

Kuveyt Türk Katılım Bankası Anonim Şirketi

**Unconsolidated Financial Statements And Notes For The Period
Ended 1 January-30 June 2020 with Independent Auditor's
Review Report**

*(Convenience translation of unconsolidated 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 UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the unconsolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (the “Bank”) at June 30, 2020 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated 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 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 unconsolidated 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 unconsolidated financial statements do not give a true view of the unconsolidated financial position of Kuveyt Türk Katılım Bankası A.Ş. at June 30, 2020, and the results of its operations and its unconsolidated cash flows for the six-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.


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 unconsolidated 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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A Member Firm of Ernst & Young Global Limited



Emre Çelik, SMMM
Associate Partner

5 August 2020
Istanbul, Turkey

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**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2020**

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL
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The unconsolidated 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

The unconsolidated financial statements for the six-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.

Hamad Abdulmohsen AL-MARZOUQ
Chairman of the Board of Directors

Ahmad S A A AL KHARJI
Chairman of the Audit
Committee

Nadir ALPASLAN
Member of the Audit Committee

Mohamad AL-MIDANI
Member of the Audit
Committee

Ufuk UYAN
General Manager

Ahmet KARACA
Chief Financial Officer

Muhammet SAYAR
Financial Controller Manager

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

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

SECTION ONE

GENERAL INFORMATION

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

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

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

As of 30 June 2020, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of 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	-
Burhan Ersoy	Member of BOD	18/06/2020			Bachelor	-
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	%0.01
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	%0.00
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	%0.01

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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 30 June 2020, the shares of parent shareholder of Bank, Kuwait Finance House (“KFH”) are 51.95% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers.

As of 30 June 2020, the Bank is operating through 435 domestic branches (31 December 2019 – 431) with 5,988 employees (31 December 2019 – 5,955). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

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

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

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

		Reviewed Current Period 30.06.2020			Audited Prior Period 31.12.2019		
ASSETS	Note	TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		27,276,708	29,341,934	56,618,642	4,803,455	37,903,612	42,707,067
1.1 Cash and Cash Equivalents		1,816,939	14,688,869	16,505,808	1,781,590	24,099,321	25,880,911
1.1.1 Cash and Balances with Central Bank	(5.1.1.)	1,786,986	10,513,697	12,300,683	1,768,747	17,124,339	18,893,086
1.1.2 Banks	(5.1.3.)	30,379	4,180,998	4,211,377	12,983	6,977,847	6,990,830
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Credit Loss (-)		426	5,826	6,252	140	2,865	3,005
1.2 Financial Assets at Fair Value Through Profit or Loss	(5.1.2.)	560,304	6,633,014	7,193,318	104,688	3,907,054	4,011,742
1.2.1 Government Debt Securities		253,001	6,546,186	6,799,187	77,977	3,863,617	3,941,594
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		307,303	86,828	394,131	26,711	43,437	70,148
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	24,871,537	7,576,037	32,447,574	2,898,407	9,732,060	12,630,467
1.3.1 Government Debt Securities		22,761,374	6,730,083	29,491,457	2,792,631	9,313,887	12,106,518
1.3.2 Equity Instruments		8,056	32,401	40,457	11,237	27,346	38,583
1.3.3 Other Financial Assets		2,102,107	813,553	2,915,660	94,539	390,827	485,366
1.4. Derivative Financial Assets		27,928	444,014	471,942	18,770	165,177	183,947
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		27,928	444,014	471,942	18,770	165,177	183,947
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	44,168,657	26,879,809	71,048,466	32,535,710	25,009,784	57,545,494
2.1 Loans		45,595,886	20,601,028	66,196,914	33,532,383	21,686,066	55,218,449
2.2 Leasing Receivables	(5.1.10.)	1,898,268	2,084,795	3,983,063	1,406,165	1,301,355	2,707,520
2.3 Financial Assets Measured At Amortized Cost	(5.1.6.)	-	5,190,598	5,190,598	-	2,630,914	2,630,914
2.3.1 Government Debt Securities		-	5,190,598	5,190,598	-	2,630,914	2,630,914
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Loss (-)		3,325,497	996,612	4,322,109	2,402,838	608,551	3,011,389
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)		524,698	-	524,698	473,326	-	473,326
3.1 Held For Sale		524,698	-	524,698	473,326	-	473,326
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1,481,015	-	1,481,015	564,853	-	564,853
4.1 Investments in Associates (Net)	(5.1.7.)	-	-	-	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Investment in Subsidiaries (Net)	(5.1.8.)	1,461,015	-	1,461,015	544,853	-	544,853
4.2.1 Unconsolidated Financial Subsidiaries		1,437,335	-	1,437,335	521,173	-	521,173
4.2.2 Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
4.3 Investment in Joint Ventures (Net)	(5.1.9.)	20,000	-	20,000	20,000	-	20,000
4.3.1 Joint Ventures Valued Based on Equity Method		20,000	-	20,000	20,000	-	20,000
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		1,055,885	951	1,056,836	1,033,995	957	1,034,952
VI. INTANGIBLE ASSETS (Net)		156,187	11	156,198	133,955	25	133,980
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		156,187	11	156,198	133,955	25	133,980
VII. INVESTMENT PROPERTIES (Net)		25,067	-	25,067	25,146	-	25,146
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(5.1.15.)	467,940	-	467,940	358,097	-	358,097
X. OTHER ASSETS	(5.1.17.)	986,193	1,247,720	2,233,913	658,556	937,874	1,596,430
TOTAL ASSETS		76,142,350	57,470,425	133,612,775	40,587,093	63,852,252	104,439,345

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2020

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

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

		Reviewed Current Period 30.06.2020				Audited Prior Period 31.12.2019		
	LIABILITIES	Note	TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1.)	43,692,271	60,732,509	104,424,780	35,410,329	50,084,058	85,494,387
II.	FUNDS BORROWED	(5.2.3.)	1,985,364	4,790,015	6,775,379	923,177	4,468,500	5,391,677
III.	MONEY MARKETS		6,931,811	-	6,931,811	-	-	-
IV.	SECURITIES ISSUED (Net)		-	-	-	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		220,537	84,408	304,945	129,690	294,447	424,137
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	220,537	22,604	243,141	129,690	164,719	294,409
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.6.)	-	61,804	61,804	-	129,728	129,728
VII.	LEASE PAYABLES	(5.2.5.)	328,084	7,629	335,713	315,732	10,446	326,178
VIII.	PROVISIONS	(5.2.7.)	924,628	303,168	1,227,796	850,649	240,346	1,090,995
8.1	Restructuring Provision		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		277,250	514	277,764	301,593	446	302,039
8.3	Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4	Other Provisions		647,378	302,654	950,032	549,056	239,900	788,956
IX.	CURRENT TAX LIABILITIES	(5.2.8.1.)	197,606	-	197,606	224,425	-	224,425
X.	DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.9.)	-	-	-	-	-	-
11.1	Held For Sale		-	-	-	-	-	-
11.2	Related To Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.10.)	-	3,896,913	3,896,913	-	3,380,983	3,380,983
12.1	Loans		-	-	-	-	-	-
12.2	Other Debt Instruments		-	3,896,913	3,896,913	-	3,380,983	3,380,983
XIII.	OTHER LIABILITIES	(5.2.4.)	1,339,444	662,405	2,001,849	1,023,193	262,080	1,285,273
XIV.	SHAREHOLDERS' EQUITY	(5.2.11.)	7,451,463	64,520	7,515,983	6,742,813	78,477	6,821,290
14.1	Paid-in Capital		4,595,131	-	4,595,131	3,995,766	-	3,995,766
14.2	Capital Reserves		25,124	-	25,124	24,489	-	24,489
14.2.1	Share Premiums		23,250	-	23,250	23,250	-	23,250
14.2.2	Share Cancellation Profits		1,874	-	1,874	1,239	-	1,239
14.2.3	Other Capital Reserves		-	-	-	-	-	-
14.3	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(19,082)	-	(19,082)	(19,082)	-	(19,082)
14.4	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		89,826	64,520	154,346	127,237	78,477	205,714
14.5	Profit Reserves		1,970,865	-	1,970,865	1,469,025	-	1,469,025
14.5.1	Legal Reserves		284,943	-	284,943	228,723	-	228,723
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		1,617,135	-	1,617,135	1,170,797	-	1,170,797
14.5.4	Other Profit Reserves		68,787	-	68,787	69,505	-	69,505
14.6	Profit or Loss		789,599	-	789,599	1,145,378	-	1,145,378
14.6.1	Retained Earnings		35,540	-	35,540	35,540	-	35,540
14.6.2	Current Period Net Profit or Loss		754,059	-	754,059	1,109,838	-	1,109,838
14.7	Minority Shares	(5.2.12.)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY			63,071,208	70,541,567	133,612,775	45,620,008	58,819,337	104,439,345

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 30 JUNE 2020

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Reviewed Current Period 30.06.2020				Audited Prior Period 31.12.2019	
	Note	TL	FC	Total	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	71,345,822	54,359,846	125,705,668	67,365,973	56,289,772	123,655,745
I.	GUARANTEES AND WARRANTIES	7,045,739	5,075,074	12,120,813	6,938,439	4,962,863	11,901,302
1.1.	Letters of Guarantee	6,674,201	3,564,303	10,238,504	6,592,042	3,414,624	10,006,666
1.1.1	Guarantees Subject to State Tender Law	224,218	46,034	270,252	218,286	62,740	281,026
1.1.2	Guarantees Given For Foreign Trade Operations	379,966	58,443	438,409	375,091	79,315	454,406
1.1.3	Other Letters of Guarantee	6,070,017	3,459,826	9,529,843	5,998,665	3,272,569	9,271,234
1.2	Bank Loans	3,799	39,925	43,724	8,546	46,489	55,035
1.2.1	Import Letter of Acceptances	3,799	39,925	43,724	8,546	46,489	55,035
1.2.2	Other Bank Acceptances	-	-	-	-	-	-
1.3	Letters of Credit	19,181	1,385,290	1,404,471	10,567	1,363,442	1,374,009
1.3.1	Documentary Letters of Credit	-	476,434	476,434	86	371,829	371,915
1.3.2	Other Letters of Credit	19,181	908,856	928,037	10,481	991,613	1,002,094
1.4	Guaranteed Refinancing	-	-	-	-	-	-
1.5	Endorsements	-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2	Other Endorsements	-	-	-	-	-	-
1.6	Other Guarantees	348,558	85,556	434,114	327,284	138,308	465,592
1.7	Other Warranties	-	-	-	-	-	-
II.	COMMITMENTS	53,118,346	1,810,020	54,928,366	52,151,025	1,894,212	54,045,237
2.1	Irrevocable Commitments	5,484,589	1,810,020	7,294,609	4,795,885	1,894,212	6,690,097
2.1.1	Forward Asset Purchase and Sales Commitments	500,548	1,797,574	2,298,122	455,887	1,891,166	2,347,053
2.1.2	Share Capital Commitment to Associates and Subsidiaries	-	-	-	-	-	-
2.1.3	Loan Granting Commitments	435,060	-	435,060	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	1,355,049	-	1,355,049	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	3,173,475	-	3,173,475	2,656,398	-	2,656,398
2.1.9	Commitments For Credit Cards and Banking Services Promotions	2,700	-	2,700	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	12,446	30,203	17,757	3,046	20,803
2.2	Revocable Commitments	47,633,757	-	47,633,757	47,355,140	-	47,355,140
2.2.1	Revocable Loan Granting Commitments	47,633,757	-	47,633,757	47,355,140	-	47,355,140
2.2.2	Other Revocable Commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	11,181,737	47,474,752	58,656,489	8,276,509	49,432,697	57,709,206
3.1	Derivative Financial Instruments Held For Risk Management	-	1,023,273	1,023,273	-	2,451,906	2,451,906
3.1.1	Fair Value Hedges	-	-	-	-	-	-
3.1.2	Cash Flow Hedges	-	1,023,273	1,023,273	-	2,451,906	2,451,906
3.1.3	Hedge of Net Investment in Foreign Operations	-	-	-	-	-	-
3.2.	Held For Trading Transactions	11,181,737	46,451,479	57,633,216	8,276,509	46,980,791	55,257,300
3.2.1	Forward Foreign Currency Buy/Sell Transactions	399,279	1,943,527	2,342,806	512,110	1,242,703	1,754,813
3.2.1.1	Forward Foreign Currency Buy Transactions	252,023	923,832	1,175,855	276,131	603,627	879,758
3.2.1.2	Forward Foreign Currency Sell Transactions	147,256	1,019,695	1,166,951	235,979	639,076	875,055
3.2.2	Other Forward Buy/Sell Transactions	10,782,458	44,507,952	55,290,410	7,764,399	45,738,088	53,502,487
3.3	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)	436,625,189	190,098,939	626,724,128	381,449,255	165,631,022	547,080,277
IV.	ITEMS HELD IN CUSTODY	12,258,148	20,460,697	32,718,845	11,299,056	14,947,964	26,247,020
4.1	Customers' Securities Held	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	4,091,920	5,115,068	9,206,988	2,891,875	424,980	3,316,855
4.3	Checks Received for Collection	6,732,394	1,042,779	7,775,173	6,828,688	869,224	7,697,912
4.4	Commercial Notes Received for Collection	1,433,834	299,953	1,733,787	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	-	14,002,897	14,002,897	-	13,373,629	13,373,629
V.	PLEDGED ITEMS	424,355,402	169,557,907	593,913,309	370,138,560	150,613,354	520,751,914
5.1	Marketable Securities	130,058	-	130,058	194,245	111,336	305,581
5.2	Guarantee Notes	101,727	2,769,330	2,871,057	101,727	2,402,814	2,504,541
5.3	Commodity	11,091,384	812,842	11,904,226	8,938,138	701,641	9,639,779
5.4	Warranty	-	-	-	-	-	-
5.5	Properties	138,660,232	3,406,294	142,066,526	124,206,037	2,983,314	127,189,351
5.6	Other Pledged Items	274,372,001	162,569,441	436,941,442	236,698,413	144,414,249	381,112,662
5.7	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES	11,639	80,335	91,974	11,639	69,704	81,343
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		507,971,011	244,458,785	752,429,796	448,815,228	221,920,794	670,736,022

