and valuation principles used in the preparation of financial statements, the Group has also calculated the possible effects of the COVID-19 outbreak as of 31 March 2020 with the best estimate method, which it obtained on the principle of maximum effort to estimate and reasoning used in the calculation of expected credit losses.

In light of these data, the Group;

- COVID-19 has made assessments before the sectors that are thought to have high pandemic effects and made PD updates on the basis of related sectors.

As of March 31, 2020, the bank has recognized the expected loss in the financial statements as a result of this approach to the provision calculation. This approach, which is preferred in the provision calculations for the first quarter of 2020, will be revised in the following reporting periods, taking into account the impact of the pandemic, the current portfolio of financial assets and expectations for the future.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, due to the disruptions in economic and commercial activities resulting from the Covid-19 outbreak, the 90 days default periods for loans to be classified as non-performing loans shall be applied as 180 days; the 30 days periods for loans to be classified as stage 2 shall be applied as 90 days according to assembly's resolution dated on 17 March 2020. This measure will be effective until 31 December 2020. In this context,

- Temporarily, it is possible to classify the receivables that cannot be collected up to 90 days in stage 1, and the receivables that cannot be collected up to 190 days in Stage 2
- In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for costumers who do not want to be late in their instalments.

Terminatively, this leads the Banks continue to set aside provisions for such receivables in accordance with their own risk models used in the calculation of expected credit losses under TFRS 9.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecast of future economic conditions. The Parent Bank applies a 'three-stage' impairment model depending on the gradual increase in credit risk observed since initial recognition

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

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

In this context; The basic considerations that are taken into account in determining the significant increase in the credit risk of a financial asset and its transfer to Phase 2 are, but are not limited to, the following.

- Delayed by more than 30 days as of the reporting date
- Restructuring
- Close Monitoring
- Evaluation of distortion in Rating Note

The definition the deterioraiton in the rating is the comparison of the credit rating at the opening date and the rating date at the reporting date by using the Bank's internal rating-based credit rating models. If the rating calculated for the loan at the reporting date exceeds the specified threshold values, the rating is deemed as deterioration.

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 30-day delay period for the classification of loans as Stage 2 has been implemented as 90 days until 31 December 2020; the bank recognizes provisions in accordance with its risk policies.

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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 Group periodically evaluates the provisions of loans and other receivables in accordance with TFRS 9 retrospectively on the basis of their results and, if deemed necessary, revises the basketing rules and the parameters used in the calculation of the related provision balances.

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 90-day delay period for the classification of loans as Stage 3 has been implemented as 180 days until 31 December 2020; the bank recognizes provisions in accordance with its risk policies.

1.6 Revenue from TFRS 15 Customer Contracts:

TFRS 15 Revenue from Customer Contracts provides a single, comprehensive model and guidance on the recognition of revenue and is recorded in accordance with TFRS 15.

1.7 Explanations on IFRS 16 Leases Standard

“TFRS 16 Leases” Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, to be applied in the accounting periods beginning after 31 December 2018. With the TFRS 16 Leases Standard effective from 1 January 2019, the difference between operating lease and leasing is eliminated. After that, the leasing transactions have been started to be shown by the tenants as liabilities in assets and leasing transactions as assets (use right). TFRS 16 Standard eliminates the dual accounting model for leasing of financial leasing transactions and the presentation of operating leases directly on the balance sheet. The current application for the lessor continues similarly.

As of January 1, 2019, the Group has applied TFRS 16 Leases standard. The simplified model was preferred in the application of this standard to the financial statements at the date of initial application. In this context, for the leases classified as operating leases in accordance with TAS 17, the Group reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Group measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Group. In addition, the Group measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments.

Due to the Group’s implementation of TFRS 16, assets classified under tangible assets as of 31 March 2020 amounted to TL 468,060, the lease liability amounted to TL 363,426, the financing expense amounted to TL 16,791 and depreciation expense amounted to TL 28,278.

2. Explanations on Strategy of Using Financial Instruments And Foreign Currency Transactions

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

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

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

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3. Investments in Associates And Subsidiaries

Consolidated and Financial Statements " Turkey Accounting Standard for Consolidated Financial Statements" (TFRS 10) has been prepared in accordance with the provisions.

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

<u>Title</u>	<u>Address (City/Country)</u>	<u>Main Operation</u>	<u>31 March 2020</u>	<u>31 December 2019</u>	<u>Consolidation method</u>
KT Bank AG	Frankfurt/Almanya	Banking	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Türkiye	Financial Instution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Türkiye	Financial Instution	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/Türkiye	Financial Instution	100.00%	50.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Türkiye	Financial Instution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/Türkiye	Financial Instution	50.00%	50.00%	Accounted with equity method

(*) KT Sukuk Company Limited, which was established on July 31, 2015 in the Cayman Island for issuance of the Bank's second subordinated loan, is excluded.

Parent Bank and the subsidiaries, the financial tables of which are consolidated along with the Parent Bank, are collectively referred as "the Group."

Consolidation basis of subsidiaries:

Subsidiaries are entities whose capital and management are directly or indirectly controlled by the Parent Bank. Subsidiaries are consolidated by the full consolidation method, within the framework of significance on the basis of operational outcomes, assets sizes and equity sizes. The financial statements of the relevant subsidiaries are included in the consolidated financial statements as of the date that control is transferred to Parent Bank.

Control denotes any of the following circumstances: the Parent Bank directly or indirectly through subsidiaries has over 50% of the voting rights or, dominance over the voting rights as described afore does not exist but the Parent Bank owns the preferred shares, or; the Parent Bank has voting rights appropriating more than %50 percent of all voting rights due to the agreements signed with other shareholders, or; the Parent Bank has the authority to manage the operational and financial policies of the entity due to certain arrangements or agreements, or; the Parent Bank has the power to influence the majority of the votes within the Board of Directors or any other executive organ vested with similar rights, or; the Parent Bank by any means has the power to appoint or dismiss the majority of the Board of Directors.

In accordance with the full consolidation, all of the assets, liabilities, income, expense and off-balance sheet liabilities of the subsidiaries are consolidated with the assets, liabilities, income, expense and off-balance sheet liabilities of the Parent Bank. The carrying value of the Group's investment in each subsidiary is offset with the cost value of the subsidiary's capital owned by the Group. Balances regarding the transactions between the subsidiaries in the scope of the consolidation and the unrealized gains/losses are reciprocally offset. Minority shares within the net income of the consolidated subsidiaries are determined provided that the net income of the Group shall be calculated, and these minority shares are presented as a separate item in the income statement. Minority shares are presented under the equity in the consolidated balance sheet.

In the case where the accounting policies implemented by the subsidiary are different than the Parent Bank, the accounting policies are reconciled.

4. Explanations on Forward Transactions and Option Contracts And Derivative Instruments

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. Derivative instruments are classified as 'hedging derivative financial asset' and 'derivative financial assets/liabilities at fair value profit or loss'. The Group classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Derivative Financial Instruments Held for Trading" in accordance with TAS 39. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as "held for trading" within the framework of TAS 39 and are reflected in the "Derivative Financial Assets/liabilities at fair value profit or loss" account in the balance sheet. The Group has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

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

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

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with TAS 39. If the embedded derivatives are closely related with the host contract, embedded derivatives are accounted for in-line with the relevant standard applicable for the host contract.

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Parent Bank continues to apply hedge accounting in accordance with TAS 39 in this context. In addition, it performs swap transactions in order to hedge the cash flow risk of fixed-rate financial instruments. In cash flow hedge accounting, the effective portion of the fair value change of the hedging instrument is accounted for under "Hedging Funds" under equity, and the ineffective portion is accounted in the income statement. In the periods in which the cash flows from the hedged item affect profit or loss, the profit / loss of the hedging instrument is also removed from equity and reflected to the income statement.

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

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

5. Explanations on Profit Share Income and Expense

Profit share income is recognized in the income statement on an accrual basis by using the method of internal rate of return and is accounted under profit share income account in the financial statements. While applying the internal rate of return method, the Parent Bank amortizes the fees included in the account of the effective profit rate over the expected life of the financial instrument. If the financial asset is impaired and classified as a non-performing loan, profit accruals and rediscount calculate for these customers within the scope of TFRS 9 Financial Instruments Standard.

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

6. Explanations on Fees and Commission Income and Expenses

Other than fees and commission income and expenses received from certain banking transactions that are recorded as income or expense in the period they are collected, fees and commission income and expenses are recognized in the income statement depending on the duration of the transaction. Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers.

Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

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

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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 "IFRS 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 Parent Bank recognizes a financial asset in the financial statements only when it becomes a party to the contractual terms of a financial instrument. During the initial recognition of a financial asset, the business model determined by parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Parent Bank management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to gains, losses or profit shares that were previously recorded in the financial statements.

7.1 Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss are financial assets that are managed within a business model other than the business model whose objective is achieved by holding contractual cashflows for collection and the business model whose objective is achieved by collecting and selling contractual cash flows. Also, in case that the contractual terms of financial assets do not give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount, such assets are those that are, obtained with the aim of providing profit from the short-term price or other factor fluctuations in the market or are part of a portfolio aiming to obtain short-term profit, regardless of the reason of acquisition.

7.2 Financial assets at fair value through other comprehensive income:

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

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

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

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

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7.3 Financial assets measured at amortized cost:

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

Financial Assets Measured at Amortized Cost; are financial assets, other than loans and receivables, which are held for the purpose of custody until maturity, with conditions necessary for such assets to be held until contractual maturity met, including funding ability; and which have fixed or determinable payments and fixed maturities. Financial assets measured at amortized cost are initially recognized at cost and subsequently measured at amortized cost using the internal rate of return method. Profit share income related to Financial Assets measured at amortized cost is reflected in the income statement.

7.4 Derivative financial assets:

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

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

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

7.5 Loans:

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

8. Explanations on Offsetting of Financial Assets and Liabilities

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

9. Explanations on Sale and Repurchase Agreements And Lending of Securities

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

As of 31 March 2020, the Parent Bank does not have a sales transaction with the promise of repurchase. (31 December 2019 –TL None).

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10. Explanations on Assets Held for Sale And Discontinued Operations And Related Liabilities

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

Assets that meet the criteria for classification as assets held for sale are measured at the lower of the carrying amount of assets and fair value less any costs to be incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. In order to classify an asset as held for sale, the sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset (or the disposal group) together with an active program for the determination of buyers as well as for the completion of the plan. Also, the asset (or the disposal group) should be actively in the market at a price consistent with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan. Various events and conditions may extend the completion period of the disposal over one year. If such delay arises from any events and conditions beyond the control of the entity and there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or disposal group) can remain to be classified as assets (or disposal group) held for sale. Extension of the period necessary to complete the sale, does not avoid the classification of the related asset (or disposal group) to be classified as asset held for sale.

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

11. Explanations on Goodwill and Other Intangible Assets

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

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

The amortization period of the licenses is determined on the basis of the duration of the license agreements.

There is no goodwill related to associates and subsidiaries.

12. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

13. Explanations on Leasing Transactions

For contracts concluded prior to 1 January 2019, the Group assesses whether the contract has a lease qualification or include a lease transaction.

- (a) The right to obtain almost all of the economic benefits from the use of the leased asset and,
- (b) Whether the leased asset which has the right to manage its use is evaluated

The bank has started implementing the TFRS 16 - Leases standard as of 1 January 2019, the first date of the TFRS 16 standard. At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Bank's alternative borrowing profit-share rate.

The right of the use asset

The Group reflects the existence of a right of use and a lease obligation to the financial statements at the date the lease is commenced.

