

# **Kuveyt Türk Katılım Bankası Anonim Şirketi**

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

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

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

## **REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION**

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

### ***Introduction***

We have reviewed the consolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (the “Bank”) and its subsidiaries (collectively referred as the “Group”) at June 30, 2020 and the related consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these consolidated of interim financial information in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency(“BRSA”) and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Financial Reporting Legislation) and Turkish Accounting Standard 34 “Interim consolidated Financial Reporting” principles for those matters not regulated by BRSA Legislation; together referred as “BRSA Accounting and Financial Reporting Legislation”. Our responsibility is to express a conclusion on these consolidated interim financial information based on our review.

### ***Scope of Review***

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

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the consolidated financial position of Kuveyt Türk Katılım Bankası A.Ş. and its subsidiaries at June 30, 2020, and the results of its operations and its consolidated 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 consolidated financial statements and disclosures.

#### ***Other Matter***

As disclosed footnote 1.5 of section three; the consolidated financial statements dated 1 January 2019, 30 June 2019 and 31 December 2019 were restated by taking Neova Sigorta A.Ş. into the scope of consolidation and these restated financial statements are presented comparatively with the financial statements dated 30 June 2019.

The financial statements of the Neova Sigorta A.Ş. as at 31 December 2019 and 30 June 2019 were audited and reviewed by another audit firm, which expressed an unqualified opinion and an unqualified conclusion in their reports issued on 28 February 2020 and 9 August 2019, respectively. Also, the audit of consolidated financial statements of the Group before the restatement as at 31 December 2018 and the financial statements of Neova Sigorta A.Ş. as at 31 December 2018, which form the basis of the consolidated financial statements as at 1 January 2019 that are presented in comparison with the accompanying consolidated financial statements as at 30 June 2020, were audited by one an other audit firm, which expressed an unqualified opinions in their report of the Group dated 7 March 2019 and in their report of Neova Sigorta A.Ş. dated 27 February 2019.

#### ***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

21 August 2020  
İstanbul, Turkey

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**THE CONSOLIDATED 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  
Phone and facsimile number : 0212 354 11 11 - 0212 354 12 12  
Web page : www.kuveytturk.com.tr  
E-mail address : kuveytturk@kuveytturk.com.tr

The consolidated interim financial report for the three-month period prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- DISCLOSURES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
- CONSOLIDATED INTERIM ACTIVITY REPORT

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

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

The consolidated 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:

Name-Surname/Position: Mustafa Erdem / Senior Reporting Manager  
Telephone: 0212 354 75 24  
Facsimile: 0212 354 11 03

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

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

The Parent Bank and its consolidated financial subsidiaries are named together as “Group”.

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

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

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

Name	Title	Date of the assignment	Date of Audit Committee assignment	Date of Audit Committee completion	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
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 Parent Bank’s share capital (31 December 2019 – 0.12%).

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

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

**4. Information on qualified shareholders**

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

As of 30 June 2020, the shares of parent shareholder of Parent Bank, Kuwait Finance House (“KFH”) are 51.95% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Parent Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 30 June 2020, the Group is operating through 440 domestic branches (31 December 2019 – 436) with 6,127 employees (31 December 2019 – 6,091). Summary of some of the Parent Bank’s operations described in the Articles of Association are as follows:

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

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

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

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

ASSETS		Note	Reviewed Current Period 30.06.2020			Restated Audited Prior Period (*) 31.12.2019			Restated Audited Prior Period (*) 01.01.2019		
			TL	FC	Total	TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>28,286,363</b>	<b>30,014,155</b>	<b>58,300,518</b>	<b>5,972,726</b>	<b>38,569,420</b>	<b>44,542,146</b>	<b>3,743,113</b>	<b>20,408,179</b>	<b>24,151,292</b>
<b>I.1.</b>	<b>Cash and Cash Equivalents</b>		<b>2,718,266</b>	<b>15,496,800</b>	<b>18,215,066</b>	<b>2,692,930</b>	<b>24,952,285</b>	<b>27,645,215</b>	<b>1,445,339</b>	<b>16,252,737</b>	<b>17,698,076</b>
<b>I.1.1.</b>	Cash and Balances with Central Bank	(5.1.1.)	1,786,986	10,695,958	12,482,944	1,768,747	17,447,545	19,216,292	1,183,109	9,428,812	10,611,921
<b>I.1.2.</b>	Banks	(5.1.3.)	931,706	4,806,668	5,738,374	924,323	7,507,605	8,431,928	299,858	6,887,574	7,187,432
<b>I.1.3.</b>	Money Markets Placements		-	-	-	-	-	-	-	-	-
<b>I.1.4.</b>	Expected Credit Loss (-)		426	5,826	6,252	140	2,865	3,005	37,628	63,649	101,277
<b>I.2.</b>	<b>Financial Assets at Fair Value Through Profit or Loss</b>		<b>667,977</b>	<b>6,603,645</b>	<b>7,271,622</b>	<b>368,125</b>	<b>3,891,546</b>	<b>4,259,671</b>	<b>136,375</b>	<b>75,181</b>	<b>211,556</b>
<b>I.2.1.</b>	Government Debt Securities		253,001	6,546,186	6,799,187	77,977	3,863,617	3,941,594	18,327	11,770	30,097
<b>I.2.2.</b>	Equity Instruments		-	-	-	-	-	-	-	-	-
<b>I.2.3.</b>	Other Financial Assets		414,976	57,459	472,435	290,148	27,929	318,077	118,048	63,411	181,459
<b>I.3.</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	(5.1.4.)	<b>24,872,192</b>	<b>7,471,570</b>	<b>32,343,762</b>	<b>2,892,901</b>	<b>9,562,353</b>	<b>12,455,254</b>	<b>2,131,916</b>	<b>4,067,733</b>	<b>6,199,649</b>
<b>I.3.1.</b>	Government Debt Securities		22,761,374	6,730,083	29,491,457	2,792,631	9,313,887	12,106,518	2,065,421	3,804,519	5,869,940
<b>I.3.2.</b>	Equity Instruments		8,711	32,401	41,112	5,731	27,346	33,077	5,731	17,046	22,777
<b>I.3.3.</b>	Other Financial Assets		2,102,107	709,086	2,811,193	94,539	221,120	315,659	60,764	246,168	306,932
<b>I.4.</b>	<b>Derivative Financial Assets</b>	(5.1.2.)	<b>27,928</b>	<b>442,140</b>	<b>470,068</b>	<b>18,770</b>	<b>163,236</b>	<b>182,006</b>	<b>29,483</b>	<b>12,528</b>	<b>42,011</b>
<b>I.4.1.</b>	Derivative Financial Assets at Fair Value Through Profit or Loss		27,928	442,140	470,068	18,770	163,236	182,006	29,483	12,528	42,011
<b>I.4.2.</b>	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)</b>	(5.1.5.)	<b>44,722,707</b>	<b>29,741,490</b>	<b>74,464,197</b>	<b>32,889,253</b>	<b>27,246,766</b>	<b>60,136,019</b>	<b>31,477,635</b>	<b>15,944,851</b>	<b>47,422,486</b>
<b>II.1.</b>	<b>Loans</b>		<b>45,595,886</b>	<b>23,179,084</b>	<b>68,774,970</b>	<b>33,532,383</b>	<b>23,726,265</b>	<b>57,258,648</b>	<b>31,238,479</b>	<b>15,220,572</b>	<b>46,459,051</b>
<b>II.2.</b>	<b>Leasing Receivables</b>	(5.1.10.)	<b>1,898,268</b>	<b>2,084,795</b>	<b>3,983,063</b>	<b>1,406,165</b>	<b>1,301,355</b>	<b>2,707,520</b>	<b>1,439,955</b>	<b>1,010,744</b>	<b>2,450,699</b>
<b>II.3.</b>	<b>Financial Assets Measured At Amortized Cost</b>	(5.1.6.)	<b>554,050</b>	<b>5,489,228</b>	<b>6,043,278</b>	<b>353,543</b>	<b>2,859,381</b>	<b>3,212,924</b>	<b>447,912</b>	<b>37,156</b>	<b>485,068</b>
<b>II.3.1.</b>	Government Debt Securities		201,040	5,335,528	5,536,568	176,942	2,725,997	2,902,939	176,891	37,156	214,047
<b>II.3.2.</b>	Other Financial Assets		353,010	153,700	506,710	176,601	133,384	309,985	271,021	-	271,021
<b>II.4.</b>	<b>Expected Credit Loss (-)</b>		<b>3,325,497</b>	<b>1,011,617</b>	<b>4,337,114</b>	<b>2,402,838</b>	<b>640,235</b>	<b>3,043,073</b>	<b>1,648,711</b>	<b>323,621</b>	<b>1,972,332</b>
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)</b>		<b>524,698</b>	<b>-</b>	<b>524,698</b>	<b>473,326</b>	<b>-</b>	<b>473,326</b>	<b>270,382</b>	<b>-</b>	<b>270,382</b>
<b>III.1.</b>	Held For Sale		524,698	-	524,698	473,326	-	473,326	270,382	-	270,382
<b>III.2.</b>	Related to Discontinued Operations		-	-	-	-	-	-	-	-	-
<b>IV.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>73,500</b>	<b>-</b>	<b>73,500</b>	<b>64,061</b>	<b>-</b>	<b>64,061</b>	<b>52,200</b>	<b>-</b>	<b>52,200</b>
<b>IV.1.</b>	<b>Investments in Associates (Net)</b>	(5.1.7.)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IV.1.1.</b>	Associates Valued Based on Equity Method		-	-	-	-	-	-	-	-	-
<b>IV.1.2.</b>	Unconsolidated Associates		-	-	-	-	-	-	-	-	-
<b>IV.2.</b>	<b>Investment in Subsidiaries (Net)</b>	(5.1.8.)	<b>23,680</b>	<b>-</b>	<b>23,680</b>	<b>23,680</b>	<b>-</b>	<b>23,680</b>	<b>23,680</b>	<b>-</b>	<b>23,680</b>
<b>IV.2.1.</b>	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-	-	-	-
<b>IV.2.2.</b>	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680	23,680	-	23,680
<b>IV.3.</b>	<b>Investment in Joint Ventures (Net)</b>	(5.1.9.)	<b>49,820</b>	<b>-</b>	<b>49,820</b>	<b>40,381</b>	<b>-</b>	<b>40,381</b>	<b>28,520</b>	<b>-</b>	<b>28,520</b>
<b>IV.3.1.</b>	Joint Ventures Valued Based on Equity Method		49,820	-	49,820	40,381	-	40,381	28,520	-	28,520
<b>IV.3.2.</b>	Unconsolidated Joint Ventures		-	-	-	-	-	-	-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>		<b>829,648</b>	<b>13,064</b>	<b>842,712</b>	<b>810,202</b>	<b>36,141</b>	<b>846,343</b>	<b>457,943</b>	<b>7,900</b>	<b>465,843</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>160,624</b>	<b>70,363</b>	<b>230,987</b>	<b>137,303</b>	<b>64,696</b>	<b>201,999</b>	<b>139,428</b>	<b>63,833</b>	<b>203,261</b>
<b>VI.1.</b>	Goodwill		-	-	-	-	-	-	-	-	-
<b>VI.2.</b>	Other		160,624	70,363	230,987	137,303	64,696	201,999	139,428	63,833	203,261
<b>VII.</b>	<b>INVESTMENT PROPERTIES (Net)</b>		<b>37,567</b>	<b>-</b>	<b>37,567</b>	<b>37,646</b>	<b>-</b>	<b>37,646</b>	<b>29,671</b>	<b>-</b>	<b>29,671</b>
<b>VIII.</b>	<b>CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	(5.1.15.)	<b>489,616</b>	<b>66,595</b>	<b>556,211</b>	<b>373,350</b>	<b>43,503</b>	<b>416,853</b>	<b>359,079</b>	<b>34,043</b>	<b>393,122</b>
<b>X.</b>	<b>OTHER ASSETS</b>	(5.1.17.)	<b>1,555,550</b>	<b>1,315,407</b>	<b>2,870,957</b>	<b>1,311,288</b>	<b>971,897</b>	<b>2,283,185</b>	<b>1,450,031</b>	<b>1,998,360</b>	<b>3,448,391</b>
<b>TOTAL ASSETS</b>			<b>76,680,273</b>	<b>61,221,074</b>	<b>137,901,347</b>	<b>42,069,155</b>	<b>66,932,423</b>	<b>109,001,578</b>	<b>37,979,482</b>	<b>38,457,166</b>	<b>76,436,648</b>