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME AS OF 30 JUNE 2020

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

3. INCOME STATEMENT

			Reviewed Current Period 01.01.2020- 30.06.2020	Reviewed Current Period 01.04.2020- 30.06.2020	Reviewed Prior Period 01.01.2019- 30.06.2019	Reviewed Prior Period 01.04.2019- 30.06.2019
	Note					
I.	PROFIT SHARE INCOME	(5.4.1.)	4,058,228	2,216,673	3,669,052	1,905,764
1.1.	Profit Share on Loans		2,876,994	1,432,931	3,008,752	1,543,253
1.2.	Profit Share on Reserve Deposits		12,044	11,262	59,563	32,596
1.3.	Profit Share on Banks		86,292	46,858	115,297	57,815
1.4.	Profit Share on Money Market Placements		-	-	-	-
1.5.	Profit Share on Marketable Securities Portfolio		905,970	635,135	322,873	191,090
1.5.1.	Fair Value Through Profit or Loss		136,175	105,525	21,728	14,861
1.5.2.	Fair Value Through Other Comprehensive Income		698,312	487,099	266,772	153,255
1.5.3.	Measured at Amortised Cost		71,483	42,511	34,373	22,974
1.6.	Finance Lease Income		151,675	76,759	127,798	66,144
1.7.	Other Profit Share Income		25,253	13,728	34,769	14,866
II.	PROFIT SHARE EXPENSE		1,439,982	732,862	2,032,252	1,049,578
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	979,127	454,829	1,517,229	788,595
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	347,206	183,852	483,616	246,457
2.3.	Profit Share Expense on Money Market Borrowings		80,419	77,619	2,514	-
2.4.	Expense on Securities Issued		-	-	-	-
2.5.	Profit Share Expense on Lease		33,230	16,562	28,893	14,526
2.6.	Other Profit Share Expense		-	-	-	-
III.	NET PROFIT SHARE INCOME (I - II)		2,618,246	1,483,811	1,636,800	856,186
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		173,842	89,637	229,912	117,514
4.1.	Fees And Commissions Received		380,395	186,017	376,214	192,170
4.1.1.	Non-Cash Loans		69,470	33,590	72,022	36,281
4.1.2.	Other		310,925	152,427	304,192	155,889
4.2.	Fees And Commissions Paid		206,553	96,380	146,302	74,656
4.2.1.	Non-Cash Loans		16	10	11	5
4.2.2.	Other	(5.4.13.)	206,537	96,370	146,291	74,651
V.	DIVIDEND INCOME	(5.4.3.)	8	8	19,584	18,781
VI.	NET TRADING INCOME / LOSS	(5.4.5.)	771,442	219,551	565,027	329,405
6.1.	Capital Market Transaction Gains/Losses		51,983	28,313	19,315	6,302
6.2.	Gains/Losses From Derivative Financial Instruments		(464,245)	(468,413)	159,133	(52,964)
6.3.	Foreign Exchange Gains/Losses		1,183,704	659,651	386,579	376,067
VII.	OTHER OPERATING INCOME	(5.4.6.)	261,489	40,165	609,962	248,618
VIII.	GROSS OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		3,825,027	1,833,172	3,061,285	1,570,504
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	1,576,869	740,393	1,372,181	724,046
X.	OTHER PROVISIONS (-)	(5.4.8.)	132,778	(19,730)	35,377	(11,762)
XI.	PERSONNEL EXPENSES (-)		610,340	282,394	524,088	241,513
XII.	OTHER OPERATING EXPENSES (-)		549,495	279,398	385,386	191,082
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		955,545	550,717	744,253	425,625
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES		-	-	-	-
XV.	CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.)	955,545	550,717	744,253	425,625
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(201,486)	(112,495)	(142,786)	(78,161)
18.1.	Current Tax Provision		(302,301)	(197,172)	(176,756)	(131,346)
18.2.	Deferred Tax Income Effect (+)		134,484	-	194,309	-
18.3.	Deferred Tax Expense Effect (-)		235,299	84,677	228,279	53,185
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.11.)	754,059	438,222	601,467	347,464
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.)	754,059	438,222	601,467	347,464
25.1.	Group's Income/Loss		754,059	438,222	601,467	347,464
25.2.	Minority Interest Income/Loss (-)		-	-	-	-
	Earnings Per Share Income/Loss		-	-	-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME AS OF 30 JUNE 2020

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

4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed Current Period 30.06.2020	Reviewed Prior Period 30.06.2019
I. CURRENT PROFIT (LOSS)	754,059	601,467
II. OTHER COMPREHENSIVE INCOME	(51,368)	9,821
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	(51,368)	9,821
2.2.1 Foreign Currency Translation Difference	-	-
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	(68,764)	30,395
2.2.3 Cash Flow Hedge Income/Loss	8,368	(14,579)
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss	9,028	(5,995)
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	702,691	611,288

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2020

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

5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

		Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss					Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss											
	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Net Prfit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares)	Total Shareholders' Equity	
Prior Period (01/01/2019 – 30/06/2019)																		
I.	Prior Period Ending Balance	3,497,322	22,933	-	-	-	(13,296)	-	-	(117,150)	36,196	1,107,196	905,352	-	5,438,553	-	5,438,553	
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-	
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-	
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	3,497,322	22,933	-	-	-	(13,296)	-	-	(88,537)	7,583	1,107,196	905,352	-	5,438,553	-	5,438,553	
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	21,193	(11,372)	-	-	601,467	611,288	-	611,288	
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Reserves	499,681	-	-	-	-	-	-	-	-	-	(499,681)	-	-	-	-	-	
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase / Decrease by Other Changes	(1,237)	317	1,239	-	-	-	-	-	-	-	(1,037)	-	-	(718)	-	(718)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	863,266	(869,812)	-	(6,546)	-	(6,546)	
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(6,546)	-	(6,546)	-	(6,546)	
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	863,266	(863,266)	-	-	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)		(5.2.11.)	3,995,766	23,250	1,239	-	-	(13,296)	-	-	(67,344)	(3,789)	1,469,744	35,540	601,467	6,042,577	-	6,042,577
Current Period (01/01/2020 – 30/06/2020)																		
I.	Prior Period Ending Balance	3,995,766	23,250	1,239	-	-	(19,082)	-	-	214,695	(8,981)	1,469,025	35,540	1,109,838	6,821,290	-	6,821,290	
II.	Corrections and Accounting Policy Changes Made According to TAS 8(*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	3,995,766	23,250	1,239	-	-	(19,082)	-	-	214,695	(8,981)	1,469,025	35,540	1,109,838	6,821,290	-	6,821,290	
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	(57,894)	6,526	-	-	754,059	702,691	-	702,691	
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Reserves	600,000	-	-	-	-	-	-	-	-	-	(600,000)	-	-	-	-	-	
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase / Decrease by Other Changes	(635)	-	635	-	-	-	-	-	-	-	(718)	-	-	(718)	-	(718)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,109,838)	(7,280)	-	(7,280)	
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(7,280)	-	(7,280)	-	(7,280)	
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,102,558)	-	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)		(5.2.11.)	4,595,131	23,250	1,874	-	-	(19,082)	-	-	156,801	(2,455)	1,970,865	35,540	754,059	7,515,983	-	7,515,983

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 Transition 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
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2020

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

6. STATEMENT OF CASH FLOWS

		Reviwed Current Period	Reviwed Prior Period
	Note	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Assets And Liabilities From Banking Operations		(1,461,113)	1,813,760
1.1.1 Profit Share Income Received		3,561,183	4,112,042
1.1.2 Profit Share Expense Paid		(1,400,572)	(1,940,865)
1.1.3 Dividends Received		8	12,953
1.1.4 Fees And Commissions Received		380,395	379,925
1.1.5 Other Income		625,744	935,290
1.1.6 Collections From Previously Written Off Loans		165,360	67,416
1.1.7 Payments to Personnel And Service Suppliers		(586,155)	(565,020)
1.1.8 Taxes Paid		(318,951)	(266,806)
1.1.9 Others		(3,888,125)	(921,175)
1.2 Changes in Assets And Liabilities From Banking Operations		14,280,928	4,120,657
1.2.1 Net (Increase) Decrease Held For Trading Financial Assets		(3,165,576)	(2,250,548)
1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		2,786,733	(1,398,309)
1.2.3 Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(12,545,814)	(5,634,691)
1.2.4 Net (Increase) Decrease in Loans		(1,420,078)	2,115,037
1.2.5 Net (Increase) Decrease in Other Assets		313,241	(235,612)
1.2.6 Net Increase (Decrease) in Bank Deposits		18,639,050	15,361,477
1.2.7 Net Increase (Decrease) in Other Deposits		-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		1,360,343	(2,705,186)
1.2.9 Net Increase (Decrease) in Due Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		8,313,029	(1,131,511)
I. Net Cash Provided From / (Used in) Banking Operations		12,819,815	5,934,417
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From / (Used in) Investing Activities		(22,480,449)	(7,604,295)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		(745,860)	(30,801)
2.2 Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.3 Fixed Assets Purchases		(21,805)	(61,115)
2.4 Fixed Assets Sales		200	9,868
2.5 Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(21,545,166)	(6,541,359)
2.6 Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		2,053,527	1,596,229
2.7 Cash Paid For Purchase of Investment Securities		(2,035,983)	(2,576,038)
2.8 Cash Obtained From Sale of Investment Securities		-	-
2.9 Other		(185,362)	(1,079)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From / (Used in) Financing Activities		(40,510)	(35,672)
3.1 Cash Obtained From Funds Borrowed And Securities Issued		-	-
3.2 Cash Used For Repayments Funds Borrowed And Securities Issued		-	-
3.3 Equity instruments		-	-
3.4 Dividends Paid		(7,280)	(8,814)
3.5 Payments For Finance Leases		(33,230)	(26,858)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.5.4)	3,108,741	178,358
V. Net Increase (Decrease) in Cash And Cash Equivalents		(6,592,403)	(1,527,192)
VI. Cash And Cash Equivalents at The Beginning of The Period	(5.5.1)	18,893,086	6,680,124
VII. Cash And Cash Equivalents at The End of The Period	(5.5.1)	12,300,683	5,152,932

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

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

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

Additional paragraph for convenience translation

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

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

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

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

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively effects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures are still being taken in 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 June 30, 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 Expected Credit Loss”. In the upcoming periods, the Bank will update its relevant assumptions are necessary and revise the realizations of past estimates.

1.3. Changes in accounting estimates, errors and classifications

If changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. There were no significant changes in the accounting estimates of the Bank 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 financial statements of the Bank were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”). As per the BRSA decision numbered 1623 and dated 21 April 2005 and the BRSA circular dated 28 April 2005 it was stated that the indicators for the application of inflation accounting were no longer applicable. Consequently, as of 1 January 2005, the inflation accounting has not been applied.

1.5. Disclosures Regarding TFRS 9 Financial Instruments:

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

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

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

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

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

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

Classification And Measurement of Financial Instruments:

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

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

Explanations on Expected Credit Loss :

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

Modeling studies were carried out on the principal components of the Expected Loan Loss calculation and the default probability (PD) models were developed on various loan portfolios. Credit portfolios are determined according to customer segments that form the basis of banking activities. The cyclical default probabilities generated by these models developed for use in the Internal Rating Based Approach (IRB) 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.

The Bank has calculated the possible effects of the COVID-19 outbreak as of 30 June 2020 with the best estimate method, which it obtained on the principle of maximum effort to estimate and reasoning used in the calculation of expected credit losses. In the light of the aforementioned data, the Bank revised its macroeconomic expectations in the calculation of expected credit loss, and the calculation made taking into account the change in PD with the update in the EDF model was reflected in the financial statements as of 30 June 2020. By its nature, the model effects are reflected in the financial statements with a delay due to the occurrence of the events and their effects at different times. For this reason, if deemed necessary the Bank may make sectoral based valuations in order to eliminate the timing difference, and establish additional provisions for the sector or customers which are considered to have a high impact due to outbreak.

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

- Temporarily, it is possible to classify the receivables that cannot be collected up to 90 days in stage 1, and the receivables that cannot be collected up to 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 Bank applies a 'three-stage' impairment model depending on the gradual increase in credit risk observed since initial recognition

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

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

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

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

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

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 30-day delay period for the classification of loans as Stage 2 has been implemented as 90 days until 31 December 2020; The Bank continues to provide provisions in accordance with this loan credit risk policy.