The right to use asset is recognized first by cost method and includes the following:

- (a) The first measurement amount of the lease obligation,
- (b) The amount obtained by deducting all rental incentives received from all lease payments made at or before the date of the rental.

When the Group applying cost method, the existence of the right of use:

- (a) Accumulated depreciation and accumulated impairment losses are deducted and
- (b) Measures the restatement of the lease obligation over the adjusted cost.

The Group determines whether the right of use has been impaired and recognizes any identified impairment losses in accordance with TAS 36 – Impairment of Assets.

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Lease Obligation

At the effective date of the lease, the Group measures the leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Group's alternative borrowing profit share rate.

The profit share on the lease liability for each period of the lease term is the amount found by applying a fixed periodic profit share rate to the remaining balance of the lease liability. Periodic profit share rate is the Group's borrowing profit share rate.

After the beginning of a contract, the Group remeasures its lease liability to reflect changes in lease payments. The Group reflects the restatement amount of the lease obligation to the financial statements as revised in the presence of the right of use.

14. Explanations on Provisions and Contingent Liabilities

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

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

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

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

15. Explanations on Liabilities Relating to Employee Benefits

15.1 Defined benefit plans:

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

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

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

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

15.2 Defined contribution plans:

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

15.3 Short term benefits to employees:

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

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

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16. Explanations on Taxation

Current Tax

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

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

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

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

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

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

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

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

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

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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.

17. Explanations on Additional Disclosures on Borrowings

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

The Group has not issued convertible bonds.

18. Explanations on Share Certificates Issued

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

19. Explanations on Acceptances and Aailed Drafts

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

20. Explanations on Government Grants

There are no government grants received by the Group.

21. Explanations on Segment Reporting

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

Segment reporting is disclosed in Note 14.

22. Explanations on Other Matters

The Group has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

1. Explanations on Consolidated Equity Items

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 March 2020 Group’s total capital has been calculated as TL 10,788,276 (31 December 2019: TL 10,254,705), capital adequacy ratio is 20.69% (31 December 2019: 18.61%).

Based on the press release made by the BRSA on 23 March 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provisions amounts, spot purchase exchange rate can be used in preparation of financial statements as of 31 December, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revaluation differences of the securities classified under “Financial Assets Measured at Fair Value through Other Comprehensive Income” which acquired before 23 March, 2020 may not be included in capital calculation. As of 31 March 2020, the Bank has used these opportunities in capital adequacy calculations

1.1. Information on consolidated equity items

	<i>Current Period Amount</i>	<i>Prior Period Amount</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,000,000
Share Premium	24,525	24,525
Reserves	1,975,102	1,472,776
Other Comprehensive Income According to TAS	232,096	268,165
Profit	262,132	1,028,480
Current Period Profit	343,490	1,117,637
Prior Period Profit	(81,358)	(89,157)
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	-
Minority shares	28,479	28,461
Common Equity Tier I Capital Before Deductions	7,122,334	6,822,407
Deductions From Common Equity Tier I Capital	-	-
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	-
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS (-)	13,146	13,394
Leasehold Improvements On Operational Leases (-)	67,991	66,940
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	195,404	189,095
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	19,082	19,082
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	4,869	4,234
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
Total Deductions From Common Equity Tier I Capital	300,492	292,745
Total Common Equity Tier I Capital	6,821,842	6,529,662

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Additional Tier I Capital Before Deductions		
Capital corresponding to privileged shares not included in the core capital and the related issuance premiums	-	-
Borrowing instruments deemed appropriate by the Authority and related issuance premiums	1,314,668	1,189,404
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)	-	-
4. Additional Capital Before Discounts	1,314,668	1,189,404
Deductions From Additional Tier I Capital		
Direct and Indirect Investments of The Bank on Its Own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	-
Total of Net Long Positions of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total of Net Long Position of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	-
Other Items to Be Defined By The BRSA (-)	-	-
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	1,314,668	1,189,404
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	8,136,510	7,719,066
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	2,270,056	2,073,399
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	-
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	525,114	584,194
Total Deductions From Tier II Capital	2,795,170	2,657,593
Deductions From Tier II Capital		
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Total Deductions From Tier II Capital	-	-
Total Tier II Capital	2,795,170	2,657,593
Total Equity (Total Tier I And Tier II Capital)	10,931,680	10,376,659

(*) TL 30,612 of Tier II capital issue amounting to TL 2,300,669 issued via KT Sukuk Company Limited has been withdrawn and is deducted from equity.

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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 (-)	8,061	5,505
Other Items To Be Defined By The BRSA (-)	135,343	116,449
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
Capital		
Total Capital (Total Of Tier I Capital And Tier II Capital)	10,788,276	10,254,705
Total Risk Weighted Assets	52,154,539	55,097,567
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	13.08	11.85
Tier I Capital Ratio (%)	15.60	14.01
Capital Adequacy Ratio (%)	20.69	18.61
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	8.58	7.35
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital	-	-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising From Temporary Differences	-	-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	525,114	584,194
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	525,114	584,194
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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Information on debt instruments to be included in equity calculation:		
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED
Mean Code (CUSIP, ISIN vb.)	XS1323608635	XS2028862998
Legislation to which the mean is subject	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity
Consideration In Equity Calculation		
Subject to consideration application reduced by 10% from 1/1/2015	Not being subject	Not being subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Means Type	Subordinated Sukuk	Subordinated Sukuk
Amount taken into account in equity calculation (as of last reporting date-TL million)	2,301	1,315
Nominal value of the mean (TL million)	2,301	1,315
The account in which the mean is followed accounting	3470103	3470003
Export date of the mean	02/17/2016	07/16/2019
Maturity structure of the mean (demand/term)	Term	Term
Initial maturity of the mean	10 Years (Maturity Date : 02/17/2026)	5 Years (Maturity Date : 07/16/2024)
Whether the issuer has the right to refund subject to BRSA approval	Yes	Yes
Date of repayment option, contingent repayment options and amount to be paid back	02/17/2021 - Complete	07/16/2024 - Complete
Subsequent repayment option dates	02/17/2021	07/16/2024
Dividend payments		
Fixed or variable dividend payments	Fixed dividend payments	Fixed dividend payments
Dividend ratio and index value for dividend ratio	7.90%	9.13%
Whether there are any restrictions that stop paying dividends	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative
Ability to convert to stock		
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock.	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertible means, if convertible to stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock
Value reduction feature		
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Primary Unsecured Sukuk	Tier – 1
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None

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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 Parent Banks' growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Banks' risk profile and risk appetite.

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

2. Explanations on consolidated credit risk:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

3. Explanations on consolidated currency risk

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

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

As of 31 March 2020, the Group carries a net foreign currency long position of TL 5,594,416 (31 December 2019 – TL 8,342,300 long position) comprising of TL 5,735,209 balance sheet short position (31 December 2019 - TL 7,931,895 short position) and TL 140,793 off balance sheet short position (31 December 2019 – TL 410,405 long position).

The announced current foreign exchange buying rates of the Parent Bank as of 31 March 2020 and the previous five working days are as follows (full TL):

	24/03/2020	25/03/2020	26/03/2020	27/03/2020	30/03/2020	Balance Sheet Valuation Rate
USD	6.49673	6.41525	6.45351	6.43902	6.52351	6.57334
EURO	7.03887	6.94168	7.06053	7.08971	7.2179	7.21315
GBP	7.60118	7.61383	7.69596	7.87109	8.08398	8.11945
CHF	6.65338	6.54375	6.63922	6.68695	6.82203	6.81507
JPY	0.05871	0.05761	0.05863	0.0592	0.06044	0.06062

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

	Monthly average FC purchase rate
USD	6.33126
EURO	7.00125
GBP	7.84398
CHF	6.61104
JPY	0.05886

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Consolidated currency risk of the Group:

	Euro	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	5,231,595	5,016,003	5,937,622	16,185,220
Banks (***)	2,491,815	173,754	2,206,994	4,872,563
Financial assets at fair value through profit and loss	36,398	200,291	5,479,768	5,716,457
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	5,503,100	5,315,479	-	10,818,579
Loans and finance lease receivables (*)	14,285,343	16,603,582	119,352	31,008,277
Subsidiaries associates and joint ventures (**)	-	-	-	-
Financial assets at amortized cost	3,097,542	2,061,340	-	5,158,882
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	11,681	988	-	12,669
Intangible assets	68,324	19	-	68,343
Other assets (*****)	962,652	174,766	1,833	1,139,251
Total assets	31,688,450	29,546,222	13,745,569	74,980,241
Liabilities				
Current account and funds collected from Banks via participation accounts	41,077	403,636	170,242	614,955
Current and profit-sharing accounts FC (***)	13,200,402	32,131,800	15,256,534	60,588,736
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	145,526	3,692,261	-	3,837,787
Marketable securities issued	-	2,818,934	774,651	3,593,585
Miscellaneous payables	90,605	96,930	897	188,432
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (***)	211,892	333,912	16,526	562,330
Total liabilities	13,689,502	39,477,473	16,218,850	69,385,825
Net balance sheet position	17,998,948	(9,931,251)	(2,473,281)	5,594,416
Net off-balance sheet position	(18,383,800)	10,187,886	2,460,705	(5,735,209)
Financial derivative assets	799,818	20,021,545	4,580,430	25,401,793
Financial derivative liabilities	19,183,618	9,833,659	2,119,725	31,137,002
Non-cash loans (**)	2,003,524	2,999,362	706,717	5,709,603
Prior period				
Total assets	32,400,178	25,771,122	11,237,311	69,408,611
Total liabilities	12,484,062	36,399,155	12,183,094	61,066,311
Net balance sheet position	19,916,116	(10,628,033)	(945,783)	8,342,300
Net off-balance sheet position	(20,055,210)	11,193,288	930,027	(7,931,895)
Financial derivative assets	371,647	19,860,378	1,463,898	21,695,923
Financial derivative liabilities	20,426,857	8,667,090	533,871	29,627,818
Non-cash loans (**)	1,883,918	2,503,577	576,420	4,963,915

(*) Includes foreign currency indexed loans amounting to TL 2,533,284 (31 December 2019 – TL 4,535,915) nad expected loss provision to TL 779,606 followed as TL on the balance sheet

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

(***) Other liabilities at fair value through TL 9,983 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 111,022

(****) Includes provisions for expected losses amounting to TL 2,715 in the balance sheet

(*****) It includes deferred tax assets amounting to TL 63,068 in the balance sheet.

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

- Derivative financial assets held for trading TL 477,171 (31 December 2019 – TL 163,236)
- Prepaid expenses: TL 2,939 (31 December 2019 – 1,217 TL)
- Derivative financial liabilities held for trading: TL 83,461 (31 December 2019 – TL 164,719)
- Marketable securities of FC revaluation reverse: (171,603) (31 December 2019 - TL 82,154)
- Derivative financial liabilities held for hedging: TL 129,337 (31 December 2019 - TL 129,728)

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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 2,723,240 (31 December 2019 – TL 907,180)
- Forward foreign currency sale transactions: TL 2,992,738 (31 December 2019 – TL 983,763)
- Forward precious metals purchase transactions TL 2,635,492 (31 December 2019 – TL 15,348)
- Forward precious metals sale transactions: TL 1,073,265 (31 December 2019 – TL 322,394)

Sensitivity to exchange rate risk

The Group is largely exposed to exchange rate risk in EUR, USD and Gold.

The table below shows the group's sensitivity to a 10% increase in USD, EUR and GOLD exchange rates.