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

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 90-day delay period for the classification of loans as Stage 3 has been implemented as 180 days until 31 December 2020; The Bank continues to provide provisions in accordance with this loan credit risk policy.

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

As of June 30, the accompanying financial statements include right of use assets amounting to TL 454,743, lease payables amounting to TL 335,713, financial expense amounting to TL 33,230 and depreciation expense amounting to TL 53,602

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority (“POA”) has changed to TFRS 16 “Leases” standard by publishing Privileges Granted in Lease Payments -“Amendments to TFRS 16 Leases” concerning Covid-19. With this change, tenants are exempted from whether there has been a change in the rental privileges in lease payments due to Covid-19. This change did not have a significant impact on the financial status or performance of the Bank.

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

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

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

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

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3. Investments in Associates And Subsidiaries

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

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

The Bank enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. In accordance derivative instruments are classified as ‘hedging derivative financial asset’ and ‘derivative financial assets/liabilities at fair value profit or loss’. The Bank classifies its derivative instruments as “Derivative Financial Instruments Held for Hedging Purposes” and “Derivative Financial Instruments Held for Trading” 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” and are reflected in the “Derivative Financial Assets/liabilities at fair value profit or loss” account in the balance sheet.

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

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

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

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

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

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

5. Explanations on Profit Share Income And Expense

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

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

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6. Explanations on Fees And Commission Income And Expenses

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

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

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

7. Explanations on Financial Assets

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

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

7.1 Financial assets at fair value through profit or loss:

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

7.2 Financial assets at fair value through other comprehensive income:

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

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

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

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

7.3 Financial assets measured at amortized cost:

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

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

7.4 Derivative financial assets:

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

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

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

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".

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8. Explanations on Offsetting of Financial Assets And Liabilities

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

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

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

As of 30 June 2020, the Bank has repurchase agreement amounting to TL 6,931,811. (31 December 2019: None).

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

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

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

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

11. Explanations on Goodwill And Other Intangible Assets

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

The other intangible assets of the Bank comprise mainly computer software. The useful lives of such assets acquired prior to 2004 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years. The amortization period of the licenses is determined on the basis of the duration of the license agreements.

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12. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

13. Explanations on Leasing Transactions

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

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

The Bank has started to apply the TFRS 16 - Leases standard as of January 1, 2019, the first date of implementation of the TFRS 16 standard. As of January 1, 2019, the date of transition to TFRS 16 "Leases" standard, the lease obligation was measured at the present value of the lease payments not paid at that time. Lease payments are discounted by using alternative borrowing profit-share rate of the Bank.

The Bank recognized the right of use assets equal to the lease payables by adjusting the prepaid or accrued lease payments.

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The right of the use asset

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

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

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

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

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

The Bank applies depreciation provisions in TAS 16 Property, Plant and Equipment standard while depreciating in the right of use.

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

Lease Obligation

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

The 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 Bank's borrowing profit share rate.

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

14. Explanations on Provisions And Contingent Liabilities

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

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

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

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

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15. Explanations on Liabilities Relating to Employee Benefits

15.1 Defined benefit plans:

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

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

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

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

15.2 Defined contribution plans:

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

15.3 Short term benefits to employees:

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

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

16. Explanations on Taxation

Current Tax

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

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

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

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

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

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

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

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

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

Deferred Tax

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

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17. Explanations on Additional Disclosures on Borrowings

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

The Bank has not issued convertible bonds.

18. Explanations on Share Certificates Issued

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

19. Explanations on Acceptances And Aailed Drafts

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

20. Explanations on Government Grants

There are no government grants received by the Bank.

21. Explanations on Segment Reporting

The Bank conducts its activities in three separate segments: Retail Banking, Corporate and Commercial Banking, Treasury and International Banking. Each department serves with its own products and the results of the activities are monitored on the basis of these departments.

Segment reporting is disclosed in Section Four, Note 13.

22. Explanations on Other Matters

The Bank has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

1. Explanations on Equity Items

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 June 2020 Bank’s total capital has been calculated as TL 11,333,154 (31 December 2019: TL 10,334,918), capital adequacy ratio is 22.26% (31 December 2019: 19.32%).

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 30 June 2020, the Bank has used these opportunities in capital adequacy calculations.

1.1. Components of Total Capital:

	<i>Current Period Amount</i>	<i>Prior Period Amount</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,000,000
Share Premium	23,250	23,250
Reserves	1,970,865	1,469,025
Other Comprehensive Income According to TAS	194,137	219,108
Profit	789,599	1,145,378
Current Period Profit	754,059	1,109,838
Prior Period Profit	35,540	35,540
Minority Shares	-	-
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	7,577,851	6,856,761
Deductions From Common Equity Tier I Capital	-	-
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	-
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS (-)	26,228	13,394
Leasehold Improvements On Operational Leases (-)	72,180	66,940
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	146,752	124,315
Remaining after deducting from the related deferred tax liability with the deferred tax asset based on future taxable income, except for deferred tax assets based on temporary differences	-	-
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	269,111	227,965
Total Common Equity Tier I Capital	7,308,740	6,628,796

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ADDITIONAL TIER I CAPITAL		
Privileged stocks not included in common equity and share premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,370,836	1,189,404
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	1,370,836	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	1,370,836	1,189,404
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	8,679,576	7,818,200
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (*)	2,370,405	2,073,398
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	-
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	512,617	565,274
Tier II Capital before deductions	2,883,022	2,638,672
Deductions From Tier II Capital	-	-
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Total Deductions From Tier II Capital	-	-
Total Tier II Capital	2,883,022	2,638,672
Total Equity (Total Tier I And Tier II Capital)	11,562,598	10,456,872

(*) TL 28,558 of Tier II capital issue amounting to TL 2,399,750 issued via KT Sukuk Company Limited has been withdrawn and is deducted from equity. (31 December 2019: None)

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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 (-)	15,351	5,505
Other Items To Be Defined By The BRSA (-)	214,093	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)	11,333,154	10,334,918
Total Risk Weighted Assets	50,908,381	53,504,497
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	14.36	12.39
Tier I Capital Ratio (%)	17.05	14.61
Capital Adequacy Ratio (%)	22.26	19.32
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	9.86	7.89
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital	-	-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising From Temporary Differences	-	-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	512,617	565,274
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	512,617	565,274
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-

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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)	2,399	1,371
Nominal value of the mean (TL million)	2,399	1,371
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 Banks' growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Banks' risk profile and risk appetite.

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

2. Explanations on currency risk

Foreign currency risk represents the Bank's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. The "standard method" and the "value at risk method" used in legal reporting are used to measure the exchange rate risk of the bank. Measurements made under the standard method are carried out on a monthly basis and measurements made under the risk-exposed value method are carried out on a daily basis.

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

As of 30 June 2020, the Bank carries a net foreign currency short position of TL 10,667,018 (31 December 2019 – TL 8,252,773 long position) comprising of TL 10,518,724 balance sheet long position (31 December 2019 - TL 7,932,219 short position) and TL 148,294 off balance sheet short position (31 December 2019 – TL 320,554 long position).

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

	23/06/2020	24/06/2020	25/06/2020	26/06/2020	29/06/2020	Balance Sheet Valuation Rate
USD	6.85276	6.85411	6.85282	6.85205	6.85179	6.85418
EURO	7.74306	7.73773	7.68942	7.68917	7.72098	7.68419
GBP	8.55138	8.56508	8.5173	8.49118	8.44722	8.41665
CHF	7.24996	7.24598	7.2208	7.2293	7.24188	7.20643
JPY	0.06409	0.06427	0.0639	0.06404	0.06388	0.06363

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

	Monthly average FC purchase rate
USD	6.81848
EURO	7.67829
GBP	8.53808
CHF	7.16633
JPY	0.06337

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Currency risk of the Bank:

	Euro	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	1,762,242	5,033,682	3,717,773	10,513,697
Banks(****)	1,774,665	816,181	1,584,326	4,175,172
Financial assets at fair value through profit and loss	436,816	303,865	5,892,333	6,633,014
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,735,744	4,840,293	-	7,576,037
Loans and finance lease receivables (*)	9,029,058	14,737,805	128,873	23,895,736
Subsidiaries, associates and joint ventures (**)	610,120	-	-	610,120
Financial assets at amortized cost	3,103,746	2,086,852	-	5,190,598
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	951	-	951
Intangible assets	-	11	-	11
Other assets	1,168,673	75,929	2,333	1,246,935
Total assets	20,621,064	27,895,569	11,325,638	59,842,271
Liabilities				
Current account and funds collected from Banks via participation accounts	58,387	210,123	192,335	460,845
Current and profit sharing accounts FC (****)	9,364,417	30,983,174	19,924,073	60,271,664
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	106,286	8,095,637	492,634	8,694,557
Marketable securities issued	-	-	-	-
Miscellaneous payables	157,214	283,929	40,006	481,149
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	177,367	397,588	26,119	601,074
Total liabilities	9,863,671	39,970,451	20,675,167	70,509,289
Net balance sheet position	10,757,393	(12,074,882)	(9,349,529)	(10,667,018)
Net off-balance sheet position	(10,963,369)	12,146,886	9,335,207	10,518,724
Financial derivative assets	880,214	18,986,192	10,029,119	29,895,525
Financial derivative liabilities	11,843,583	6,839,306	693,912	19,376,801
Non-cash loans (***)	1,790,349	2,564,756	719,968	5,075,073
Prior period				
Total assets	29,683,514	25,876,253	11,234,038	66,793,805
Total liabilities	9,709,954	36,648,855	12,182,223	58,541,032
Net balance sheet position	19,973,560	(10,772,602)	(948,185)	8,252,773
Net off-balance sheet position	(20,055,534)	11,193,288	930,027	(7,932,219)
Financial derivative assets	371,546	19,860,378	1,463,898	21,695,822
Financial derivative liabilities	20,427,080	8,667,090	533,871	29,628,041
Non-cash loans (***)	1,882,866	2,503,577	576,420	4,962,863

(*) Includes foreign currency indexed loans amounting to TL 2,206,525 (31 December 2019 – TL 2,662,329) and includes expected loss provision amounting to TL 996,612 followed as TL on the balance sheet

(**) TL 610,120 (31 December 2019 - TL 544,853 of the subsidiaries amounting to TL 1,461,015 in the balance sheet includes foreign currency subsidiary and subsidiary.

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

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

(*****) Other liabilities at fair value through TL 275 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 116,925

(*****) Includes provisions for expected losses amounting to TL 5,826 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 444,014 (31 December 2019 – TL 165,177)
- Prepaid expenses : TL 776 (31 December 2019 – 1,217 TL)
- Derivative financial liabilities held for trading : TL 22,604 (31 December 2019 – TL 164,719)
- Marketable securities of FC revaluation reverse: (74,425) (31 December 2019 - TL (82,154))
- Derivative financial liabilities held for hedging : TL 61,804 (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 756,366 (31 December 2019 – TL 907,403)
- Forward foreign currency sale transactions: TL 1,041,208 (31 December 2019 – TL 983,763)
- Precious metals purchase transactions TL 8,992,955 (31 December 2019 – TL 15,348)
- Precious metals sale transactions TL 264,055 (31 December 2019 – TL 322,394)

Sensitivity to exchange rate risk

The bank is largely exposed to currency risk in Euros, US dollars and Gold.

The table below shows the bank's sensitivity to a 10% increase in US Dollar, Euro and gold exchange rates.

	Change in exchange rate (%)	Effect on profit / loss		Effect on Equity	
		Current period	Prior period	Current period	Prior period
USD	10%	7,200	42,069	985	50,284
EUR	10%	(20,598)	(8,197)	(21,824)	(8,197)
GOLD	10%	7,301	3,545	7,301	3,545

3. Explanations related to stock position risk

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

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

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

Current Period		Comparison	Fair Value	Market Value
Equity Securities (shares) investments	Carrying Value			
1 Securities at Fair Value Through Other Comprehensive Income	40,457	-	-	-
Quoted Securities	-	-	-	-
2 Investments in Associates	-	-	-	-
Quoted Securities	-	-	-	-
3 Investment in Subsidiaries	1,461,015	-	-	216,480
Quoted Securities	53,418	-	-	216,480
4 Other	20,000	-	-	-
Quoted Securities	-	-	-	-
Prior Period		Comparison	Fair Value	Market Value
Equity Securities (shares) investments	Carrying Value			
1 Securities at Fair Value Through Other Comprehensive Income	38,583	-	-	-
Quoted Securities	-	-	-	-
2 Investments in Associates	-	-	-	-
Quoted Securities	-	-	-	-
3 Investment in Subsidiaries	544,853	-	-	157,740
Quoted Securities	53,418	-	-	157,740
4 Other	20,000	-	-	-
Quoted Securities	-	-	-	-

3.3 Realized gains/losses, revaluation surplus, unrealized gains/losses on equity securities and results included in core and supplementary capitals: None

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4. Liquidity risk management and liquidity coverage ratio

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

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

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

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

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

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

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

The Bank has a strong capital structure and is supported by its main shareholder is Kuwait Finance House; also its current and participation accounts are spread to the base and are stable, and its sources of foreign borrowing are diversified. Hence, by the virtue of the aforementioned facts, the Bank has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Bank which insures its cash outflows with the high-quality liquid assets is deemed high. The Bank also has limits available for use at Central Bank of Turkey and other financial institutions.

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

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

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

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

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

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

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

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

4.5. Information on liquidity risk mitigation techniques:

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

4.6. Information on the use of stress tests:

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

4.7. General information on emergency funding plan:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Emergency Funding Plan, which is approved by Board of Directors. 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. Asset - Liability Committee is responsible from the determination of actions to be taken.

4.8. 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)	31,972,402	18,708,326	29,824,307	16,560,231
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	55,094,161	11,223,653	4,858,427	1,122,365
3	Stable deposits	13,019,767	-	650,988	-
4	Less stable deposits	42,074,394	11,223,653	4,207,439	1,122,365
5	Unsecured wholesale funding, of which:	18,403,139	11,431,389	8,974,106	5,337,405
6	Operational deposits	-	-	-	-
7	Non-operational deposits	17,188,372	10,963,622	7,759,339	4,869,638
8	Unsecured funding	1,214,767	467,767	1,214,767	467,767
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	20,692,841	19,131,632	20,692,841	19,131,632
11	Outflows related to derivative exposures and other collateral requirements	20,064,495	18,945,860	20,064,495	18,945,860
12	Outflows related to restructured financial Instruments	628,346	185,772	628,346	185,772
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	17,781,591	5,554,029	1,408,151	322,211
16	TOTAL CASH OUTFLOWS			35,933,525	25,913,613
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	13,179,537	8,909,426	11,214,645	8,384,450
19	Other cash inflows	20,368,435	17,279,627	20,368,435	17,279,627
20	TOTAL CASH INFLOWS	33,547,972	26,189,053	31,583,080	25,664,077
				Upper Limit Applied Value	
21	TOTAL HQLA STOCK			29,824,307	16,560,231
22	TOTAL NET CASH OUTFLOWS			8,983,381	6,478,403
23	LIQUIDITY COVERAGE RATIO (%)			331.99	255.62

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

The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 30 June 2020:

	Highest	Date	Lowest	Date	Average
TL+FC	422.95	29/05/2020	260.25	17/04/2020	350.26
FC	508.85	21/02/2020	211.65	01/05/2020	348.11

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

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Liquidity risk management and liquidity coverage ratio (continued)

<i>Prior Period</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	24,714,648	21,462,978	22,675,028	19,423,358
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	46,313,166	14,182,057	4,066,738	1,418,206
3	Stable deposits	11,291,580	-	564,579	-
4	Less stable deposits	35,021,586	14,182,057	3,502,159	1,418,206
5	Unsecured wholesale funding, of which:	14,184,533	8,940,750	6,812,216	4,156,714
6	Operational deposits	-	-	-	-
7	Non-operational deposits	13,348,175	8,708,260	5,975,858	3,924,224
8	Unsecured funding	836,358	232,490	836,358	232,490
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	13,204,966	12,239,063	13,204,966	12,239,063
11	Outflows related to derivative exposures and other collateral requirements	12,609,289	12,239,063	12,609,289	12,239,063
12	Outflows related to restructured financial Instruments	595,677	-	595,677	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	16,222,620	4,987,076	1,162,427	274,128
16	TOTAL CASH OUTFLOWS	-	-	25,246,347	18,088,111
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	15,883,591	12,061,329	13,990,336	11,443,387
19	Other cash inflows	12,845,603	6,880,189	12,845,603	6,880,189
20	TOTAL CASH INFLOWS	28,729,194	18,941,518	26,835,939	18,323,576
				Upper Limit Applied Value	
21	TOTAL HQLA STOCK			22,675,028	19,423,358
22	TOTAL NET CASH OUTFLOWS			6,311,587	4,522,028
23	LIQUIDITY COVERAGE RATIO (%)			359.26	429.53

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

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

Prior Period:

	Highest	Date	Lowest	Date	Average
TL+FC	395.83	19/07/2019	200.76	16/08/2019	319.35
FC	469.13	19/07/2019	226.06	16/08/2019	372.93

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

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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	4,510,932	7,789,751	-	-	-	-	-	12,300,683
Banks (*)	4,205,125	-	-	-	-	-	-	4,205,125
Financial assets at fair value through profit and loss	-	77,475	251,949	6,454,062	380,487	29,345	-	7,193,318
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	6,982,845	9,382	13,259,039	12,053,742	-	142,566	32,447,574
Loans (**)	-	8,914,917	6,321,973	24,986,622	23,979,159	3,728,717	(2,073,520)	65,857,868
Financial assets measured at amortised cost	-	-	-	3,103,746	2,086,852	-	-	5,190,598
Other assets (***)	70,284	2,146,653	5,211	-	467,940	-	3,727,521	6,417,609
Total assets	8,786,341	25,911,641	6,588,515	47,803,469	38,968,180	3,758,062	1,796,567	133,612,775
Liabilities								
Current account and funds collected from banks via participation accounts	464,324	8,930	-	-	-	-	-	473,254
Current and profit sharing accounts	53,888,337	39,352,544	6,438,300	4,162,238	108,470	1,637	-	103,951,526
Funds provided from other financial institutions	-	2,178,464	1,008,220	237,756	5,091,207	2,492,358	-	11,008,005
Money market borrowings	-	6,931,811	-	-	-	-	-	6,931,811
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	720,842	127,637	-	-	-	-	-	848,479
Other Liabilities (****)	-	1,352,808	291,563	8,156	3,781	-	8,743,392	10,399,700
Total Liabilities	55,073,503	49,952,194	7,738,083	4,408,150	5,203,458	2,493,995	8,743,392	133,612,775
Net liquidity gap	(46,287,162)	(24,040,553)	(1,149,568)	43,395,319	33,764,722	1,264,067	(6,946,825)	-
Prior period								
Total assets	14,684,003	25,120,662	8,099,186	21,014,456	31,667,444	2,380,485	1,473,109	104,439,345
Total liabilities	35,938,126	42,875,472	6,417,401	4,576,822	4,471,165	2,239,399	7,920,960	104,439,345
Net liquidity gap	(21,254,123)	(17,754,810)	1,681,785	16,437,634	27,196,279	141,086	(6,447,851)	-

(*) Presented with netting off expected credit losses.

(**) 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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5. Explanations on leverage ratio

Disclosure of leverage ratio template

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

On-balance sheet assets (*)		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	131,820,859	100,598,884
2	(Assets amounts deducted in determining Basel III Tier I Capital)	(258,585)	(209,873)
3	Total on-balance sheet risks (sum of lines 1 and 2)	131,562,274	100,389,011
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	431,047	288,592
5	The potential amount of credit risk with all and credit derivatives	322,468	390,743
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	753,515	679,335
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	786,610	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)	786,610	572,070
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	69,984,648	65,619,596
11	(Adjustments for conversion to credit equivalent amounts)	(42,859,395)	(42,603,597)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	27,125,253	23,015,999
Capital and total risks			
13	Tier I Capital	8,539,788	7,708,462
14	Total risks (sum of lines 3, 6, 9 and 12)	160,227,652	124,656,415
Leverage ratio			
15	Leverage ratio	5.33	6.18

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was 5.33% (31 December 2019 - 6.18%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital increased by 11% due to the profit for the period, balance-sheet risks increased by 31%, and off balance sheet items increased by 18%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 85 basis points.

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6. Explanations on the fair value of 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.

7. 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.

8. Explanations on hedge accounting practices

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

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

The contractual amounts of the derivative financial instruments as of June 30, 2020 and the net fair values of the financial instruments are summarized in the table below:

	Current Period			Prior Period		
	Principal*	Asset	Liability	Principal*	Asset	Liability
Derivative Financial Instruments						
Cross currency swap transactions (CFH)	543,264	-	61,804	1,289,330	-	129,728
Total	543,264	-	61,804	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 480,009 (December 31, 2019: TL 1,162,576) the total notional of derivative financial assets amounting to TL 1,023,273 (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.

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Cash flow hedge:

The Bank, convert Malaysian Ringgit (RM) 300,000 RM (31 December 2019: 800,00 RM) 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 RM/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 received and profit share assets	Cash flow risk of exchange rate changes	-	480,000	(3,147)

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 692.

(**) Subsidiary of the 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 received and profit share assets	Cash flow risk of exchange rate changes	-	1,162,576	(11,514)

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

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

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

As of June 30, 2020 cash flow hedge transactions have been determined as effective.

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9. Explanations On Risk Management

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

9.1. Explanations on Risk Management and Risk Weighted Amounts:

9.1.1 GB1 - Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/06/2020	Prior Period 31/12/2019	Current Period 30/06/2020
1	Credit risk (excluding counterparty credit risk) (CCR)	40,791,156	44,998,563	3,263,292
2	Standardised approach (SA)	40,811,246	45,023,161	3,264,900
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	198,134	198,727	15,851
5	Standardised approach for counterparty credit risk (SA-CCR)	198,134	198,727	15,851
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	20,090	24,598	1,607
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	2,425,970	2,697,263	194,078
17	Standardised approach (SA)	2,425,970	2,697,263	194,078
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	7,473,031	5,585,346	597,842
20	Basic indicator approach	7,473,031	5,585,346	597,842
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	50,908,381	53,504,497	4,072,670

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9.2. Explanations of credit risk:

9.2.1. Credit quality of assets

Current Period(**)		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	2,194,416	64,824,314	1,764,464	65,254,266
2	Debt securities	-	36,063,171	16,163	36,047,008
3	Off-balance sheet exposures(*)	-	17,493,121	399,570	17,093,551
4	Total	2,194,416	118,380,606	2,180,197	118,394,825

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

(**) In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks pursuant to the letter of the Authority numbered E.3397 dated 23 March 2020. According to the regulation, the foreign currency buying rate, which was taken as a basis in the preparation of the financial statements dated 31 December 2019, was used in the calculation of the amount subject to credit risk.

Prior Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	2,043,674	55,882,295	1,532,370	56,393,599
2	Debt securities	-	15,274,667	8,872	15,265,795
3	Off-balance sheet exposures (*)	-	17,391,736	421,583	16,970,153
4	Total	2,043,674	88,548,698	1,962,825	88,629,547

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

9.2.2. Changes in Stock of Defaulted Loans and Debt Securities:

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the prior reporting period	2,043,674	1,179,767
2	Loans and debt securities that have been defaulted since the last reporting period	480,628	2,269,757
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	-	974,156
5	Other changes	(275,713)	(431,694)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) (*)	2,248,589	2,043,674

(**) In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks pursuant to the letter of the Authority numbered E.3397 dated 23 March 2020. According to the regulation, the foreign currency buying rate, which was taken as a basis in the preparation of the financial statements dated 31 December 2019, was used in the calculation of the amount subject to credit risk.

9.2.3. Credit risk mitigation techniques – Overview :

Current Period (*)		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	46,238,644	19,015,622	5,079,615	8,268,137	6,302,526	-	-
2	Debt securities	36,047,008	-	-	-	-	-	-
3	Total	82,285,652	19,015,622	5,079,615	8,268,137	6,302,526	-	-
4	Defaulted	92,297	337,654	70,242	-	-	-	-

(**) In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks pursuant to the letter of the Authority numbered E.3397 dated 23 March 2020. According to the regulation, the foreign currency buying rate, which was taken as a basis in the preparation of the financial statements dated 31 December 2019, was used in the calculation of the amount subject to credit risk.

Prior Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	41,807,531	12,458,319	2,010,696	2,127,750	1,841,401	-	-
2	Debt securities	15,265,795	-	-	-	-	-	-
3	Total	57,073,326	12,458,319	2,010,696	2,127,750	1,841,401	-	-
4	Defaulted	485,684	25,620	15,922	-	-	-	-

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

	Risk Classes	CCF and CRM Receivable before		CCF and CRM Receivable post		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	42,699,176	-	49,001,701	-	-	-
2	Exposures to regional governments or local authorities	-	-	-	-	-	0%
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	0%
4	Exposures to multilateral development banks	81,094	-	81,094	-	-	0%
5	Exposures to international organisations	-	-	-	-	-	0%
6	Exposures to banks and securities firms	6,277,799	1,230,378	6,277,799	136,404	2,315,047	36%
7	Exposures to corporates	18,532,718	5,907,528	15,517,515	2,795,673	18,041,256	99%
8	Retail exposures	11,708,418	7,873,725	9,461,468	2,132,495	8,493,846	73%
9	Exposures secured by residential property	8,548,439	786,653	8,253,161	337,033	2,985,805	35%
10	Exposures secured by commercial real estate	8,074,476	1,295,266	7,398,621	604,112	5,029,758	63%
11	Past-due loans	244,858	-	175,619	-	90,662	52%
12	Higher-risk categories by the Agency Board	103,997	-	103,997	-	155,967	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to banks and securities with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	102,296	-	102,296	20,090	20%
16	Other exposures	-	5,306,317	-	5,306,317	2,197,800	41%
17	Equity investment	-	1,481,015	-	1,481,015	1,481,015	100%
18	Total	96,270,975	23,983,178	96,270,975	12,895,345	40,811,246	

9.2.5. Standard Approach - Exposures by asset classes and risk weights:

Risk Classes / Risk Weights (*)		0%	10%	20%	35%	50%	75%	100%	150%	200%	Total risk amount (post-CCF and CRM)
1	Exposures to central governments or central banks	49,001,701	-	-	-	-	-	-	-	-	-
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	81,094	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	109,311	-	3,744,862	-	1,987,910	-	572,120	-	-	2,315,047
7	Exposures to corporates	138,222	-	167,138	-	-	-	18,007,828	-	-	18,041,256
8	Retail exposures	155,524	-	154,516	-	-	11,283,923	-	-	-	8,493,845
9	Exposures secured by residential property	36,828	-	52,488	8,500,878	-	-	-	-	-	2,985,805
10	Exposures secured by commercial real estate	43,369	-	64,792	-	5,755,545	-	2,139,027	-	-	5,029,758
11	Past-due loans	573	-	413	-	168,107	-	6,526	-	-	90,662
12	Higher-risk categories by the Agency Board	19	-	-	-	-	-	-	103,978	-	155,967
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to banks and securities with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	49,104	-	32,144	-	14,774	-	6,274	-	-	20,090
16	Equity investment	-	-	-	-	-	-	1,481,015	-	-	1,481,015
17	Other exposures	2,281,469	-	1,033,810	-	-	-	1,991,038	-	-	2,197,801
18	Total	51,897,214	-	5,250,163	8,500,878	7,926,336	11,283,923	24,203,828	103,978	-	40,811,246

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9.3. Counterparty Credit Risk (CCR) Disclosures:

9.3.1 Counterparty credit risk (CCR) approach analysis:

	Current Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)*	399,031	293,021	-	1.4	692,052	178,155
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	178,155

* The Fair Value Valuation Method is used in the Counterparty Credit Risk calculations.