	Change in exchange rate (%)	Effect on profit / loss		Effect on Equity	
		Current period	Previous period	Current period	Previous period
USD	10%	25,664	56,526	7,713	56,526
EUR	10%	(38,485)	(13,909)	(38,047)	(13,909)
GOLD	10%	3,123	3,545	3,123	3,545

4. Explanations on stock position risk arising from banking accounts

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

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

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

Current Period		Carrying Value	Comparison	
Equity Securities (shares) investments (*)			Fair Value	Market Value
1	Securities at Fair Value Through Other Comprehensive Income	39,910	-	-
	Quoted Securities	-	-	-
2	Investments in Associates	-	-	-
	Quoted Securities	-	-	-
3	Investment in Subsidiaries	23,680	-	-
	Quoted Securities	-	-	-
4	Other	44,818	-	-
	Quoted Securities	-	-	-
Prior Period		Carrying Value	Comparison	
Equity Securities (shares) investments (*)			Fair Value	Market Value
1	Securities Available-for-Sale	38,583	-	-
	Quoted Securities	-	-	-
2	Investments in Associates	-	-	-
	Quoted Securities	-	-	-
3	Investment in Subsidiaries	23,680	-	-
	Quoted Securities	-	-	-
4	Other	40,381	-	-
	Quoted Securities	-	-	-

(*) Related equity investments are accounted on a cost basis in the accompanying financial statements since the fair value of these investments can not be measured reliably.

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

None.

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5. Consolidated liquidity risk management and liquidity coverage ratio

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

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

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

Liquidity risk is managed by the Active Liability Committee (ALC) and related business units within the framework of the Liquidity Risk Policy and risk appetite approved by the Board of Directors. In liquidity risk management, the measures to be taken and the practices to be carried out are determined by taking into account normal economic conditions and stress conditions. The Bank defines liquidity risk, measures risks with liquidity risk measurement methods in accordance with international standards, monitors them and periodically presents them to the interested parties. Liquidity risk stress tests are performed during monthly periods. An emergency funding plan (liquidity contingency plan) has been created to regulate the procedures and principles for the bank to maintain and maintain adequate liquidity levels under stress conditions.

The bank's liquidity risk ratios are well above the legal limits. The bank maintains its liquidity buffer at high levels, taking into account periods when liquidity risk may increase. Due to this approach, it is observed that the negative effects of the COVID-19 pandemic on the global level do not have a significant impact on the bank's liquidity needs.

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

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

The Group 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 Group which insures its cash outflows with the high-quality liquid assets is deemed high. The Bank also has limits available for use at Central Bank of Turkey and other financial institutions.

Indicators regarding the liquidity position are analyzed and liquidity risk is evaluated at the ALCO meetings attended by the senior management. Furthermore, the Board of Directors are informed through the Audit Committee.

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

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

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

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

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

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

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

5.5. Information on liquidity risk mitigation techniques:

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

5.6. Information on the use of stress tests:

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

5.7. General information on emergency funding plan:

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

5.8 Presentation of financial liabilities according to contractual maturities

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

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Liquidity coverage ratio

<i>Current Period</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	28,876,553	25,230,880	26,912,347	23,266,675
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	48,209,479	9,483,054	4,222,760	948,305
3	Stable deposits	11,963,792	-	598,190	-
4	Less stable deposits	36,245,687	9,483,054	3,624,570	948,305
5	Unsecured wholesale funding, of which:	18,436,536	12,020,475	10,210,056	6,746,488
6	Operational deposits	-	-	-	-
7	Non-operational deposits	14,769,138	9,582,564	6,524,003	4,233,546
8	Unsecured funding	3,667,398	2,437,911	3,686,053	2,512,942
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	16,028,547	15,293,717	16,028,535	15,293,706
11	Outflows related to derivative exposures and other collateral requirements	16,028,547	15,293,717	16,028,535	15,293,706
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	17,690,998	5,520,748	1,351,823	338,282
16	TOTAL CASH OUTFLOWS			31,813,174	23,326,781
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	16,961,513	11,058,322	13,960,688	10,497,358
19	Other cash inflows	16,068,977	9,969,025	16,070,819	9,970,868
20	TOTAL CASH INFLOWS	33,030,490	21,027,347	30,031,507	20,468,226
				Upper Limit Applied Value	
21	TOTAL HQLA			26,912,347	23,266,675
22	TOTAL NET CASH OUTFLOWS			7,953,294	5,831,695
23	LIQUIDITY COVERAGE RATIO (%)			338.38	398.97

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

The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 31 March 2020:

	Highest	Date	Lowest	Date	Average
TL+FC	379.95	28/01/2020	263.83	28/03/2020	342.47
FC	495.60	31/01/2020	286.25	28/03/2020	410.18

The liquidity coverage rate is calculated by the proportion of high-quality liquid assets held by the parent bank to its one month maturity cash outflows. Important balance sheet items that determine the rate; Compulsory provisions held by the CBRT, repo / non-repurchase securities, institutional qualified participation accounts, funds from abroad and receivables from banks. These items have more impact on the liquidity coverage ratio than the liquidity assets and net cash outflows, because they have a high share of the current cointegration, high concentration and variability over time.

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Liquidity risk management and liquidity coverage ratio (continued)

Prior Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	25,272,325	22,026,474	25,124,149	21,878,298
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	46,310,797	14,182,034	4,066,501	1,418,203
3	Stable deposits	11,291,580	-	564,579	-
4	Less stable deposits	35,019,217	14,182,034	3,501,922	1,418,203
5	Unsecured wholesale funding, of which:	16,772,002	11,695,643	9,399,904	6,911,683
6	Operational deposits	-	-	-	-
7	Non-operational deposits	13,256,946	8,617,440	5,884,848	3,833,480
8	Unsecured funding	3,515,056	3,078,203	3,515,056	3,078,203
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	12,550,258	12,180,971	12,550,258	12,180,971
11	Outflows related to derivative exposures and other collateral requirements	12,550,258	12,180,971	12,550,258	12,180,971
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	16,207,218	4,972,052	1,161,643	273,377
16	TOTAL CASH OUTFLOWS			27,178,306	20,784,234
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	18,201,958	12,419,370	15,337,019	11,801,428
19	Other cash inflows	12,642,247	6,676,898	12,642,247	6,676,898
20	TOTAL CASH INFLOWS	30,844,205	19,096,268	27,979,266	18,478,326
				Upper Limit Applied Value	
21	TOTAL HQLA			25,124,149	21,878,298
22	TOTAL NET CASH OUTFLOWS			6,794,577	5,196,059
23	LIQUIDITY COVERAGE RATIO (%)			369.77	421.06

(*) The average of the calculated liquidity coverage ratio for the last three months based on the monthly simple arithmetic average,

The table below presents highest, lowest and average liquidity coverage ratios for 31 December 2019:

Prior Period:

	Highest	Date	Lowest	Date	Average
TL+FC	406.63	21/10/2019	240.00	28/03/2019	321.01
FC	484.90	21/10/2019	266.24	28/03/2019	359.10

The liquidity coverage ratio is calculated by the ratio of the high-quality liquid assets of the bank to the net cash outflows within the one-month maturity window. Important balance sheet items which are influential over the aforementioned ratio may be specified as required reserves held in the presence of TC Central Bank, securities not subject to repo/assurance, institutional qualified participation accounts, funds of foreign origins and receivables from banks. These items have a higher influence over the liquidity coverage ratio as their amounts have a higher share of liquid assets and net cash outflows, their consideration rate is higher and they may show variability over time.

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Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (***)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	9,492,016	7,893,440	-	-	-	-	-	17,385,456
Banks (*)	4,579,528	-	360,700	-	-	-	-	4,940,228
Financial assets at fair value through profit and loss	-	35,009	-	4,831,613	964,939	26,804	-	5,858,365
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	131,953	1,873,973	3,996,709	8,113,193	2,518	136,746	14,255,092
Loans (**)	-	8,002,387	6,023,599	29,995,536	22,701,553	3,471,841	(1,423,166)	68,771,750
Loans measured at amortised cost	-	-	-	2,895,086	2,263,796	-	-	5,158,882
Other assets (***)	341,810	1,580,481	8,373	-	523,203	-	2,072,752	4,526,619
Total assets	14,413,354	17,643,270	8,266,645	41,718,944	34,566,684	3,501,163	786,332	120,896,392
Liabilities								
Current account and funds collected from banks via participation accounts	556,134	71,588	-	-	-	-	-	627,722
Current and profit sharing accounts	47,002,465	41,485,320	6,649,055	5,202,506	934,326	-	-	101,273,672
Funds provided from other financial institutions	-	64,246	81,469	307,303	1,528,534	2,347,288	-	4,328,840
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	177,710	928,362	463,122	3,083,908	-	-	4,653,102
Miscellaneous payables	400,681	110,493	-	-	-	-	-	511,174
Other Liabilities (****)	-	1,083,993	323,486	95,641	1,569	-	7,997,193	9,501,882
Total Liabilities	47,959,280	42,993,350	7,982,372	6,068,572	5,548,337	2,347,288	7,997,193	120,896,392
Net liquidity gap	(33,545,926)	(25,350,080)	284,273	35,650,372	29,018,347	1,153,875	(7,210,861)	-
Prior period								
Total assets	15,540,974	25,029,166	8,341,468	21,375,011	32,889,221	2,911,169	778,141	106,865,150
Total liabilities	37,306,797	42,628,790	6,494,668	5,242,158	5,058,473	2,239,399	7,894,865	106,865,150
Net liquidity gap	(21,765,823)	(17,599,624)	1,846,800	16,132,853	27,830,748	671,770	(7,116,724)	-

(*) Presented with netting off with the expected credit loss

(**) Includes receivables from leasing transactions and presented with netting off with the expected credit loss.

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

(****) The unallocated other liabilities consists of equity and provisions balances.

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6. Explanations on consolidated leverage ratio

6.1 Disclosure of leverage ratio template

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

On-balance sheet assets (*)		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	115,619,087	102,900,864
2	(Assets deducted in determining Tier I Capital)	(316,658)	(273,001)
3	Total on-balance sheet risks (sum of lines 1 and 2)	115,302,429	102,627,863
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	406,016	288,592
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	294,885	390,743
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	700,901	679,335
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	463,737	572,070
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	463,737	572,070
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	71,444,438	65,620,425
11	(Adjustments for conversion to credit equivalent amounts)	(42,706,530)	(42,603,597)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	28,737,908	23,016,828
Capital and total risks			
13	Tier I Capital	7,952,793	7,582,549
14	Total risks (sum of lines 3, 6, 9 and 12)	145,204,975	126,896,096
Leverage ratio			
15	Leverage ratio	5.48	5.98

(*) 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 %5.48 (31 December 2019 - 5.98%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Accordingly, home equity increased by 5% on profit for the period, while on-balance sheet risk increased by 12% and off-balance sheet increased by 25%. Accordingly, there is a decrease of 50 basis points in the current period leverage ratio compared to the previous period.

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7. Explanations on fair value of consolidated financial assets and liabilities

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

8. Transactions on behalf of others, explanations on transactions based on faith:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

9. Explanations on consolidated hedge accounting practices

TFRS 9 permits to defer application of TFRS 9 hedge accounting principles and permits the companies continue to apply hedge accounting principles of TAS 39 as a policy choice. In this context, the Parent Bank continue to apply TAS 39 policy for the hedge accounting.

The Parent Bank uses cash flow hedge (CFH) accounting and net investment hedge accounting as of the balance sheet date.