	Prior Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)*	183,939	351,813	-	1.4	535,752	179,294
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	179,294

* The Fair Value Valuation Method is used in the Counterparty Credit Risk calculations

9.3.2 Capital requirement for credit valuation adjustment (CVA):

	Current Period		Prior Period	
	EAD post-CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation				
1 (i) VaR component (including the 3×multiplier)	-	-	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3 All portfolios subject to the Standardised CVA capital obligation	692,052	19,979	535,752	19,433
4 Total subject to the CVA capital obligation	692,052	19,979	535,752	19,433

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9.3.3 Standard Approach – Counterparty credit risk according to risk classes and risk weights:

Current Period - Risk Classes / Risk Weight *		0%	10%	20%	35%	50%	75%	100%	150%	200%	Total Credit risk*
1	Exposures to central governments or central banks	6,934,284	-	-	-	-	-	-	-	-	-
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	394,250	-	152,538	-	2,752	-	-	157,871
7	Exposures to corporates	-	-	-	-	-	-	12,291	-	-	12,291
8	Retail exposures	-	-	-	-	-	9,229	-	-	-	6,921
9	Exposures secured by residential property	-	-	-	897	-	-	-	-	-	314
10	Exposures secured by commercial real estate	-	-	-	-	299	-	608	-	-	758
11	Past-due loans	-	-	-	-	-	-	-	-	-	-
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to banks and securities with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Other exposures **	-	-	-	-	-	-	-	-	-	-
17	Equity investment	-	-	-	-	-	-	-	-	-	-
18	Total	6,934,284	-	394,250	897	152,837	9,229	15,651	-	-	178,155

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

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

Prior Period - Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total Credit risk*
1	Exposures to central governments or central banks	425,122	-	-	-	-	-	-	-	-	-
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	307,401	217,182	-	-	-	-	-	170,071
7	Exposures to corporates	-	-	-	-	-	4,139	-	-	-	4,139
8	Retail exposures	-	-	-	-	6,416	-	-	-	-	4,812
9	Exposures secured by residential property	-	-	-	-	-	-	-	-	239	84
10	Exposures secured by commercial real estate	-	-	-	375	-	-	-	-	-	188
11	Past-due loans	-	-	-	-	-	-	-	-	-	-
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to banks and securities with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Other exposures **	-	-	-	-	-	-	-	-	-	-
17	Equity investment	-	-	-	-	-	-	-	-	-	-
18	Total	425,122	-	307,401	217,557	6,416	4,139	-	-	239	179,294

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

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

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

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9.3.4 Collaterals used for counterparty credit risk: None.

9.3.5 Credit derivatives: None.

9.3.6 Risks to the central counterparty ("CCP"): None.

10. Securitization Positions

None.

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

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

12. Qualitative explanations on market risk

12.1 Market risk under standardised approach:

		30/06/2020	31/12/2019
	Outright products	2,425,970	2,697,263
1	Profit share rate risk (general and specific)	1,926,337	2,555,241
2	Stock risk (general and specific)	-	-
3	Exchange rate risk	498,729	141,829
4	Commodity risk	904	193
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	2,425,970	2,697,263

13. Explanations on business segments

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

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

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

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

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Selected balance sheet and income statement items according to segments:

Current Period 1 January 2020-30 June 2020	Retail and enterprise Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	Bank's total operation
Operating income	2,514,765	2,033,375	790,644	-	5,338,784
Operating expenses (-)	2,304,253	384,781	680,546	1,013,659	4,383,239
Transfers between segments	1,500,511	(376,653)	(1,123,858)	-	-
Net operating income(loss)	1,711,023	1,271,941	(1,013,760)	(1,013,659)	955,545
Income from associates	-	-	-	-	-
Income (loss) before tax	1,711,023	1,271,941	(1,013,760)	(1,013,659)	955,545
Provision for taxation (-)	-	-	-	201,486	201,486
Net income for the period	1,711,023	1,271,941	(1,013,760)	(1,215,145)	754,059
Current Period 30 June 2020					
Segment assets	26,991,323	38,718,261	62,482,222	-	128,191,806
Associates, subsidiaries and joint ventures	-	-	-	1,481,015	1,481,015
Undistributed assets	-	-	-	3,939,954	3,939,954
Total assets	26,991,323	38,718,261	62,482,222	5,420,969	133,612,775
Segment liabilities	84,082,555	20,335,769	18,251,217	-	122,669,541
Undistributed liabilities	-	-	-	3,427,251	3,427,251
Shareholders' equity	-	-	-	7,515,983	7,515,983
Total liabilities	84,082,555	20,335,769	18,251,217	10,943,234	133,612,775
Prior Period 1 January 2019 – 30 June 2019					
Operating income	2,728,279	1,598,327	877,856	-	5,204,462
Operating expenses (-)	2,226,393	664,456	723,562	845,798	4,460,209
Transfers between segments	1,500,511	(376,653)	(1,123,858)	-	-
Net operating income(loss)	2,002,397	557,218	(969,564)	(845,798)	744,253
Income from associates	-	-	-	-	-
Income (loss) before tax	2,002,397	557,218	(969,564)	(845,798)	744,253
Provision for taxation (-)	-	-	-	142,786	142,786
Net income for the period	2,002,397	557,218	(969,564)	(988,584)	601,467
Prior Period 31 December 2019					
Segment assets	19,680,015	35,203,430	45,842,442	-	100,725,887
Associates, subsidiaries and joint ventures	-	-	-	564,853	564,853
Undistributed assets	-	-	-	3,148,605	3,148,605
Total assets	19,680,015	35,203,430	45,842,442	3,713,458	104,439,345
Prior Period 31 December 2019					
Segment liabilities	71,408,114	14,083,077	9,526,171	-	95,017,362
Undistributed liabilities	-	-	-	2,600,693	2,600,693
Shareholders' equity	-	-	-	6,821,290	6,821,290
Total liabilities	71,408,114	14,083,077	9,526,171	9,421,983	104,439,345

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets:

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	546,591	1,586,487	613,156	1,515,040
The Central Bank of Republic of Turkey	1,105,609	8,177,758	1,155,591	14,498,131
Other (*)	134,786	749,452	-	1,111,168
Total	1,786,986	10,513,697	1,768,747	17,124,339

(*) As of 30 June 2020, precious metal account amounting to TL 591,234 (31 December 2019 - TL 1,111,144) and money in transit amounting to TL 293,004 (31 December 2019 - TL 24) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	1,094,347	388,007	730,347	3,201,221
Unrestricted time deposit	-	-	425,000	-
Restricted time deposit	11,262	7,789,751	244	11,296,910
Total	1,105,609	8,177,758	1,155,591	14,498,131

In accordance with the “Communiqué no. 2013/15 on Reserve Requirements”, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 1 % and 2 % for TL deposits and other liabilities according to their maturities as of 30 June 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 30 June 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 30 June 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:

Financial assets at financial assets at fair value through profit or loss	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	10,523	13,157	14,949	3,045
Swap transactions	17,405	430,857	3,821	162,132
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	27,928	444,014	18,770	165,177

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1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	30,379	4,180,998	12,983	6,977,847
Domestic	30,379	1,638,927	12,886	3,767,297
Foreign	-	2,542,071	97	3,210,550
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	30,379	4,180,998	12,983	6,977,847

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	32,345,428	12,458,021
Quoted on stock exchange	32,345,428	12,458,021
Not quoted on stock exchange	-	-
Share certificates	123,167	185,732
Quoted on stock exchange	102,107	94,539
Not quoted on stock exchange	21,060	91,193
Impairment provision	(21,021)	(13,286)
Total	32,447,574	12,630,467

1.4.1. Information on Given Collateral or Blocked Financial Assets at Fair Value through Other Comprehensive Income

As of the balance sheet date, there is given collateral financial assets amounting to TL 6,720,430 (31 December 2019: TL 3,362,194) at fair value through other comprehensive income

1.4.2. Information on Subject to Repurchase Agreement Financial Assets at Fair Value Through Other Comprehensive Income

As of the balance sheet date, there is a repurchase agreement financial assets amounting to TL 6,982,845 (31 December 2019: 0 TL) at fair value through other comprehensive income

1.5 Explanations on financial assets measured at amortized cost:

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	1,664	7,547	1,868	7,206
Corporate shareholders	9	7,531	-	7,190
Real person shareholders	1,655	16	1,868	16
Indirect loans granted to shareholders	71,157	3,249	780,512	723
Loans granted to employees	22,028	554	19,920	619
Total	94,849	11,350	802,300	8,548

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

Current Period		Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
Cash Loans	Standard Loans and Other Receivables		Loans and Receivables with Revised Contract Terms	Refinance
Loans	57,018,898	4,201,382	2,569,996	-
Export Loans	4,692,333	230,121	-	-
Import Loans	1,750,077	68,809	-	-
Corporation Loans	29,685,788	3,220,928	2,500,849	-
Consumer Loans	11,115,430	379,804	52,034	-
Credit Cards	1,024,651	130,660	17,113	-
Loans given to financial sector	3,328,546	-	-	-
Other	5,422,073	171,060	-	-
Other Receivables	5,164	139,996	12,889	-
Total	57,024,062	4,341,378	2,582,885	-

Prior Period		Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
Cash Loans	Standard Loans and Other Receivables		Loans and Receivables with Revised Contract Terms	Refinance
Loans	47,324,143	3,556,702	2,264,742	-
Export Loans	4,531,667	319,767	-	-
Import Loans	951,591	42,549	-	-
Corporation Loans	20,008,117	2,652,310	2,194,384	-
Consumer Loans	7,548,035	304,840	47,325	-
Credit Cards	948,460	117,001	23,033	-
Loans given to financial sector	8,998,593	-	-	-
Other	4,337,680	120,235	-	-
Other Receivables	2,697	15,292	11,199	-
Total	47,326,840	3,571,994	2,275,941	-

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

	Standard Loans	Loans under close	Standard Loans	Loans under close
	Current Period (*)	monitoring	Prior Period	monitoring
		Current Period (*)		Prior Period
12-Month Expected Loss Provision	1,025,965	-	482,133	-
Significant Increase In Credit Risk	-	1,472,210	-	996,886
Total	1,025,965	1,472,210	482,133	996,886

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 23,774. (31 December 2019: 767 TL)

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1.5.3 Distribution of cash loans and other receivables according to their 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.