The contractual amounts of the derivative financial instruments as of March 31, 2020 and the net fair values of the financial instruments are summarized in the table below:

NARK	Current Period			Prior Period		
	Principal*	Asset	Liability	Principal*	Asset	Liability
Derivative Financial Instruments	-	-	-	-	-	-
Cross currency swap transactions (CFH)	855,582	-	129,337	1,289,330	-	129,728
Total	855,582	-	129,337	1,289,330	-	129,728

(*) Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 762,740 (December 31, 2019: TL 1,162,576) the total notional of derivative financial assets amounting to TL 1,648,322 (December 31, 2019: TL 2,451,906) is accounted for in off-balance sheet under “Derivative financial instruments held for risk management” line item.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked;

- The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized,

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

In accordance with TAS, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

Net investment hedge:

The Group applies a net investment hedge strategy to hedge its foreign currency risk due to its net investment of EUR 107,068,638 (Full Amount) of its subsidiary KT Bank AG. The same portion of the Group's foreign currency denominated participation funds is designated as hedging instrument. The effective portion of the exchange rate changes of the foreign currency participation funds in this scope is accounted for under hedging funds account under equity.

Hedging funds account under equity and other comprehensive income regarding net investment hedges have been accounted (TL 212,416) and (TL 35,962), respectively in the current period.

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Cash flow hedge:

The Group, convert Malaysian Ringgit (MYR) 500,000 MYR borrowings to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on borrowings and changes in USD/TL foreign exchange rates on profit share-yielding assets.

In this context, the derivative financial instruments which are determined as hedging instruments are cross currency swaps and the hedged items are funds borrowed and profit share-yielding assets. In the below table, the effect of accounting of CFH is explained:

Current Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Asset	Liability	
Swap Transactions	Loans and dividend income	Cash flow risk of exchange rate changes	-	762,740	(11,100)

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 2,441.

(**) Subsidiary of the Parents Bank KT Kira Sertifikaları A.Ş. Securities issued by the Bank and presented in the "Loans Received" line in the financial statements.

Prior Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Asset	Liability	
Swap Transactions	Loans and dividend income	Cash flow risk of exchange rate changes	-	1,162,576	(11,514)

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 2,533

(**) The Parent Bank's subsidiary KT Kira Sertifikaları A.Ş. Securities issued by the Bank and presented in the "Securities Issued" line in the financial statements.

At the inception date, the Group documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. Effectiveness tests have been selected according to the methods that are allowed by TAS 39 in reliance to the risk strategies of the Participation Bank. Also, effectiveness tests have been performed at the end of every month and the effectiveness of the risk relationships have been measured.

As of March 31, 2020 cash flow hedge transactions have been determined as effective.

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10. Explanations On Consolidated Risk Management

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

10.1. Explanations on Risk Management and Risk Weighted Amounts:

GB1 Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/03/2020	Prior Period 31/12/2019	Current Period 31/03/2020
1	Credit risk (excluding counterparty credit risk) (CCR)	41,745,398	46,512,157	3,339,632
2	Standardised approach (SA)	41,751,192	46,536,755	3,340,095
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	257,931	198,727	20,634
5	Standardised approach for counterparty credit risk (SA-CCR)	257,931	198,727	20,634
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	5,794	24,598	464
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2,539,075	2,694,440	203,126
17	Standardised approach (SA)	2,539,074	2,694,440	203,126
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	7,606,341	5,667,645	608,507
20	Basic indicator approach	7,606,341	5,667,645	608,507
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	52,154,539	55,097,567	4,172,363

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11. Securitization Positions

None.

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

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

13. Qualitative information on market risk:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

14. Explanations on consolidated business segments

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

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

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

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign group. Besides supplying syndicated loans and issue the Sukuk for the 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 Group, 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 2020-31 March 2020	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	1,354,019	1,208,087	172,416	-	2,734,522
Operating expenses (-)	1,079,750	427,246	154,446	635,106	2,296,548
Transfers between segments	660,644	(97,017)	(563,627)	-	-
Net operating income(loss)	934,913	683,824	(545,657)	(635,106)	437,974
Income from associates	-	-	-	4,437	4,437
Income (loss) before tax	934,913	683,824	(545,657)	(630,669)	442,411
Provision for taxation (-)	-	-	-	98,903	98,903
Net income for the period	934,913	683,824	(545,657)	(729,572)	343,508
Current Period					
31 March 2020					
Segment assets	22,465,677	43,684,230	51,191,406	-	117,341,313
Associates, subsidiaries and joint ventures	-	-	-	68,498	68,498
Undistributed assets	-	-	-	3,486,581	3,486,581
Total assets	22,465,677	43,684,230	51,191,406	3,555,079	120,896,392
Segment liabilities	83,136,920	18,757,667	9,489,654	-	111,384,241
Undistributed liabilities	-	-	-	2,669,932	2,669,932
Shareholders' equity	-	-	-	6,842,219	6,842,219
Total liabilities	83,136,920	18,757,667	9,489,654	9,512,151	120,896,392
Prior Period					
1 January 2019 – 31 March 2019					
Operating income	1,387,237	898,342	214,528	-	2,500,107
Operating expenses (-)	1,311,116	273,759	124,044	503,302	2,212,221
Transfers between segments	727,435	(137,909)	(589,526)	-	-
Net operating income(loss)	803,556	486,674	(499,042)	(503,302)	287,886
Income from associates	-	-	-	3,270	3,270
Income (loss) before tax	803,556	486,674	(499,042)	(500,032)	291,156
Provision for taxation (-)	-	-	-	65,893	65,893
Net income for the period	803,556	486,674	(499,042)	(565,925)	225,263
Prior Period					
31 December 2019					
Segment assets	19,680,015	35,203,430	48,746,686	-	103,630,131
Associates, subsidiaries and joint ventures	-	-	-	64,061	64,061
Undistributed assets	-	-	-	3,170,958	3,170,958
Total assets	19,680,015	35,203,430	48,746,686	3,235,019	106,865,150
Segment liabilities	74,163,535	14,083,077	9,248,625	-	97,495,237
Undistributed liabilities	-	-	-	2,582,977	2,582,977
Shareholders' equity	-	-	-	6,786,936	6,786,936
Total liabilities	74,163,535	14,083,077	9,248,625	9,369,913	106,865,150

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to consolidated assets:

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	649,623	1,898,442	613,156	1,838,246
The Central Bank of Republic of Turkey	523,923	11,778,686	1,155,591	14,498,131
Other (*)	26,690	2,508,092	-	1,111,168
Total	1,200,236	16,185,220	1,768,747	17,447,545

(*) As of 31 March 2020, precious metal account amounting to TL 2,382,041 (31 December 2019 - TL 1,111,144) and money in transit amounting to TL 152,741 (31 December 2019 - 24) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	523,141	3,885,246	730,347	3,201,221
Restricted time deposit	-	-	425,000	-
Unrestricted time deposit	782	7,893,440	244	11,296,910
Total	523,923	11,778,686	1,155,591	14,498,131

1.1.3 Explanations on mandatory provisions:

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 1 % and 2 % for TL deposits and other liabilities according to their maturities as of 31 March 2020 (31 December 2019: % 1 ile % 7 for all TL liabilities). The reserve rates for foreign currency liabilities vary between 0 % and 16% for deposit and other foreign currency liabilities according to their maturities as of 31 March 2020 (31 December 2019 5% and 21% for all foreign currency liabilities).

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

As of 31 March 2020, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2019 – None).

Positive differences related to marketable derivative financial assets:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	19,734	13,239	14,949	3,045
Swap transactions	9,115	463,932	3,821	160,191
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	28,849	477,171	18,770	163,236

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1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	67,793	4,875,278	12,921	7,503,851
Domestic	67,793	1,762,956	12,892	3,767,297
Foreign	-	3,112,322	29	3,736,554
Branches and head office abroad	-	-	-	-
Branches	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	67,793	4,875,278	12,921	7,503,851

1.3.2 Information on foreign banks account:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

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

	Current period	Prior Period
Debt Securities	14,386,137	12,288,314
Quoted on stock exchange	14,386,137	12,288,314
Not quoted on stock exchange	-	-
Share certificates	123,299	185,732
Quoted on stock exchange	96,835	94,539
Not quoted on stock exchange	26,464	91,193
Impairment provision	(254,344)	(13,286)
Total	14,255,092	12,460,760

1.5 Explanations on financial assets measured at amortized cost:

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	1,415	7,952	1,868	7,206
Corporate shareholders	-	7,936	-	7,190
Real person shareholders	1,415	16	1,868	16
Indirect loans granted to shareholders	1,347,371	309	780,512	723
Loans granted to employees	20,012	636	19,920	619
Total	1,368,798	8,897	802,300	8,548

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1.5.2 Information on standart loans, loans under close monitoring and restructured loans under close monitoring:

Current Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	60,959,615	3,208,257	2,353,546	-
Export Loans	6,508,610	362,486	-	-
Import Loans	1,237,004	56,231	-	-
Corporation Loans	25,381,475	2,347,027	2,290,330	-
Consumer Loans	9,325,674	201,171	45,782	-
Credit Cards	1,042,404	123,448	17,434	-
Loans given to financial sector	10,170,692	-	-	-
Other	7,293,756	117,894	-	-
Other Receivables	6,287	133,297	12,154	-
Total	60,965,902	3,341,554	2,365,700	-

Prior Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	49,298,335	3,556,702	2,264,742	-
Export Loans	4,531,667	319,767	-	-
Import Loans	951,591	42,549	-	-
Corporation Loans	20,627,346	2,652,310	2,194,384	-
Consumer Loans	7,717,979	304,840	47,325	-
Credit Cards	950,450	117,001	23,033	-
Loans given to financial sector	8,820,174	-	-	-
Other	5,699,128	120,235	-	-
Other Receivables	2,697	15,292	11,199	-
Total	49,301,032	3,571,994	2,275,941	-

Information on standart loans and loans under close monitoring and restructured loans under close monitoring regarding provision:

	Standard Loans Current Period (*)	Loans under close monitoring Current Period (*)	Standard Loans Prior Period	Loans under close monitoring Prior Period
12-Month Expected Loss Provision	825,172	-	488,598	-
Significant Increase In Credit Risk	-	1,108,256	-	996,886
Total	825,172	1,108,256	488,598	996,886

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 4,488.

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1.5.3 Distribution of cash loans and other receivables according to their maturities:

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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	68,355	9,246,051	9,314,406
Housing Loans	17,978	7,947,113	7,965,091
Vehicle Loans	28,436	992,312	1,020,748
Consumer Loans	19,314	227,925	247,239
Other	2,627	78,701	81,328
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	238,518	238,518
Housing Loans	-	206,393	206,393
Vehicle Loans	-	377	377
Consumer Loans	-	29,618	29,618
Other	-	2,130	2,130
Retail Credit Cards-TL	491,577	73	491,650
With Installment	111,217	73	111,290
Without Installment	380,360	-	380,360
Retail Credit Cards-FC	2,243	-	2,243
With Installment	2,243	-	2,243
Without Installment	-	-	-
Personnel Loans-TL	1,694	18,009	19,703
Housing Loans	-	1,686	1,686
Vehicle Loans	599	12,765	13,364
Consumer Loans	1,094	3,558	4,652
Other	1	-	1
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	11,170	21	11,191
With Installment	4,745	21	4,766
Without Installment	6,425	-	6,425
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	575,039	9,502,672	10,077,711

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

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	75,033	7,726,981	7,802,014
Housing Loans	22,116	6,470,571	6,492,687
Vehicle Loans	31,568	963,169	994,737
Consumer Loans	20,214	219,628	239,842
Other	1,135	73,613	74,748
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	249,220	249,220
Housing Loans	-	216,395	216,395
Vehicle Loans	-	373	373
Consumer Loans	-	28,626	28,626
Other	-	3,826	3,826
Retail Credit Cards-TL	456,724	73	456,797
With Installment	98,257	73	98,330
Without Installment	358,467	-	358,467
Retail Credit Cards-FC	1,650	-	1,650
With Installment	1,650	-	1,650
Without Installment	-	-	-
Personnel Loans-TL	1,912	16,998	18,910
Housing Loans	-	1,410	1,410
Vehicle Loans	596	12,096	12,692
Consumer Loans	1,315	3,492	4,807
Other	1	-	1
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	11,025	60	11,085
With Installment	4,229	60	4,289
Without Installment	6,796	-	6,796
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	546,344	7,993,332	8,539,676