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	65,178	11,403,504	11,468,682
Real Estate Loans	15,657	9,849,072	9,864,729
Vehicle Loans	26,088	1,220,851	1,246,939
Consumer Loans	16,735	253,258	269,993
Other	6,698	80,323	87,021
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	3	56,905	56,908
Real Estate Loans	-	28,207	28,207
Vehicle Loans	-	-	-
Consumer Loans	-	28,698	28,698
Other	3	-	3
Retail Credit Cards-TL	470,775	57	470,832
With Installment	83,852	57	83,909
Without Installment	386,923	-	386,923
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,615	20,063	21,678
Real Estate Loans	-	1,684	1,684
Vehicle Loans	684	14,105	14,789
Consumer Loans	930	4,274	5,204
Other	1	-	1
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	11,515	21	11,536
With Installment	3,605	21	3,626
Without Installment	7,910	-	7,910
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	549,086	11,480,550	12,029,636

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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
Real Estate 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	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	79,276	79,276
Real Estate Loans	-	46,824	46,824
Vehicle Loans	-	-	-
Consumer Loans	-	28,626	28,626
Other	-	3,826	3,826
Retail Credit Cards-TL	456,724	73	456,797
With Installment	98,257	73	98,330
Without Installment	358,467	-	358,467
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,912	16,998	18,910
Real Estate 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	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	11,025	60	11,085
With Installment	4,229	60	4,289
Without Installment	6,796	-	6,796
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	544,694	7,823,388	8,368,082

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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	285,483	6,935,814	7,221,297
Business Loans	8,350	1,571,133	1,579,483
Vehicle Loans	225,968	3,513,154	3,739,122
Consumer Loans	51,165	1,851,527	1,902,692
Other	-	-	-
Commercial Installment Loans-FC Indexed	680	658,814	659,494
Business Loans	680	101,711	102,391
Vehicle Loans	-	32,951	32,951
Consumer Loans	-	524,152	524,152
Other	-	-	-
Commercial Installment Loans-FC	720	157,436	158,156
Business Loans	-	100,853	100,853
Vehicle Loans	720	56,583	57,303
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	690,056	-	690,056
With Installment	243,106	-	243,106
Without Installment	446,950	-	446,950
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	976,939	7,752,064	8,729,003
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	248,040	4,929,680	5,177,720
Business Loans	18,447	1,248,841	1,267,288
Vehicle Loans	194,640	2,385,462	2,580,102
Consumer Loans	34,953	1,295,377	1,330,330
Other	-	-	-
Commercial Installment Loans-FC Indexed	3,221	844,575	847,796
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
Commercial Installment Loans-FC	1,106	155,325	156,431
Business Loans	-	98,790	98,790
Vehicle Loans	1,106	56,535	57,641
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	620,612	-	620,612
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	872,979	5,929,580	6,802,559

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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	63,078,628	47,120,720
Foreign loans	869,697	6,054,055
Total	63,948,325	53,174,775

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	325,210	178,601
Loans granted indirectly to subsidiaries and associates	-	-
Total	325,210	178,601

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

	Current period	Prior period
Loans and receivables with limited collectability	170,426	209,492
Loans and receivables with doubtful collectability	363,970	228,439
Uncollectible loans and receivables	1,289,538	1,094,439
Total	1,823,934	1,532,370

1.5.10 Information on non-performing loans (Net):

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

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period:	-	63,562	-
(Gross Amount Before Specific Provisions)	-	63,562	-
Restructured Loans and Receivables	-	-	-
Prior Period:	-	65,699	-
(Gross Amount Before Specific Provisions)	-	-	-
Restructured Loans and Receivables	-	65,699	-

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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	1,475,134
Additions in the current period (+)	179,350	59,875	241,403
Transfers from other categories of non-performing loans (+)	7,439	202,038	137,493
Transfers to other categories of non-performing loans (-)	202,149	137,382	7,439
Collections in the current period (-)	13,417	22,742	129,201
Write offs (-)	-	-	-
Sold Portfolio (-) (*)	-	-	110,353
Corporate and commercial loans	-	-	110,353
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	221,630	419,922	1,607,037
Specific provisions (-)	170,426	363,970	1,289,538
Net balances on balance sheet	51,204	55,952	317,499

(*) The group has sold a portion of its non-performing loan portfolio which 100% provision is provided and amounting to TL 110,353 to the asset management company at a cost of TL 28,800.

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period			
Ending balance of prior period 31.12.2018	142,629	310,520	726,618
Additions in the current period (+)	806,015	991,658	472,084
Transfers from other categories of non-performing loans (+)	100,972	677,421	1,374,788
Transfers to other categories of non-performing loans (-)	676,683	1,374,976	101,522
Collections in the current period (-)	112,153	129,774	189,767
Write offs (-)	10,373	156,716	807,067
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	250,407	318,133	1,475,134
Provisions (-)	209,492	228,439	1,094,439
Net balance at the balance sheet	40,915	89,694	380,695

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

	Group III	Group IV	Group V
Current period:			
Ending balance of the current period	64,271	72,354	84,128
Provision amount (-)	44,841	44,270	70,330
Net balance at the balance sheet	19,430	28,084	13,798
Prior period:			
Ending balance of the current period	79,218	5,454	61,345
Provision amount (-)	48,407	4,640	44,173
Net balance at the balance sheet	30,811	814	17,172

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)	51,204	55,952	317,499
Loans granted to real persons and legal entities (Gross)	221,630	419,922	1,607,037
Specific provision (-)	170,426	363,970	1,289,538
Loans to real persons and legal entities (Net)	51,204	55,952	317,499
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net)	40,915	89,694	380,695
Loans to real persons and legal entities (Gross)	250,407	318,133	1,475,134
Specific provision (-)	209,492	228,439	1,094,439
Loans to real persons and legal entities (Net)	40,915	89,694	380,695
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	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

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

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1.5.12 Information on the write-off policy:

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.

1.6 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	5,190,598	2,630,914
Quoted on a Stock Exchange	5,190,598	2,630,914
Not Quoted	-	-
Impairment Provision (-)	23,774	767
Total	5,166,824	2,630,147

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

	Current Period	Prior Period
Opening Balance	2,630,914	-
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	2,559,684	2,630,914
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	23,774	767
Total	5,166,824	2,630,147

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1.7 Information on investment in associates (Net):

1.7.1 The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2019 – TL 7,659), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 33 (31 December 2019 – TL 33), 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 – TL 11,254), are classified as financial assets at fair value through other comprehensive income since the Bank's ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

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

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

1.8 Information on subsidiaries (Net):

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

1.8.2 Information on subsidiaries:

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. (**)	İstanbul/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
Architect Bilişim Sistemleri ve Pazarlama Tic A.Ş. (**)	İstanbul/Turkey	100.00	100.00
KT Sukuk Company Limited (***)	George Town/ Cayman Islands	100.00	100.00
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	100.00	100.00
Neova Sigorta A.Ş.	İstanbul/Turkey	100.00	100.00

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
36,043	33,338	-	-	-	3,906	(2,829)	-
127,626	114,949	6	-	-	1,124	(4,524)	-
684	662	-	-	-	24	193	-
5,824,721	316	-	-	-	23	88	-
4,612,132	1,075,787	12,113	-	-	2,309	5	-
70,699	18,028	4,872	-	-	16,899	3,818	-
2,468,764	2	-	-	-	-	-	-
20,558	19,147	241	-	-	6,462	(100)	-
2,618	560	10	-	-	64	50	-

(*) As of 30 June 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 30 June 2020.

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

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Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	544,853	522,950
Movements during the year	916,162	21,903
Purchases (*)	916,162	5,002
Transfers from subsidiaries (**)	-	16,901
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	1,461,015	544,853
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) The capital of KT Bank AG, a subsidiary of the Bank, increased from EUR 115,000,000 (full amount) to EUR 140,000,000 (full amount) on 22 January 2020, increasing by EUR 25,000,000,000.

The Bank has obtained the necessary legal permissions as of 5 May 2020, Neova Sigorta A.Ş. completed the share transfer transactions and concluded the purchase. Neova Sigorta A.Ş., which has purchased 78,864,212 shares by paying 745,860 TL with the purchase transaction, and 7% before sales increased its partnership share to 100% by owning all the shares.

(**) On 2 April 2019, the Bank acquired 50% of the shares of KT Portföy Yönetimi A.Ş., which was transferred to KFH Capital Investment Company on July 20, 2018 for a consideration of TL 16,901. As a result of this transaction, all balance of KT Portföy Yönetimi A.Ş. has been transferred to the subsidiaries line. (December 31, 2018 - The Bank has transferred 50% shares of KT Portföy Yönetimi A.Ş. (Subsidiary) with a capital of TL 10,000 to KFH Capital Investment Company on July 20, 2018 for a consideration of TL 16,901).

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	610,120	445,754
Insurance Companies (*)	751,796	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	75,419
Total	1,437,335	521,173

(*)The Bank has obtained the necessary legal permissions as of 5 May 2020, Neova Sigorta A.Ş. completed the share transfer transactions and concluded the purchase. Neova Sigorta A.Ş., which has purchased 78,864,212 shares by paying 745,860 TL with the purchase transaction, and 7% before sales increased its partnership share to 100% by owning all the shares. Due to acquisition, the Bank has classified the 7% amount it carried as financial assets at fair value through other comprehensive income in the previous period under investment in subsidiaries.

Subsidiaries that are quoted on the stock exchange

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

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of June 30, 2020 is EUR 108,594,797 (Full amount) and the capital adequacy ratio is %25.6.

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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%	3,392,487	94,023	15,224	18,877	14,146

(*) 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	1,813,077	1,415,865	1,227,784	886,869
1 to 4 years	2,186,768	2,033,018	1,572,914	1,445,267
More than 4 years	560,918	534,180	384,461	375,384
Total	4,560,763	3,983,063	3,185,159	2,707,520

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	4,560,763	3,185,159
Unearned finance lease income (-)	(577,700)	(477,639)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	3,983,063	2,707,520

1.10.3 Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 62,041 are included in the non-performing loans in the balance sheet (31 December 2019 – TL 48,391).

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

1.12 Information on Tangible Assets:

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1.13 Information on Intangible Assets:

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1.14 Information on investment properties

	Current period	Prior period
Opening Balance	25,146	25,305
Additions	1,303	1,143
Disposals (-), Net	-	-
Amortization Cost (-)	1,382	1,302
Closing Net Book Value	25,067	25,146

1.15 Information on deferred tax asset

As of 30 June 2020, deferred tax is offset as TL 467,940 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 March 2020 is TL 566,508 (31 December 2019 – TL 399,960) and deferred tax liability is TL 98,568 (31 December 2019 – TL 41,863 TL).

	Current period	Prior period
Reserve for employee benefits	32,438	41,047
Retirement pay liability	26,191	23,220
Deferred income	65,230	56,469
Impairment provision for subsidiaries, fixed assets and assets held for sale	2,516	2,523
Rediscounts for derivative instruments held for trading (net)	692	52,909
TFRS 9 Provisions	391,900	214,057
Precious metals valuation difference	40,859	1,454
Financial Loss From Decommissioning	-	-
Difference in valuation of securities	-	-
Other	6,682	8,281
Deferred tax asset	566,508	399,960
The difference between the registered value of tangible assets and tax value	(37,711)	-
Accruals of derivative financial instruments held for trading (net)	(9,446)	(9,665)
Revaluation difference of financial assets at fair value through profit or loss	(47,910)	(28,833)
Precious metal valuation difference	-	-
Other	(3,501)	(3,365)
Deferred tax liability	(98,568)	(41,863)
Deferred tax asset, (net)	467,940	358,097

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Table of deferred tax asset movement:

	30 June 2020	31 December 2019
As of January 1	358,097	346,640
Deferred tax (expense)/income	100,815	95,752
Deferred tax accounted under other comprehensive income	9,028	(84,295)
Deferred tax asset	467,940	358,097

1.16 Explanations on assets held for sale and discontinued operations:

	Current period	Prior period
Opening Balance	473,326	270,382
Additions	120,008	270,818
Transfers from Tangible Asset	-	-
Disposals (-), Net	68,636	67,874
Transfer to Tangible Assets	-	-
Amortization Cost (-)	-	-
Provision For Impairment (-)	-	-
Closing Net Book Value	524,698	473,326

1.17 Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 2,233,913 (31 December 2019 – TL 1,596,430). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and notes related to liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	13,570,280	-	-	-	-	-	-	-	13,570,280
II. Real persons profit sharing accounts TL	-	7,854,912	10,669,166	659,349	-	839,202	1,290,045	22,446	21,335,120
III. Other current accounts-TL	6,289,886	-	-	-	-	-	-	-	6,289,886
Public sector	147,833	-	-	-	-	-	-	-	147,833
Commercial sector	6,082,120	-	-	-	-	-	-	-	6,082,120
Other institutions	47,629	-	-	-	-	-	-	-	47,629
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	12,304	-	-	-	-	-	-	-	12,304
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	11,877	-	-	-	-	-	-	-	11,877
Participation banks	427	-	-	-	-	-	-	-	427
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	733,345	1,369,084	43,907	-	296,511	54,133	5	2,496,985
Public sector	-	324	125	608	-	6,635	-	-	7,692
Commercial sector	-	654,359	1,227,483	35,037	-	275,710	52,357	5	2,244,951
Other institutions	-	78,460	140,018	8,200	-	14,084	504	-	241,266
Commercial and other institutions	-	202	1,344	62	-	82	1,272	-	2,962
Banks and participation banks	-	-	114	-	-	-	-	-	114
V. Real persons current accounts-FC	13,992,213	-	-	-	-	-	-	-	13,992,213
VI. Real persons profit sharing accounts-FC	-	5,439,070	8,377,222	1,136,812	-	1,161,523	1,451,737	2,321	17,568,685
VII. Other current accounts-FC	7,743,687	-	-	-	-	-	-	-	7,743,687
Commercial residents in Turkey	7,169,788	-	-	-	-	-	-	-	7,169,788
Commercial residents in Abroad	281,977	-	-	-	-	-	-	-	281,977
Banks and participation banks	291,922	-	-	-	-	-	-	-	291,922
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	290,530	-	-	-	-	-	-	-	290,530
Participation banks	1,392	-	-	-	-	-	-	-	1,392
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	619,619	1,498,951	45,877	-	57,982	63,420	-	2,285,849
Public sector	-	19	-	-	-	-	-	-	19
Commercial sector	-	563,707	1,330,652	44,781	-	57,346	63,420	-	2,059,906
Other institutions	-	17,004	70,887	1,086	-	178	-	-	89,155
Commercial and other institutions	-	38,879	88,521	10	-	458	-	-	127,868
Banks and participation banks	-	10	8,891	-	-	-	-	-	8,901
IX. Precious metal funds	12,756,595	3,540,275	2,325,295	299,324	-	212,487	7,916	183	19,142,075
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	54,352,661	18,187,221	24,239,718	2,185,269	-	2,567,705	2,867,251	24,955	104,424,780

There are no 7 day notification accounts of the Bank.