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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	286,381	6,109,006	6,395,387
Business Loans	13,581	1,516,436	1,530,017
Vehicle Loans	221,169	2,945,768	3,166,937
Consumer Loans	51,631	1,646,802	1,698,433
Other	-	-	-
Commercial Installment Loans-FC Indexed	2,213	789,092	791,305
Business Loans	2,213	169,272	171,485
Vehicle Loans	-	52,344	52,344
Consumer Loans	-	567,476	567,476
Other	-	-	-
Commercial Installment Loans-FC	117,597	2,424,143	2,541,740
Business Loans	36,863	727,980	764,843
Vehicle Loans	80,734	88,198	168,932
Consumer Loans	-	-	-
Other	-	1,607,965	1,607,965
Corporate Credit Cards-TL	677,518	-	677,518
With Installment	237,338	-	237,338
Without Installment	440,180	-	440,180
Corporate Credit Cards-FC	684	-	684
With Installment	684	-	684
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1,084,393	9,322,241	10,406,634
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	248,040	4,929,680	5,177,720
Business Loans	18,447	1,248,841	1,267,288
Vehicle Loans	194,640	2,385,462	2,580,102
Consumer Loans	34,953	1,295,377	1,330,330
Other	-	-	-
Commercial Installment Loans-FC Indexed	3,221	844,575	847,796
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
Commercial Installment Loans-FC	127,905	2,043,461	2,171,366
Business Loans	31,456	686,563	718,019
Vehicle Loans	96,449	81,449	177,898
Consumer Loans	-	-	-
Other	-	1,275,449	1,275,449
Corporate Credit Cards-TL	620,612	-	620,612
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
Corporate Credit Cards-FC	340	-	340
With Installment	340	-	340
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1,000,118	7,817,716	8,817,834

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1.5.6 Breakdown of credits by users:

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1.5.7 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	56,892,537	46,697,875
Foreign loans	9,780,619	8,451,092
Total	66,673,156	55,148,967

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	118	182
Loans granted indirectly to subsidiaries and associates	-	-
Total	118	182

1.5.9 Specific provisions for loans or default (Third Stage) provisions:

	Current period	Prior period
Loans and receivables with limited collectability	224,784	209,492
Loans and receivables with doubtful collectability	293,335	228,439
Uncollectible loans and receivables	1,156,611	1,119,658
Total	1,674,730	1,557,589

1.5.10 Information on non-performing loans (Net):

1.5.10.1 Information on Loans and Other Receivables Included in Loans under Follow-Up Account, which are Restructured or Rescheduled

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period:			
(Gross Amount Before Specific Provisions)	-	65,237	-
Restructured Loans and Receivables	-	-	-
Prior Period:			
(Gross Amount Before Specific Provisions)	-	65,699	-
Restructured Loans and Receivables	-	-	-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2019	250,407	318,133	1,541,141
Additions in the current period (+)	162,680	40,260	163,137
Transfers from other categories of non-performing loans (+)	7,439	166,878	103,770
Transfers to other categories of non-performing loans (-)	166,889	103,759	7,439
Collections in the current period (-)	4,568	11,670	122,029
Write offs (-)	-	-	-
Sold Portfolio (-)	-	-	153,338
Corporate and commercial loans	-	-	153,338
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	249,069	409,842	1,525,242
Specific provisions (-)	224,784	293,335	1,156,611
Net balances on balance sheet	24,285	116,507	368,631

(*) The group has assigned its risk of TL 153,338, which is a hundred percent provision from its non-performing loans, to the asset management company at a cost of TL 50,000.

	Group III	Group IV	Group V
Prior Period	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2018	142,629	310,520	732,691
Additions in the current period (+)	806,015	991,658	532,018
Transfers from other categories of non-performing loans (+)	100,972	677,421	1,374,788
Transfers to other categories of non-performing loans (-)	676,683	1,374,976	101,522
Collections in the current period (-)	112,153	129,774	189,767
Write offs (-)	10,373	156,716	807,067
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	250,407	318,133	1,541,141
Specific provisions (-)	209,492	228,439	1,119,658
Net balance at the balance sheet	40,915	89,694	421,483

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

	Group III	Group IV	Group V
Current period:			
Ending balance of the current period	107,049	22,238	78,123
Provision amount (-)	64,435	15,916	54,561
Net balance at the balance sheet	42,614	6,322	23,562
Prior period:			
Ending balance of the current period	79,247	5,454	127,323
Provision amount (-)	75,386	969	46,084
Net balance at the balance sheet	3,861	4,485	81,239

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	24,285	116,507	368,631
Loans granted to real persons and legal entities (Gross)	249,069	409,842	1,525,242
Specific provision (-)	224,784	293,335	1,156,611
Loans to real persons and legal entities (Net)	24,285	116,507	368,631
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2019	40,915	89,694	421,483
Loans to real persons and legal entities (Gross)	250,407	318,133	1,541,141
Specific provision (-)	209,492	228,439	1,119,658
Loans to real persons and legal entities (Net)	40,915	89,694	421,483
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

The Bank has collaterals such as cash, mortgages, pledges, and checks of customer issued for non-performing loans.

1.5.10.5 In terms of financial instrument classes, the aging analysis of past due but not impaired financial assets is as follows:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

1.5.10.6 Information on profit share accruals, rediscounts and valuation differences computed for non-performing loans and their provision:

	III. Group	IV. Group	V. Group
The Parents Bank	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)	9,267	13,183	34,207
Profit share accruals, rediscount and valuation differences	22,813	38,918	215,531
Provision (-)	13,546	25,735	181,324

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

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1.5.10.8 Information on the write-off policy:

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1.6 Information on other financial assets measured at amortised cost:

1.6.1 Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	5,158,882	2,859,381
Quoted on a Stock Exchange	5,158,882	2,859,381
Not Quoted	-	-
Impairment Provision (-)	4,488	767
Total	5,154,394	2,858,614

1.6.2 Movements of Other Financial Assets Measured at Amortized Cost During The Year

	Current Period	Prior Period
Opening Balance	2,858,614	37,156
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	2,300,268	2,822,225
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	4,488	767
Ending Balance	5,154,394	2,858,614

1.7 Information on investment in associates (Net):

1.7.1 The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2019 – TL 7,659), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 33 (31 December 2019 – TL 33), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,936 (31 December 2019 – TL 5,936), Swift shares amounting to TL 390 (31 December 2019 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2019 – TL 15), 2.86% ownership of the shares of Ulusal Derecelendirme A.Ş. amounting to TL 2,755 (31 December 2019 – None), are classified as financial assets at fair value through other comprehensive income since the Bank’s ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

1.7.2 Information about investments in unconsolidated associates: None (31 December 2019 – None).

1.7.3 Information related to consolidated associates: None (31 December 2019 – None).

1.8 Information on subsidiaries (Net):

1.8.1 Although the 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	83.26
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
KT Bank AG (*)	Frankfurt/Germany	100.00	100.00
KT Portföy Yönetimi A.Ş. (***)	İstanbul/Turkey	100.00	100.00
Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş. (**)	İstanbul/Turkey	100.00	100.00
KT Sukuk Company Limited (***)	George Town/ Cayman Islands		

Information on subsidiaries in the order presented in the above table:

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
31,587	29,832	-	-	-	400	(400)	-
124,677	113,915	20,652	-	-	73	(3,174)	-
13,241	620	-	-	-	(18)	136	-
5,232,713	298	-	-	-	5	47	-
4,315,808	1,009,841	11,681	-	-	(237,539)	(31)	-
81,932	26,827	4,261	-	-	9,887	(626)	-
2,321,942	2	-	-	-	-	-	-
18,784	16,938	239	-	-	4,253	329	-

(*) As of 31 March 2020, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These figures are shown per Turkish Commercial Law financial statements as at 31 March 2020.

(***) KT Sukuk Company Limited is established in Cayman Islands on 31 July 2015, for the need of a second subordinated loan at the Bank. It is qualified as a subsidiary in accordance with the relevant articles of TFRS 10.

Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	23,680	23,680
Movements during the year	-	-
Purchases (*)	-	-
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase (**)	-	-
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	23,680	23,680
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

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Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	610,120	445,754
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	75,419
Total	685,539	521,173

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,418
Quoted in Foreign Stock Exchange	-	-
Total	53,418	53,418

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Parent Bank AG, the bank's subsidiary in Germany, calculated as of March 31, 2020 is EUR 108,605,297 (Full EUR) and the capital adequacy ratio are %29.3.

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*)	50%	2,891,061	84,000	16,319	8,873	6,413

(*) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish the Pension Company in line with main shares. Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş. and that pension company is registered with the trade name " Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1,641,104	1,251,667	1,227,784	886,869
1 to 4 years	1,903,885	1,760,455	1,572,914	1,445,267
More than 4 years	528,257	510,477	384,461	375,384
Total	4,073,246	3,522,599	3,185,159	2,707,520

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	4,073,246	3,185,159
Unearned finance lease income (-)	(550,647)	(477,639)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	3,522,599	2,707,520

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1.10.3 Information on finance lease contracts:

The Parent Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 67,903 are included in the non-performing loans in the balance sheet (31 December 2019 – TL 48,391).

1.11 Information on derivative financial assets for hedging purposes: None (31 December 2019 – None).

1.12 Information on tangible assets

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

1.13 Information on intangible assets

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

1.14 Explanations on investment properties:

	Current period	Prior period
Opening balance	37,646	29,671
Additions	1,303	9,277
Disposals (-), Net	-	-
Amortization cost (-)	1,342	1,302
Closing Net Book Value	37,607	37,646

1.15 Information on deferred tax asset

As of 31 March 2020, deferred tax is offset as TL 523,203 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 March 2020 is TL 552,734 (31 December 2019 – TL 443,645) and deferred tax liability is TL 29,531 (31 December 2019 – TL 41,863 TL).