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Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	7,951,114	-	-	-	-	-	-	-	7,951,114
II. Real persons profit sharing accounts-TL	-	7,232,001	11,223,102	725,113	-	610,209	911,230	22,190	20,723,845
III. Other current accounts-TL	4,400,375	-	-	-	-	-	-	-	4,400,375
Public sector	200,309	-	-	-	-	-	-	-	200,309
Commercial sector	4,156,300	-	-	-	-	-	-	-	4,156,300
Other institutions	32,529	-	-	-	-	-	-	-	32,529
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	11,237	-	-	-	-	-	-	-	11,237
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,913	-	-	-	-	-	-	-	10,913
Participation banks	324	-	-	-	-	-	-	-	324
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	592,927	1,309,698	103,271	-	268,254	60,845	-	2,334,995
Public sector	-	373	68	611	-	3,046	-	-	4,098
Commercial sector	-	546,923	1,208,358	79,737	-	257,856	59,133	-	2,152,007
Other institutions	-	44,940	100,133	22,873	-	7,312	457	-	175,715
Commercial and other institutions	-	691	1,121	50	-	40	1,255	-	3,157
Banks and participation banks	-	-	18	-	-	-	-	-	18
V. Real persons current accounts-FC	12,392,536	-	-	-	-	-	-	-	12,392,536
VI. Real persons profit sharing accounts-FC	-	5,790,160	9,694,129	1,359,816	-	981,912	1,161,743	1,803	18,989,563
VII. Other current accounts-FC	5,160,335	-	-	-	-	-	-	-	5,160,335
Commercial residents in Turkey	4,583,135	-	-	-	-	-	-	-	4,583,135
Commercial residents in Abroad	226,632	-	-	-	-	-	-	-	226,632
Banks and participation banks	350,568	-	-	-	-	-	-	-	350,568
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	350,223	-	-	-	-	-	-	-	350,223
Participation banks	345	-	-	-	-	-	-	-	345
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	593,613	2,412,726	56,824	-	54,950	50,417	-	3,168,530
Public sector	-	10	-	-	-	-	-	-	10
Commercial sector	-	520,606	2,112,944	53,458	-	45,383	50,331	-	2,782,722
Other institutions	-	41,158	141,142	3,357	-	9,170	-	-	194,827
Commercial and other institutions	-	31,831	84,336	9	-	397	-	-	116,573
Banks and participation banks	-	8	74,304	-	-	-	86	-	74,398
IX. Precious metal funds	5,757,301	2,444,094	1,846,409	207,182	-	113,344	4,703	61	10,373,094
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	35,661,661	16,652,795	26,486,064	2,452,206	-	2,028,669	2,188,938	24,054	85,494,387

There are no 7 day notification accounts of the Bank.

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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	21,857,346	17,752,145	12,919,694	10,782,495
FC accounts	20,718,969	16,294,727	28,372,735	24,484,448
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 150,000 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

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

The headquarters of the Bank is in Turkey.

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

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

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	9,523	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	9,297	8,730	13,191	974
Swap transactions	211,240	13,874	116,499	163,745
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	220,537	22,604	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	1,985,364	4,052,903	923,177	4,354,444
From Foreign Banks, Institutions and Funds	-	737,112	-	114,056
Total	1,985,364	4,790,015	923,177	4,468,500

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,985,364	1,311,937	923,177	1,469,612
Medium and Long-Term	-	3,478,078	-	2,998,888
Total	1,985,364	4,790,015	923,177	4,468,500

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

Most of the bank's loans consist of foreign currency loans. There is no risk concentration of the Bank's current and profit sharing accounts.

2.4 Information on other liabilities and miscellaneous payables:

As of 30 June 2020, other liabilities amount to TL 1,153,370 (31 December 2019 – TL 897,094), sundry creditors amount to TL 848,479 (31 December 2019 - TL 388,179), both of them do not exceed 10% of the balance sheet total.

2.5 Information on finance lease payables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	137,548	88,207	124,506	87,233
1 to 4 years	264,540	155,551	263,799	141,347
More than 4 years	127,212	91,955	139,376	97,598
Total	529,300	335,713	527,681	326,178

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

2.5.1. Explanations on contract changes and the new obligations these changes bring to the Bank:

None (31 Aralık 2019 – None).

2.5.1.1. Explanations on financial leasing obligations

None (31 Aralık 2019 – None).

2.5.1.2. 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 by the changes in the contract related to the operating lease to the Bank.

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

2.6 Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	61,804	-	129,728
Hedge of net investment in foreign operations	-	-	-	-
Total	-	61,804	-	129,728

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2.7 Information on provisions:

2.7.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 30 June 2020, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 195 (31 December 2019 – TL 5) and TL 41 for leasing receivables (31 December 2019 – TL 192) is offset against loans and receivables.

2.7.2 Information on other provisions:

	Current Period	Prior Period
Specific provisions for non cash loans that are not indemnified converted into cash	416,816	422,274
General Provisions for non-cash loans	153,149	127,145
Provision for profits will be allocated to participation accounts	286,834	150,934
Credit cards of banking services applications	2,671	2,332
Other (*)	90,562	86,271
Total	950,032	788,956

(*) The other part of the main period amounting to TL 25,850 (December 31, 2019 - TL 27,573) is TL 4,524 (31 December 2019 - TL 6,500) for the expense of TL 60,188 (31 December 2019 - TL 51,035) is the amount for impairment loss.

2.7.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 130,317 (31 December 2019 – TL 115,461), vacation pay liability amounting to TL 21,727 (31 December 2019 – TL 712), performance premium amounting to TL 52,439 (31 December 2019 – TL 109,912), retirement bonuses on payment of TL 64,379 (31 December 2019 – TL 63,437), committee fee amounting to TL 8,677 (31 December 2019 – TL 12,231) and other fees amounting to TL 225 (31 December 2019 – TL 196).

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

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

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

	Current Period	Prior Period
Discount rate (%)	12.10	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	115,461	86,381
Provisions recognized during the period	18,019	30,613
Paid during the period	(3,163)	(7,319)
Actuarial loss	-	5,786
Balances at the end of the period	130,317	115,461

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2.8 Explanations on tax liability:

2.8.1 Explanations on current tax liability:

2.8.1.1 Information on tax provisions: 197,606 (31 December 2019 - TL 224,425)

2.8.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	31,287	39,489
Taxation of immovable property	2,039	1,796
Banking Insurance Transaction Tax (BITT)	30,472	29,327
Foreign Exchange Transaction Tax	26,601	4,532
Value Added Tax Payable	2,391	2,663
Income tax deducted from wages	13,506	12,624
Other	1,788	4,058
Total	108,084	94,489

2.8.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Security Premiums-Employee	8,414	7,430
Social Security Premiums-Employer	9,037	8,000
Unemployment insurance-Employee	602	532
Unemployment insurance-Employer	1,500	1,263
Other	-	-
Total	19,553	17,225

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

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

2.9 Information on payables related to assets held for sale:

None (31 December 2019 – None).

2.10 Information on subordinated loans:

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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2.11 Information on shareholders' equity:

2.11.1 Presentation of paid-in capital:

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

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

2.11.2 Amount of Paid-in Capital, Disclosure on whether the Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital: Registered capital system is not applied in the Bank.

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

Date Of Increase	Amount of Increase	Cash	Profit Reserves Subject To Increase
30 March 2020	600,000	-	600,000

The 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.

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

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

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

2.11.6 Summary of privileges given to shares representing the capital:

None. (31 December 2019- None)

2.11.7 Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	106,148	74,425	136,954	82,154
Foreign Exchange Difference	-	-	-	-
Total	106,148	74,425	136,954	82,154

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

2.12 Information on minority shares:

None (31 December 2019 – None).

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

3.1. Explanations on off-balance sheet accounts:

3.1.1 Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 30 June 2020 amounts to TL 3,173,475 (31 December 2019 – TL 2,656,398); payment commitments for cheque books amounts to TL 1,355,049 (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 30 June 2020, the Bank has guarantees and surety ships constituting of TL 10,238,504 (31 December 2019 – TL 10,006,666) of letters of guarantee; TL 43,724 (31 December 2019 – TL 55,035) of acceptances and TL 1,404,471 (31 December 2019 – TL 1,374,009) of letters of credit. Also, banks has other acceptances amounting to TL 434,114 (31 December 2019 – TL 465,592).

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

3.1.3 Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	12,120,813	11,901,302
Total	12,120,813	11,901,302

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.

3.1.5 Information on non-cash loans classified in Stage 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 Information 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 Information on credit derivatives and their risks:

None.

3.4 Information 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 Information on services provided to others names and accounts:

None.

3.6 Summary information about the rating of the bank to international rating agencies

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4. Explanations and notes related to the statement of income

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	2,431,639	445,355	2,665,658	343,094
Short term loans	488,685	43,247	820,242	60,987
Medium and long-term loans	1,918,888	400,986	1,832,332	282,107
Profit share on non-performing loans	24,066	1,122	13,084	-
Premiums received from resource utilization support fund	-	-	-	-
Total	2,431,639	445,355	2,665,658	343,094

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	-	-	149	-
Foreign Banks	37,597	48,441	12,068	102,396
Branches and head office abroad	-	254	-	684
Total	37,597	48,695	12,217	103,080

4.1.3 Information on profit share income from securities portfolio:

As of the current period , profit-share of TL 905,970 has been received from the securities included in the assets of the Bank (1 January – 30 June 2019: TL 322,873).

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	150	438

4.2 Information on profit share expenses:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	14,835	3,425	6,372	12,298
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	14,835	2,687	6,372	5,499
Foreign banks	-	738	-	6,799
Branches and head office abroad	-	-	-	-
Other Institutions	54,696	274,250	186,584	278,362
Total	69,531	277,675	192,956	290,660

4.2.1 Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	180,589	244,214

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4.2.2 Profit share expense paid to securities issued:

None (1 January – 30 June 2019: None).

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						
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year	Accumulated profit-sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	1	-	-	-	-	-	1
Real person’s non-trading profit sharing Account	268,826	418,480	27,946	-	30,763	46,216	561	792,792
Public-sector profit-sharing account	11	3	26	-	14	-	-	54
Commercial sector profit sharing account	22,044	49,218	2,662	-	971	651	-	75,546
Other institutions profit sharing account	2,085	5,309	631	-	209	76	-	8,310
Total	292,966	473,011	31,265	-	31,957	46,943	561	876,703
FC								
Banks	15	448	27	-	-	-	-	490
Real person’s non-trading profit sharing account	22,984	38,655	5,935	-	5,317	7,525	4	80,420
Public-sector profit-sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	2,057	7,218	267	-	321	59	-	9,922
Other institutions profit sharing account	234	875	107	-	61	-	-	1,277
Precious metal accounts	5,242	4,086	530	-	457	-	-	10,315
Total	30,532	51,282	6,866	-	6,156	7,584	4	102,424
Grand Total	323,498	524,293	38,131	-	38,113	54,527	565	979,127
Prior period		Profit Sharing Accounts						
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year	Accumulated profit-sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person’s non-trading profit sharing account	408,764	637,007	37,391	-	20,199	23,152	1,419	1,127,932
Public sector profit sharing account	12	93	-	-	2	-	-	107
Commercial sector profit sharing account	30,634	65,190	8,213	-	1,211	890	-	106,138
Other institutions profit sharing account	4,082	5,586	842	-	326	116	-	10,952
Total	443,492	707,876	46,446	-	21,738	24,158	1,419	1,245,129
FC								
Banks	60	1,324	-	-	-	-	-	1,384
Real person’s non-trading profit sharing account	60,405	103,927	15,575	-	9,124	7,636	32	196,699
Public sector profit sharing account.	-	14	-	-	-	-	-	14
Commercial sector profit sharing account	5,598	39,835	2,006	-	138	134	-	47,711
Other institutions profit sharing account	460	6,893	38	-	10	-	-	7,401
Precious metal accounts	8,633	8,730	1,069	-	459	-	-	18,891
Total	75,156	160,723	18,688	-	9,731	7,770	32	272,100
Grand Total	518,648	868,599	65,134	-	31,469	31,928	1,451	1,517,229

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4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	771,442	565,027
Income	20,513,163	22,264,121
Gain on capital market transactions	60,613	28,063
Gain on derivative financial instruments	2,143,032	1,065,981
Foreign exchange profit	18,309,518	21,170,077
Losses (-)	(19,741,721)	(21,699,094)
Losses on capital market transactions	(8,630)	(8,748)
Losses on derivative financial instruments	(2,607,277)	(906,848)
Foreign exchange losses	(17,125,814)	(20,783,498)

4.6 Information on other operating income:

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

	Current Period	Prior Period
Reversal of prior period provisions	217,438	582,258
Income from sale of assets	38,650	23,348
Income from the real estate sales' gains by rent certificates	1,495	1,465
Other Income	3,906	2,891
Total	261,489	609,962

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

	Current Period (*)	Prior Period
Expected Credit Loss	1,576,869	1,372,181
12 month expected credit loss (Stage 1)	551,401	20,994
Significant increase in credit risk (Stage 2)	486,415	409,060
Non-performing loans (Stage 3)	539,053	942,127
Marketable Securities Impairment Expense	3,954	956
Financial Assets at Fair Value through Profit or Loss	3,954	956
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	128,824	34,421
Total	1,709,647	1,407,558

(*) 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	595,484	510,577
Provision for employee termination	14,856	13,511
Depreciation expenses of fixed assets	99,587	88,780
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	15,915	20,143
Depreciation expenses of assets held for sale	-	-
Other operating expenses	188,999	143,721
Rent expenses	1,085	1,804
Maintenance expenses	29,746	28,374
Advertisement expenses	15,356	18,090
Communication expenses	30,724	23,859
Heating, electricity and water expenses	13,246	11,746
Cleaning expenses	3,607	3,390
Vehicle expenses	3,715	4,530
Stationery expenses	5,025	4,306
Other expenses	86,495	47,622
Losses on sales of assets	98	218
Deposit insurance fund expenses	146,176	63,676
Other	98,720	68,848
Total	1,159,835	909,474

(*) 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:

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4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 302,301 (1 January-30 June 2019 - TL 176,756), deferred tax income of TL 134,484 (1 January-30 June 2019 - TL 194,309) and TL 235,299 (1 January-30 June 2019 - TL 228,279) deferred tax expense 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 Bank's performance for the period: As of 30 June 2020, net profit share income is TL 2,618,246 (1 January-30 June 2019 - TL 1,636,800), net fees and commission income is TL 173,842 (1 January-30 June 2019 - TL 229,912).