	Current period	Prior period
Reserve for employee benefits	27,108	41,047
Retirement pay liability	24,707	23,220
Deferred income	62,618	56,469
Impairment provision for subsidiaries, fixed assets and assets held for sale	3,023	2,523
Rediscounts for derivative instruments held for trading (net)	2,442	52,909
TFRS 9 Provisions	286,126	214,057
Precious metals valuation difference	24,980	1,454
Transferred financial losses	63,068	43,503
Valuation differences of securities	51,366	-
Other	7,296	8,463
Deferred tax asset	552,734	443,645
The difference between the registered value of tangible assets and tax value	(9,344)	(9,665)
Accruals of derivative financial instruments held for trading (net)	(4,528)	-
Revaluation difference of financial assets at fair value through profit or loss	(12,082)	(28,833)
Other	(3,577)	(3,365)
Deferred tax liability	(29,531)	(41,863)
Deferred tax asset, (net)	523,203	401,782

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Table of deferred tax asset movement:

	31 March 2020	31 March 2019
As of January, 1	401,782	380,683
Deferred tax (expense)/income	6,332	100,846
Deferred tax accounted under other comprehensive income	115,089	(79,747)
Deferred tax asset	523,203	401,782

1.16 Explanations on assets held for sale and discontinued operations:

	Current period	Prior period
Opening Balance	473,326	270,382
Additions	-	270,818
Transfer form tangible assets	-	-
Disposals (-), Net	7,806	67,874
Transfer to tangible assets	-	-
Amortization cost (-)	-	-
Provision For Impairment (-)	-	-
Kapanış Net Defter Değeri	465,520	473,326

1.17 Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 1,885,847 (31 December 2019 – TL 1,698,669). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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2. Explanations and notes related to consolidated liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	12,788,042	-	-	-	-	-	-	-	12,788,042
II. Real persons profit sharing accounts TL	-	7,170,473	10,887,751	739,796	-	794,154	1,162,822	21,106	20,776,102
III. Other current accounts-TL	4,780,036	-	-	-	-	-	-	-	4,780,036
Public sector	204,177	-	-	-	-	-	-	-	204,177
Commercial sector	4,524,860	-	-	-	-	-	-	-	4,524,860
Other institutions	38,521	-	-	-	-	-	-	-	38,521
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	12,478	-	-	-	-	-	-	-	12,478
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	11,945	-	-	-	-	-	-	-	11,945
Participation banks	533	-	-	-	-	-	-	-	533
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	601,551	1,358,087	92,309	-	232,295	69,281	-	2,353,523
Public sector	-	257	81	624	-	3,350	-	-	4,312
Commercial sector	-	548,071	1,216,766	74,366	-	217,620	67,595	-	2,124,418
Other institutions	-	52,968	135,531	17,269	-	11,298	371	-	217,437
Commercial and other institutions	-	255	5,690	50	-	27	1,315	-	7,337
Banks and participation banks	-	-	19	-	-	-	-	-	19
V. Real persons current accounts-FC	13,686,969	-	-	-	-	-	-	-	13,686,969
VI. Real persons profit sharing accounts-FC	-	5,810,338	10,033,816	1,498,256	-	1,728,671	2,245,256	2,021	21,318,358
VII. Other current accounts-FC	7,581,510	-	-	-	-	-	-	-	7,581,510
Commercial residents in Turkey	5,724,684	-	-	-	-	-	-	-	5,724,684
Commercial residents in Abroad	1,456,335	-	-	-	-	-	-	-	1,456,335
Banks and participation banks	400,491	-	-	-	-	-	-	-	400,491
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	400,117	-	-	-	-	-	-	-	400,117
Participation banks	374	-	-	-	-	-	-	-	374
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	694,713	2,872,522	155,537	-	229,418	137,852	-	4,090,042
Public sector	-	11	-	-	-	-	-	-	11
Commercial sector	-	642,801	2,492,282	99,451	-	82,984	57,685	-	3,375,203
Other institutions	-	17,902	175,252	56,076	-	145,995	80,167	-	475,392
Commercial and other institutions	-	33,990	133,428	10	-	439	-	-	167,867
Banks and participation banks	-	9	71,560	-	-	-	-	-	71,569
IX. Precious metal funds	8,722,042	3,117,595	2,235,014	287,999	-	158,013	6,033	116	14,526,812
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	47,558,599	17,394,670	27,387,190	2,773,897	-	3,142,551	3,621,244	23,243	101,901,394

There are no 7 days notification accounts of the Group.

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Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	7,951,114	-	-	-	-	-	-	-	7,951,114
II. Real persons profit sharing accounts-TL	-	7,232,001	11,223,102	725,113	-	610,209	911,230	22,190	20,723,845
III. Other current accounts-TL	4,391,455	-	-	-	-	-	-	-	4,391,455
Public sector	200,309	-	-	-	-	-	-	-	200,309
Commercial sector	4,147,380	-	-	-	-	-	-	-	4,147,380
Other institutions	32,529	-	-	-	-	-	-	-	32,529
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	11,237	-	-	-	-	-	-	-	11,237
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,913	-	-	-	-	-	-	-	10,913
Participation banks	324	-	-	-	-	-	-	-	324
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	592,927	1,309,698	103,271	-	268,254	60,845	-	2,334,995
Public sector	-	373	68	611	-	3,046	-	-	4,098
Commercial sector	-	546,923	1,208,358	79,737	-	257,856	59,133	-	2,152,007
Other institutions	-	44,940	100,133	22,873	-	7,312	457	-	175,715
Commercial and other institutions	-	691	1,121	50	-	40	1,255	-	3,157
Banks and participation banks	-	-	18	-	-	-	-	-	18
V. Real persons current accounts-FC	12,896,518	-	-	-	-	-	-	-	12,896,518
VI. Real persons profit sharing accounts-FC	-	5,792,299	9,758,724	1,405,912	-	1,516,213	1,822,399	1,803	20,297,350
VII. Other current accounts-FC	6,033,944	-	-	-	-	-	-	-	6,033,944
Commercial residents in Turkey	4,549,440	-	-	-	-	-	-	-	4,549,440
Commercial residents in Abroad	1,216,989	-	-	-	-	-	-	-	1,216,989
Banks and participation banks	267,515	-	-	-	-	-	-	-	267,515
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	267,170	-	-	-	-	-	-	-	267,170
Participation banks	345	-	-	-	-	-	-	-	345
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	593,559	2,356,951	115,375	-	114,694	66,878	-	3,247,457
Public sector	-	10	-	-	-	-	-	-	10
Commercial sector	-	520,552	2,112,990	53,458	-	45,383	50,331	-	2,782,714
Other institutions	-	41,158	152,018	61,908	-	68,914	16,461	-	340,459
Commercial and other institutions	-	31,831	84,336	9	-	397	-	-	116,573
Banks and participation banks	-	8	7,607	-	-	-	86	-	7,701
IX. Precious metal funds	5,757,301	2,444,094	1,846,409	207,182	-	113,344	4,703	61	10,373,094
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	37,030,332	16,654,880	26,494,884	2,556,853	-	2,622,714	2,866,055	24,054	88,249,772

There are no 7 days notification of the Group.

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit-sharing accounts that are not subject to commercial activities				
TL accounts	20,834,846	17,752,145	12,596,471	10,782,495
FC accounts	17,767,998	16,294,727	28,225,384	24,484,448
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 150 (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 Parent Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Parent Bank is in Turkey.

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

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

	Current Period	Prior Period
Foreign branches' profit-sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit-sharing accounts of their mother, father, spouse and children in care	14,898	9,044
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	23,408	13,494	13,191	974
Swap transactions	264,699	69,967	116,499	163,745
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	288,107	83,461	129,690	164,719

2.3. Information on funds borrowed:

2.3.1 Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	161,844	59,721	160,847	172,998
From Foreign Banks, Institutions and Funds	-	82,505	-	113,380
Total	161,844	142,226	160,847	286,378

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	161,844	142,226	160,847	286,378
Medium and Long-Term	-	-	-	-
Total	161,844	142,226	160,847	286,378

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

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

2.4. Information on securities issued

The Group has issued sukuks, detailed below. The average return on securities issued is 11% for Turkish Lira, 5% for USD and 6% for Malaysian Ringgit. The maturity of sukuk issued in Turkish Lira is between January 2020 and February 2020; Maturity of sukuk issued in US dollars is between November 2021 and maturities issued in Malaysian Ringgit are between March 2020 and July 2020.

Current Period	TL		FC	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
Nominal	1,043,796	-	-	3,511,332
Remaining Income Distribution	23,423	-	-	899,818
Book Value	1,059,517	-	-	3,593,585

Perior Period	TL		FC	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
Nominal	750,000	-	-	4,046,277
Remaining Income Distribution	17,808	-	-	894,662
Book Value	735,743	-	-	3,906,422

2.5 Information on other liabilities and miscellaneous payables:

As of 31 March 2020, other liabilities amount to TL 884,701 (31 December 2019 – TL 869,323), sundry creditors amount to TL 511,174 (31 December 2019 - TL 388,179), both of them do not exceed 10% of the balance sheet total.

2.6 Information on finance lease payables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	130,930	9,035	124,506	87,233
1 to 4 years	267,675	100,396	294,798	166,124
More than 4 years	142,547	253,995	139,376	97,598
Total	541,152	363,426	558,680	350,955

The Group used FTP (Fund Transfer Pricing) rates as an alternative borrowing rate of profit at 1 January 2019. Relevant ratios are revised and revised in 2-week periods after 1 January 2019. The change in Participation Bank payments uses an unmodified discount rate unless the variable profit share rate is related. If the change in the lease payments results from variable profit share rates (LIBOR, EURIBOR), the lessee will use a revised discount rate reflecting changes in the profit share rate.

2.6.1. Explanations on contract changes and the new obligations these changes bring to the group:

None (31 December 2019 – None).

2.6.1.1. Explanations on financial leasing obligations

None (31 December 2019 – None).

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2.6.1.2. Explanations on operating lease:

Leasing is classified as an operating lease in which the lessor holds all the risks and benefits of that asset. Such transactions include lease agreements belonging to branches, which can be cancelled with prior notice.

There are no significant obligations imposed on the group by changes in the contract related to the operating lease.

The group registers its lease payments based on operating lease agreements with equal amounts of expenses during the lease term.

2.7 Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	129,337	-	129,728
Hedge of net investment in foreign operations	-	-	-	-
Total	-	129,337	-	129,728

2.8 Information on provisions:

2.8.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 March 2020, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 5 (31 December 2019 – TL 5) and TL 3 for leasing receivables (31 December 2019 – TL 192) is offset against loans and receivables.

2.8.2 Information on other provisions:

	Current Period	Prior Period
Non-Cash Loans That Are Not Converted Into Cash	409,216	422,274
Special Provisions for non-cash loans	119,629	127,145
General Provisions for non-cash loans	282,265	150,934
Provision for Profits will be Allocated to Partipation Accounts	2,813	2,332
Other (*)	105,278	93,749
Total	919,201	796,434

(*) The other part of the main period amounting to TL 27,043 (December 31, 2019 - TL 27,573) is TL 5,775 (31 December 2019 - TL 6,500) for the expense of TL 72,460 (31 December 2019 - TL 59,676) is the amount for other.

2.8.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 123,857 (31 December 2019 – TL 116,242), vacation pay liability amounting to TL 29,839 (31 December 2019 – TL 712), performance premium amounting to TL 22,590 (31 December 2019 – TL 109,912), retirement bonuses on payment of TL 64,371 (31 December 2019 – TL 63,437), committee fee amounting to TL 6,202 (31 December 2019 – TL 12,321) and other fees amounting to TL 217 (31 December 2019 – TL 196).

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

The amount payable consists of one month's salary limited to a maximum of TL 6,730.15 (full amount) (31 December 2019 – TL 6,379.86 for each year of service. The liability is not funded, as there is no funding requirement.

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

	Current Period	Prior Period
Discount rate (%)	12.10	12.10
Inflation rate (%)	8.00	8.00
Salary increase rate (%)	13.50	25.00

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

	Current Period	Prior Period
Balance at the beginning of the period	116,242	86,818
Provisions recognized during the period	9,643	30,957
Paid during the period	(2,028)	(7,319)
Actuarial loss	-	5,786
Balances at the end of the period	123,857	116,242

2.9 Explanations on tax liability:

2.9.1 Explanations on current tax liability:

2.9.1.1 Information on tax provisions: 107,780 TL (31 December 2019 – 226,221 TL)

2.9.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	28,646	39,489
Taxation of immovable property	2,064	1,796
Banking Insurance Transaction Tax (BITT)	29,644	29,327
Foreign Exchange Transaction Tax	9,369	4,532
Value Added Tax Payable	1,720	2,663
Income tax deducted from wages	15,427	12,624
Other	2,887	4,059
Total	89,757	94,490

2.9.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Security Premiums-Employee	8,942	7,430
Social Security Premiums-Employer	9,612	8,000
Unemployment insurance-Employee	640	532
Unemployment insurance-Employer	1,544	1,263
Total	20,738	17,225

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

2.9.1.4 Information on deferred tax liability: None (31 December 2019 - None).

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2.10 Information on payables related to assets held for sale:

None (31 December 2019 – None).