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

None (1 January - 30 June 2019 - None).

4.12.3 Profit/Loss attributable to minority interest:

None (30 June 2019 - None).

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

As of 30 June 2020, other fees and commissions received is TL 310,925 (1 January – 30 June 2019 – TL 304,192), TL 65,501 of this amount is related with credit card fees and commissions (1 January – 30 June 2019 – TL 96,613) and TL 55,564 of this amount is related with POS machine commissions (1 January – 30 June 2019 – TL 74,351).

As of 30 June 2020, other fees and commissions given is TL 206,537 (1 January – 30 June 2019 – TL 146,291), TL 49,089 (1 January – 30 June 2019 – TL 88,267) of this amount is related with POS clearing commissions and installation expenses, TL 15,852 (1 January – 30 June 2019 – TL 11,405) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

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6. Explanations and Disclosures Related to 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 Bank:

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

Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	178,601	18,527	1,868	7,206	780,512	723
Balance at end of period	325,210	18,550	1,664	7,547	71,157	3,249
Profit share and commission income	99	51	69	44	2,600	3

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

Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	121,040	19,092	1,034	398	204,988	520
Balance at end of period	178,601	18,527	1,868	7,206	780,512	723
Profit share and commission income	-	8	145	-	10,066	1,531

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Current and profit sharing accounts						
Balance at beginning of period	181,714	62,800	151,321	35,032	390,698	255,239
Balance at end of period	91,890	181,714	52,322	151,321	158,256	390,698
Profit share expense	4,229	435	325	983	130	3,671

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	75,460	274,933	607,498	287,483	-	-
Balance at end of period	252,413	75,460	565,908	607,498	-	-
Total Profit / Loss	(374)	1,669	(3,651)	1	-	-
Hedging Transactions	-	-	-	-	-	-
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Borrowings						
Balance at beginning of period	8,324,759	5,646,443	68,696	802,108	-	-
Balance at end of period	9,721,205	8,324,759	685,428	68,696	-	-
Profit share expense	176,360	243,779	10	25,335	-	-

7.5 Information on remunerations provided to top management:

As of 1 January – 30 June 2020, the Bank has paid TL 36,943 to top management (1 January – 30 June 2019 TL 28,750).

8. Information about the branches of the bank 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 Public Institution For Social Security, one of the partners of the bank, transferred its 9% shares to its Subsidiary WAFRA International Investment Company, in which it holds 99.99% shares, as of 02/07/2020.

Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 300,000 on 1 July 2020 and a maturity of 210 days with a cost of 7.89%

Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. issued sukuk on 17 July 2020 with a nominal value of TL 275,000 thousand and a maturity of 208 days with a cost of 8.09%.

With the extraordinary general meeting held by the Bank on 16/07/2020, the Board member Burhan Ersoy, the representative of the General Directorate of Foundations, was approved as a member of the board of directors and Shadi Ahmed Yacoub Zahran and Shadi Ahmed Yacoub Zahran and Gehad Mohamed Elbendary Anany has been elected as a board member.

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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 unconsolidated 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 5 August 2020 is presented preceding the financial statements.

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

SECTION EIGHT
INTERIM REPORT

- 1. Explanations on interim 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:

UNCONSOLIDATED BALANCE SHEET	30 June 2020	31 December 2019
CASH BALANCES AND CENTRAL BANK	12,300,683	18,893,086
BANKS	4,211,377	6,990,830
SECURITIES	44,831,490	19,273,123
LOANS AND RECEIVABLES	66,196,914	55,218,449
FINANCE LEASE RECEIVABLES (Net)	3,983,063	2,707,520
EXPECTED LOSS PROVISIONS (-)	4,328,361	3,014,394
TANGIBLE ASSETS (Net)	1,056,836	1,034,952
OTHER ASSETS	5,360,773	3,335,779
TOTAL ASSETS	133,612,775	104,439,345
FUND COLLECTED	104,424,780	85,494,387
FUNDS BORROWED	6,775,379	5,391,677
MARKETABLE SECURITIES ISSUED	-	-
FINANCE LEASE PAYABLES	335,713	326,178
SUBORDINATED LOANS	3,896,913	3,380,983
OTHER LIABILITIES	10,664,007	3,024,830
EQUITY	7,515,983	6,821,290
TOTAL LIABILITIES	133,612,775	104,439,345

UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 June 2020	30 June 2019
PROFIT SHARE INCOME	4,058,228	3,669,052
PROFIT SHARE EXPENSE	1,439,982	2,032,252
NET PROFIT SHARE INCOME/EXPENSE	2,618,246	1,636,800
NET FEES AND COMMISSION INCOME/EXPENSE	173,842	229,912
PERSONNEL EXPENSES	610,340	524,088
DIVIDEND INCOME	8	19,584
NET TRADING INCOME / LOSS	771,442	565,027
OTHER OPERATING INCOME	261,489	609,962
EXPECTED LOSS PROVISIONS (-)	1,576,869	1,372,181
OTHER PROVISION EXPENSES (-)	132,778	35,377
OTHER OPERATING EXPENSES (-)	549,495	385,386
INCOME/ LOSS BEFORE TAX	955,545	744,253
TAX CHARGE	(201,486)	(142,786)
CURRENT PERIOD INCOME/LOSSES	754,059	601,467

	30 June 2020	31 December 2019
Total Loans/Total Assets*	52.52%	55.46%
Total Loans/Fund Collected*	67.21%	67.75%
Average Equity Profit **	21.04%	18.11%
Average Assets Profit **	1.27%	1.24%
Capital Adequacy Ratio	22.26%	19.32%

* Finance Lease Receivables is included in total loans.

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

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1.3 Message from the Chairman

Global economic activity, which gained a relatively positive outlook with the effect of the developments that brought the protectionist policies to an end in the last period of 2019, was limited in the first quarter of the year due to the new type of coronavirus (SARS-COV-2) epidemic, which had a global impact in a short time.

Subsequently, with the moves of central banks focusing on balance sheet expansion policies and the relevant authorities announcing economic stimulus packages, a gradual normalization period was experienced globally in the first half of 2020. During this period, macroeconomic indicators periodically signaled strong signals for a recovery in economic activity and consequently an improvement in risk perception.

The International Monetary Fund (IMF) has revised its global growth forecast for 2020 from -3 percent to -4.9 percent, emphasizing that the negative impact of the epidemic on economies differs from other economic turmoil periods. While it is stated that developed countries will differentiate more negatively from the economic recession caused by the epidemic, it is predicted that the USA will shrink by 8 percent and the Euro Zone by 10.2 percent in 2020. The IMF also stated that global public debt will reach an historically high level for emerging markets.

At its last meeting, the Fed announced that while keeping the policy rate unchanged between 0 - 0.25 percent, asset purchases will continue at least at the current levels. It was emphasized that the epidemic will put an intense pressure on economic activity, inflation and employment in the short term, while policy interest rates are expected to remain close to zero until the end of 2022.

In the Euro Area, where the weak economical activity continues, it is observed that the industrial production has decreased 28 percent in April and 21 percent in May, on an annually basis. On the other hand, the European Central Bank announced that it has launched a new repo program to provide euro liquidity to central banks outside the Euro Area. It is stated that the program that will provide euro borrowing opportunities to central banks will continue until June 2021.

In the first quarter of 2020, recording growth of 4.5 per cent of Turkey's economy, the recovery will be experienced in economic activity and the impact of the normalization steps in 2020 are expected to register positive growth in general. The real sector continued to be supported in the second quarter with the expansionary monetary policies implemented by the CBRT simultaneously with the gradual and controlled normalization steps and the economic support packages announced by the relevant authorities.

The banking sector, which plays an active role in the process of fighting the epidemic, continues its support at the real economy in this process. Kuwait Turkish Participation of the financial sector as well as one of the most important 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

Following the new type of coronavirus (SARS-COV-2) epidemic that shaped the main focus of the global macroeconomic outlook as of the first quarter of 2020, the second quarter of the year was a period in which strong recovery signals gained momentum in parallel with the actions taken towards the gradual normalization process. Macroeconomic indicators showed that the liquidity and financing conditions of the financial sector were supported with the comprehensive steps taken regarding monetary policy and that the economic activity remained strong in the first half of the year with fiscal incentive programs. As a matter of fact, in this period, the growth signals in the manufacturing industry became evident with the increase in manufacturing PMI index data; It was observed that the 5-year CDS premium declined significantly and confidence indices preserved the positive outlook for rapid recovery.

Kuveyt Türk, which has been serving for more than 30 years with its products and services developed in line with the principles of participation finance, increased its profitability in the first half of 2020 and increased its net profit by 25.4 percent compared to the same period of the previous year, to 754 million TL. Kuveyt Türk's total fund size reached 104.4 billion TL with an increase of 22.1 percent compared to the end of 2019, while the size of the funds granted increased by 21.1 percent to 70.1 billion TL. Having increased its equities to 7.5 billion TL and its asset size to 133.6 billion TL, Kuveyt Türk preserved its first place among participation financial institutions in terms of asset size.

As of the first quarter of 2020, Kuveyt Türk, which shaped its main focus within the framework of the health of its customers and employees with the measures taken in line with the recommendations of the relevant authorities, closely followed the ongoing coronavirus fighting process in the second quarter of the year. In this context, Kuveyt Türk has succeeded in meeting the financial needs of its customers through digital media with its fast and solution-oriented technological infrastructure.

As Turkey's leading participation of financial institutions in Kuwait, Turkey, the Great Place to Work Institute Best Employers organized by Turkey Kuveyt Turk has been awarded several awards in two categories in 2020. This year "5000+ Employees" category for the third time in the first as "Turkey's Best Employer" selected Kuveyt Turk, "You are the best of Finance" sector has been the owner of a special prize for the third time in a row. In addition, Architech, a technology company that is 100 percent subsidiary of Kuveyt Türk, has entered the list of the best employers in the "Number of 50-250 Employees" category.

During the fight against the coronavirus epidemic, in order to support the real economy and to facilitate individuals' access to financing, housing, vehicle and consumer financing rates were reduced. On the other hand, Kuwait Turkish individuals who want to become homeowners, housing sector and contribute to the country's economy in order to deliver Emlak Konut REIC negotiated by signing an agreement with the project "Dreams Snooze Turkey" has been included in the campaign. In this respect, Kuveyt Türk offers its customers the opportunity to benefit from a 10 percent discount and a maturity of up to 180 months, with no payment for the first 24 months, has contributed to the budgets and construction sector of citizens who want to buy a house with the campaign.

Supporting social issues with economic support packages and social responsibility projects, Kuveyt Türk has provided farmers with a financial support of 500 million TL in order to increase development in agriculture, create employment and provide added value. In addition to the support package, Kuveyt Türk financed the expenses of diesel, fertilizer, agricultural vehicles, agricultural equipment, seeds and seedlings needed in agricultural activities with the special commercial credit card Tohum Card, and offered the opportunity to postpone the payments until the harvest period.

Kuveyt Turk, which is 7 percent shares, partner of Turkey's first takaful (Islamic insurance) has become the new owner taking over the company's 93 percent stake in the company Neova Insurance. Maintaining its pioneering position in the non-life payoff (interest-free insurance) sector, Neova Insurance will continue to contribute to the country's economy with new products and services for its customers, with Kuveyt Türk's 100% subsidiary.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

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

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

As of 30 June 2020, unconsolidated financial statements asset size is TL 133 million 613 thousand, amount of the utilization of funds is TL 70 million 180 thousand and funds collected amount is TL 104 million 425 thousand. Due to the effect of the first six months' profit of TL 754 thousand, the ratio of shareholder equity increased 10.18% by reaching TL 7 million 516 thousand. As of 30 June 2020, unconsolidated capital adequacy ratio has been realized as 22.26%.

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

1.6 Announcement regarding important developments within 3 months

The Bank has issued sukuk with a total nominal value of TL 1,850,000 thousand with five separate transactions over KT Kira Sertifikaları Varlık Kiralama A.Ş. with a minimum 8.28% and maximum 8.78% cost in different maturity periods.

1.7 Assessment of the expectations related to the subsequent interim period

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