2.11 Information on subordinated loans:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

2.12 Information on shareholders' equity:

2.12.1 Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,600,000	4,000,000
Preference shares	-	-
Repurchased shares amount (*)	(4,869)	(4,234)
Total	4,595,131	3,995,766

(*) It represents the 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 Parents Bank.

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

Date of increase	Amount of increase	Cash	Profit Reserves Subject To Increase
30-Mar-20	600,000	-	600,000

The Parent Bank has made a capital increase of 600,000 TL in accordance with the decision numbered 7 at the ordinary general assembly meeting held on 26 March 2020. 599,611 TL of the capital increase has been covered by the Bank's profit in 2019, and 389 TL of this amount that it was covered by the profit of the period obtained under Law No. 5746 and transferred to other reserves in 2019.

2.12.4 Information on share capital increases from capital reserves during the current period:

2.12.5 Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

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

2.11.6 Summary of privileges given to shares representing the capital:

None (31 December 2019- None).

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2.12.7 Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	86,103	(171,603)	136,954	82,154
Foreign Exchange Difference	-	-	-	-
Total	86,103	(171,603)	136,954	82,154

(*) Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as “Government Debt Securities” and “Other Marketable Securities” under financial assets at fair value through other comprehensive income in the balance sheet.

2.13 Information on minority shares:

31 March 2020 TL 28,479 (31 December 2019 – TL 28,461).

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

3.1. Explanations on off-balance sheet accounts:

3.1.1 Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 31 March 2020 amounts to TL 3,189,535 (31 December 2019 – TL 2,656,398); payment commitments for cheque books amounts to TL 1,437,496 (31 December 2019 – TL 1,305,235).

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

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

As of 31 March 2020, the Group has guarantees and surety ships constituting of TL 10,453,127 (31 December 2019 – TL 10,007,571) of letters of guarantee; TL 180,476 (31 December 2019 – TL 55,035) of acceptances and TL 1,659,360 (31 December 2019 – TL 1,374,009) of letters of credit. Also, Parent Bank has other acceptances amounting to TL 480,050 (31 December 2019 – TL 465,592).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 3.1.2.1

3.1.3 Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	12,673,013	11,902,354
Total	12,673,013	11,902,354

3.1.4. Information on sector-based risk concentration in non-cash loans:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

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3.1.5. Information on non-cash loans classified in Group I and II:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

3.2. Explanations on derivative transactions:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

3.3. Explanations on credit derivatives and their risks:

None.

3.4. Explanations on contingent liabilities and assets:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

3.5. Explanations on services provided to others names and accounts :

None.

3.6. Summary information on the rating of the parent bank to international rating agencies

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

4. Explanations and notes related to the consolidated statement of income

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	1,222,660	241,752	1,309,351	168,826
Short term loans	240,908	41,434	425,561	43,265
Medium and long term loans	965,054	199,710	878,788	125,561
Profit share on non-performing loans	16,698	608	5,002	-
Premiums received from resource utilization support fund	-	-	-	-
Total	1,222,660	241,752	1,309,351	168,826

4.1.2 Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	16,224	23,730	3,730	55,373
Branches and head office abroad	-	150	-	348
Total	16,224	23,880	3,730	55,721

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4.1.3 Information on profit share income from securities portfolio:

As of the period, TL 276,230 profit share was obtained from the Securities in the Group's assets. (01 January – 31 March 2019 TL 133,055).

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

	Current Period	Prior Period
Profit share income received from associates and subsidiaries	37	18

4.2 Information on profit share expenses:

4.2.1 Information on profit share given to loans used:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	4,905	2,368	2,832	8,833
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	4,905	1,681	2,832	3,050
Foreign banks	-	687	-	5,783
Branches and head office abroad	-	-	-	-
Other Institutions	-	73,000	1	45,830
Total	4,905	75,368	2,833	54,663

4.2.2 Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	757	232

4.2.3 Profit share expense paid to securities issued:

31 March 2020 – TL 83,653 (1 January - 31 March 2019: 181,106).

4.3 Information on dividend income:

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

Current period	Profit Sharing Accounts						Accumulated	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	profit-sharing accounts	
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	139,912	227,116	15,358	-	15,448	22,892	387	421,113
Public sector profit sharing account	6	1	14	-	2	-	-	23
Commercial sector profit sharing account	11,153	25,868	1,860	-	234	358	-	39,473
Other institutions profit sharing account	946	2,766	397	-	99	40	-	4,248
Total	152,017	255,751	17,629	-	15,783	23,290	387	464,857
FC								
Banks	12,694	26,488	3,576	-	3,103	4,732	16	50,609
Real person's non-trading profit sharing account	-	-	-	-	-	-	-	-
Public sector profit sharing account	1,103	4,406	185	-	195	32	-	5,921
Commercial sector profit sharing account	129	479	67	-	37	-	-	712
Other institutions profit sharing account	2,810	2,256	288	-	223	-	-	5,577
Precious metal accounts	-	-	-	-	-	-	-	-
Total	16,736	33,898	4,128	-	3,558	4,764	16	63,100
Grand Total	168,753	289,649	21,757	-	19,341	28,054	403	527,957

Prior period	Profit Sharing Accounts						Accumulat	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	ed profit sharing accounts	
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	192,763	303,828	17,818	-	9,500	11,002	700	535,611
Public sector profit sharing account	5	68	-	-	4	-	-	77
Commercial sector profit sharing account	14,920	31,523	4,351	-	661	425	-	51,880
Other institutions profit sharing account	2,124	2,666	420	-	207	84	-	5,501
Total	209,812	338,085	22,589	-	10,372	11,511	700	593,069
FC								
Banks	30,616	52,408	8,076	-	4,450	3,489	14	99,053
Real person's non-trading profit sharing account	-	6	-	-	-	-	-	6
Public sector profit sharing account.	2,882	21,712	922	-	68	65	-	25,649
Commercial sector profit sharing account	252	3,144	26	-	1	-	-	3,423
Other institutions profit sharing account	3,657	3,989	592	-	208	-	-	8,446
Precious metal accounts	-	-	-	-	-	-	-	-
Total	37,413	81,866	9,616	-	4,727	3,554	14	137,190
Grand Total	247,225	419,951	32,205	-	15,099	15,065	714	730,259

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4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	613,081	263,167
Income	10,236,039	8,418,452
Gain on capital market transactions	27,339	18,078
Gain on derivative financial instruments	1,686,967	623,582
Foreign exchange profit	8,521,733	7,776,792
Losses (-)	(9,622,958)	(8,155,285)
Losses on capital market transactions	(3,669)	(5,065)
Losses on derivative financial instruments	(1,681,913)	(407,447)
Foreign exchange losses	(7,937,376)	(7,742,773)

4.6 Information on other operating income:

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

	Current Period	Prior Period
Reversal of prior period provisions	179,849	305,362
Income from sale of assets	7,805	1,781
Income from the real estate sales' gains by rent certificates	784	724
Other Income	12,307	3,598
Total	200,745	311,465

4.7 Provisions for loan losses and other receivables of the Bank:

	Current Period(*)	Prior Period
Expected Credit Loss	837,299	649,958
12 month expected credit loss (Stage 1)	340,909	30,937
Significant increase in credit risk (Stage 2)	148,609	237,768
Non-performing loans (Stage 3)	347,781	381,253
Marketable Securities Impairment Expense	26,286	3,486
Financial Assets at Fair Value through Profit or Loss	26,286	933
Financial Assets at Fair Value Through Other Comprehensive Income	-	2,553
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	126,461	43,990
Total	990,046	697,434

(*) Includes the provisions in the "Other Provision Expenses" line in the Income Statement.

(**) Includes free provisions that can be allocated from profit to be distributed to participation accounts according to provisions regulation.

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4.8 Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	337,736	288,769
Provision for retirement pay liability	7,615	7,227
Depreciation expenses of fixed assets	49,857	45,261
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	9,995	12,035
Depreciation expenses of assets held for sale	-	-
Other operating expenses	97,543	80,283
Rent expenses	3,310	3,490
Maintenance expenses	14,424	13,248
Advertisement expenses	12,330	12,678
Communication expenses	15,451	12,702
Heating, electricity and water expenses	8,221	6,336
Cleaning expenses	1,974	2,103
Vehicle expenses	2,449	2,232
Stationery expenses	2,799	2,579
Other expenses	36,585	24,915
Losses on sales of assets	81	131
Deposit insurance fund expenses	69,539	15,739
Other	62,821	53,988
Total	635,187	503,433

(*) Includes the provisions in the "Personnel Expenses" line in the Income Statement.

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL (105,235) (1 January-31 March 2019 - TL 45,423), deferred tax expense of TL 147,819 (1 January-31 March 2019 - TL 199,503) and TL 154,151 (1 January-31 March 2019 - TL 179,033) deferred tax income is recognized.

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

There is no profit/loss arising from discontinued operations within the operating profit/loss after tax.

4.12 Information on net income/loss:

4.12.1 The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 31 March 2020, net profit share income is TL 1,156,785 (1 January-31 March 2019 - TL 794,277 net fees and commission income is TL 92,596 (1 January-31 March 2019 - TL 119,041).

4.12.2 Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods:

None (1 January - 31 March 2019 - None).

4.12.3 Profit/Loss attributable to minority interest:

	Current Period	Perior Period
Profit / (Loss) of Minority Shares	18	(37)

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

As of 31 March 2020, other fees and commissions received is TL 158,498 (1 January - 31 March 2019 – TL 148,303), TL 35,684 of this amount is related with credit card fees and commissions (1 January - 31 March 2019 – TL 46,287) and TL 31,545 of this amount is related with POS machine commissions (1 January - 31 March 2019 – TL 35,265).

As of 31 March 2020, other fees and commissions given is TL 110,167 (1 January - 31 March 2019 – TL 71,640), TL 26,823 (1 January - 31 March 2019 – TL 41,491) of this amount is related with POS clearing commissions and installation expenses, TL 7,533 (1 January - 31 March 2019 – TL 5,148) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and Notes Related to the Consolidated Statement of Shareholders' Equity

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

6. Explanations and Notes Related to Consolidated Statement of Cash Flows

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the financial statements about disclosures to be announced to public by the banks.

7. Explanations and notes related to risk group of the Group:

7.1 The volume of transactions related to the risk group of the Group, the loans and funds collected which have not been completed at the end of the period and the income and expenses related to the period:

Current period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	182	18,527	1,868	7,206	780,512	723
Balance at end of period	118	17,303	1,415	7,952	1,347,371	309
Profit share and commission income	-	37	33	12	2,868	1

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

Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	35	13,666	1,034	398	204,988	520
Balance at end of period	182	18,527	1,868	7,206	780,512	723
Profit share and commission income	-	-	145	-	10,066	1,531

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

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7.2 Information on current and profit-sharing accounts of the Group's risk group:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Current and profit-sharing accounts						
Balance at beginning of period	54,178	34,808	151,321	35,032	390,698	255,239
Balance at end of period	38,682	54,178	197,684	151,321	270,606	390,698
Profit share expense	757	232	382	967	4,220	4,372

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 541

7.3 Forward and option agreements and other similar agreements with the risk group of the Group:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	-	-	287,483	-	-	-
Balance at end of period	-	-	528,933	287,483	-	-
Total Profit / Loss	-	-	(35)	-	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Risk group of the Group	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Borrowings						
Balance at beginning of period	-	-	68,696	802,108	-	-
Balance at end of period	-	-	-	68,696	-	-
Profit share expense	-	-	-	17,208	-	-

7.5 Information on remunerations provided to top management:

As of 1 January - 31 March 2020, the Group has paid TL 35,546 to top management (1 January – 31 March 2019- TL 27,005).

8. Information about the branches of the group in domestic, foreign and coastal banking regions and their representative offices abroad

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9. Significant events and matters arising subsequent to balance sheet date

The Bank has obtained the necessary legal permissions as of 05/05/2020, Neova Sigorta A.Ş. completed the share transfer transactions and concluded the purchase. Neova Sigorta A.Ş., which has purchased 78,864,212 shares by paying 745,860 TL with the purchase transaction, and 7% before sales increased its partnership share to 100% by owning all the shares. The group will consider the acquisition as a merger of the entities subject to joint control in accordance with TFRS 3 – business mergers standard and will arrange it in its consolidated financial statements. Payment for share transfers, PDP announcement and press release were made.

In accordance with the BRSA Decision No. 9000 dated 18 April 2020, in order to minimize the negative impact of the process we experienced due to the COVID-19 outbreak on our economy, market, production and employment, and to ensure the most efficient use of the resources available to banks according to the second paragraph of Article 43 and 93 of the Banking Law (Law) No. 5411, it has been decided that the Banks shall calculate Asset Ratio (AR) on a weekly basis, and as of the end of each month, the monthly average of the Asset Ratio should not fall below 100% for deposit banks and below 80% for participation banks. In accordance with subparagraph (a) of the first paragraph of Article 148 of the Law, as of the end of the relevant month, it was decided to calculate the excess amount that constitutes a contradiction to be taken as the amount of change in the share that will bring the ratio to 100% and 80%, respectively, for banks with an active ratio below 100% and participation banks below 80%. This regulation is valid as of May 1, 2020.

Group, KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 300,000 thousand on 15 April 2020 and a maturity of 77 days with a cost of 8.48%

Group, KT Kira Sertifikaları Varlık Kiralama A.Ş. issued sukuk on April 22, 2020 with a nominal value of TL 300,000 thousand and a maturity of 86 days with a cost of 8.78%.

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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 Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 28 May 2020 is presented preceding the financial statements.

- 2. Notes and disclosures prepared by the independent auditor:** None.

SECTION EIGHT

CONSOLIDATED INTERIM REPORT

- 1. Explanations on interim consolidated annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager**

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	31 March 2020	31 December 2019
CASH BALANCES AND CENTRAL BANK	17,385,456	19,216,292
BANKS	4,943,071	7,516,772
LOANS	25,272,339	19,321,645
FINANCE LEASE RECEIVABLES (Net)	68,857,309	57,258,648
TANGIBLE ASSETS (Net)	3,522,599	2,707,520
OTHER ASSETS	3,611,001	3,046,078
TOTAL ASSETS	120,896,392	106,865,150
FUND COLLECTED	101,901,394	88,249,772
FUNDS BORROWED	304,070	447,225
MARKETABLE SECURITIES ISSUED (Net)	4,653,102	4,642,165
FINANCE LEASE PAYABLES (Net)	363,426	350,955
SUBORDINATED LOANS	3,661,344	3,380,983
OTHER LIABILITIES	3,170,837	3,007,114
EQUITY	6,842,219	6,786,936
TOTAL LIABILITIES	120,896,392	106,865,150

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	31 March 2020	31 March 2019
PROFIT SHARE INCOME	1,868,136	1,780,019
PROFIT SHARE EXPENSE	711,351	985,742
NET PROFIT SHARE INCOME/EXPENSE	1,156,785	794,277
NET FEES AND COMMISSION INCOME/EXPENSE	92,596	119,041
PERSONNEL EXPENSES	345,351	295,996
DIVIDEND INCOME	-	803
NET TRADING INCOME / LOSS	613,081	263,167
OTHER OPERATING INCOME	200,745	311,465
EXPECTED LOSS PROVISIONS (-)	837,299	649,958
OTHER OPERATING EXPENSES (-)	152,747	47,476
INCOME/ LOSS BEFORE TAX	289,836	207,437
PROFIT / LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING	4,437	3,270
TAX CHARGE	442,411	291,156
PROFIT SHARE INCOME	(98,903)	(65,893)
CURRENT PERIOD INCOME/LOSSES	343,508	225,263

	31 March 2020	31 December 2019
Total Loans/Total Assets*	59.87%	56.11%
Total Loans/Fund Collected*	71.03%	67.95%
Average Equity Profit **	20.16%	18.31%
Average Assets Profit **	1.21%	1.23%
Capital Adequacy Ratio	20.69%	18.61%

* 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 Message from the Chairman

The new type of coronavirus (SARS-COV-2), which had a global impact in a short time after a period in which the protectionist policies that formed the basis of the Chinese trade war ended and the Brexit process became clear, became the most important element that was the focus of the global economy in the first quarter of 2020 it has increased.

The measures started to be implemented in parallel with the rapid increase in the number of cases and deaths caused disruptions in the global supply chain. The International Monetary Fund (IMF) predicted that the world economy will shrink by 3% this year by revising the growth forecast for 2020 downwards due to the impact of economic stagnation due to the virus outbreak.

Need for liquidity increased

With the extraordinary meetings, the Federal Reserve Board (FED) has reduced its policy rate by 150 basis points in total to the 0-0.25% band and announced that it will purchase unlimited bonds. The FED, on the other hand, made moves to meet increasing dollar liquidity need. It has provided coordination and cooperation decision to increase dollar liquidity through swap line and repo transactions established with some central banks. In addition, the FED announced a \$ 2.3 trillion support package to support small and medium-sized businesses and local governments suffering from the coronavirus outbreak.

The service sector is more affected

The Euro Area PMI Index decreased to 31.4 points, the lowest level in history as of March. When the service sector pioneer data directly affected by the process are analyzed, the PMI data of the service sector decreased to 28.4, the historical bottom level. The European Central Bank (ECB) has announced comprehensive monetary policy measures to support the economy. In order to reduce the pressure on the financial markets and the economy, a 750 billion Euro emergency bond purchase program was launched.

Real sector was supported in Turkey

In the last quarter of 2019, a 6 percent growth in the economy of Turkey, in the first quarter of 2020 has continued its momentum in economic activity. In the fight against the virus, the economy was supported by additional measures, especially the Economic Stability Shield package, which reached 200 billion TL. On the one hand, the CBRT continued to support liquidity with gradual reductions in policy interest, while continuing to support the real sector in coordination with the BRSA.

Kuveyt Türk will increase its contribution to sustainable growth

With the completion of the normalization process for the virus on a global scale, a recovery in economic activity is expected in the second half of 2020. The banking sector, which has an important place in the struggle of the economy during the epidemic period, continues to support the real economy in this process. Kuwait Turkish Participation of the financial sector as well as one of the major actors will continue to contribute to sustainable growth in Turkey's economy.

Hamad Abdulmohsen ALMARZOUQ
Head of the BOD

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1.4 Message from the General Manager

The first quarter of 2020 is a period when the global struggle with the outbreak of the new type of coronavirus (SARS-COV-2) has come to the fore after a period in which the developing country markets diverged positively with the incoming data flow regarding the positive conclusion of the US-China trade negotiations and the relative stabilization in geopolitical tensions. It has been. Economic precautionary packages were also launched in coordination with the struggle in the field of health. Central banks and governments have announced packages of support for the economy through monetary policies and financial incentives.

Stable growth continues

Serving for more than 30 years with its products and services developed in line with participation finance principles, Kuveyt Türk maintained its steady growth in the first quarter. While the total fund size has increased by 15.6 percent compared to the end of 2019, it has been 98.8 billion TL, while the fund size has increased by 20.8 percent to 70 billion TL. Kuveyt Türk increased its net profit in this period by 24.3 percent compared to the same quarter of the previous year, to TL 316 million. Increasing its equity to 6.8 billion TL and asset size to 118.3 billion TL, Kuveyt Türk maintained its first place among participation financial institutions in terms of asset size.

The main focus was the health of customers and employees

In the first quarter of 2020, when social dynamics started to transform due to the coronavirus epidemic, Kuveyt Türk shaped its main focus within the health of its customers and employees. In line with the recommendations of the relevant authorities that manage the process, measures were taken quickly and the whole process was closely monitored. In this context, Kuveyt Türk managed to meet its customers' financial needs through digital environments with its fast and solution-oriented infrastructure.

Installments were postponed without dividends or expenses

Kuveyt Türk offered its customers the flexible term and restructuring options required in line with their demands, which experienced a deterioration in main income activities during the coronavirus epidemic process. In this process, which is planned to be carried out without compromising from the customer priority service perspective, Kuveyt Türk has decided to postpone the installments until the end of April without evaluating the demands of its customers and taking profit or expense. Kuveyt Türk also continued to provide new financing support to the real sector, which constitutes the most fundamental element of the economic structure in this process.

TL 20 million donation to fight pandemic

Kuveyt Türk Finance Group participated in the National Solidarity Campaign launched by the Presidency to support real needy people affected by the coronavirus outbreak. "We're Enough Contact Turkey" was launched with the slogan and Family, Ministry of Labor and Social Services to Kuwait in the campaign before the Turkish Finance Group has also donated TL 20 million.

Innovative idea and project production center: Innhouse

Attracting attention with its innovative products and services, Kuveyt Türk has established an innovation center that stands out with its distinctive, original and functional architectural design and opened it to use in the first quarter of the year. Kuveyt Türk aims to produce innovative ideas and projects that prioritize the customer experience, raise working standards and shape the financial sector of the future, at the center named Innhouse. In addition to customer experience and design-oriented workshops, studies on financial technologies and digital transformation will be prioritized at Innhouse, which is designed with a bio-innovation approach.

Safe System

Kuveyt Türk, which prioritizes facilitating the lives of its customers, also developed the "I will buy Safe System" in the first quarter of the year in order to perform transactions safely in the purchase and sale of vehicles and housing. Kuveyt Türk has started to provide services to anyone who wants to buy and sell vehicles and residences, whether it is their own customer or not, and has not demanded any expenses from those who use the service under the first launch.

Reputation of the Year Award to Kuveyt Türk

Meanwhile, Marketing sixth with Turkey and Akademetre cooperation has become one of the most important standards of regulation and marketing sectors covered by The One Awards, Integrated Marketing Awards, "participation banking" category of Turkey's leading financial institution in Kuwait Turk "creditable of the year" award.

Kuveyt Turk, strong capital and liquidity position, high asset quality, dynamic approach to corporate governance, continuous improvement focused on customer service model, technology continued investment in, the digital conversion work and overseas expansion to accelerate the coming period leading provider of contribution of the financial sector in Turkey aims to continue to be.

Ufuk UYAN

Member of BOD and General Manager

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

As of 31 March 2020, consolidated financial statements asset size is TL 120 million 896 thousand, amount of the utilization of funds is TL 72 million 380 thousand and funds collected amount is TL 101 million 901 thousand. Due to the effect of the first three months' profit of TL 344 thousand, the ratio of shareholder equity increased 0.81% by reaching TL 6 million 382 thousand. As of 31 March 2020, consolidated capital adequacy ratio has been realized as 20,69%.

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

1.6 Announcement regarding important developments within 3 months

The Parent Bank has issued sukuk with a total nominal value of TL 1,085,000 thousand with four separate transactions over KT Kira Sertifikaları Varlık Kiralama A.Ş. with a minimum 8.38% and maximum 9.17% cost in different maturity periods.

The group has assigned its risk of TL 153,338, which is a hundred percent provision from its non-performing loans, to the asset management company at a cost of TL 50,000.

1.7 Assessment of the expectations related to the subsequent interim period

The Parent Bank continues to open new branches after the subsequent interim. The number of branches is planned to reach 440 by the end of 2020.