(\*)The effects of the restatement are explained in the note 1.5 of section III.

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

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

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

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

LIABILITIES		Note	Reviewed Current Period 30.06.2020			Restated Audited Prior Period (*) 31.12.2019			Restated Audited Prior Period (*) 01.01.2019		
			TL	FC	Total	TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1.)	43,662,125	63,851,143	107,513,268	35,167,424	52,828,711	87,996,135	22,292,160	32,699,493	54,991,653
II.	FUNDS BORROWED	(5.2.3.)	109,568	990,695	1,100,263	160,847	286,378	447,225	93,394	1,901,902	1,995,296
III.	MONEY MARKETS		6,931,811	-	6,931,811	-	-	-	188,003	-	188,003
IV.	SECURITIES ISSUED (Net)		1,352,751	3,534,227	4,886,978	735,743	3,906,422	4,642,165	1,487,369	6,157,936	7,645,305
	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-	-	-	-
V.	DERIVATIVE FINANCIAL LIABILITIES		220,537	84,408	304,945	129,690	294,447	424,137	21,045	149,118	170,163
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	220,537	22,604	243,141	129,690	164,719	294,409	21,045	42,766	63,811
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.7.)	-	61,804	61,804	-	129,728	129,728	-	106,352	106,352
VII.	LEASE PAYABLES	(5.2.6.)	329,105	38,129	367,234	318,828	35,223	354,051	-	-	-
VIII.	PROVISIONS	(5.2.8.)	2,768,837	309,419	3,078,256	2,565,308	244,064	2,809,372	1,904,489	184,795	2,089,284
8.1.	Restructuring Provision		-	-	-	-	-	-	-	-	-
8.2.	Reserves For Employee Benefits		289,801	1,171	290,972	316,616	706	317,322	238,751	538	239,289
8.3.	Insurance For Technical Provision (Net)		1,823,899	-	1,823,899	1,693,153	-	1,693,153	1,274,777	-	1,274,777
8.4.	Other Provisions		655,137	308,248	963,385	555,539	243,358	798,897	390,961	184,257	575,218
IX.	CURRENT TAX LIABILITIES	(5.2.9.1.)	228,003	3,140	231,143	253,945	1,452	255,397	204,617	1,936	206,553
X.	DEFERRED TAX LIABILITIES		-	-	-	-	-	-	-	-	-
	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.10.)	-	-	-	-	-	-	-	-	-
11.1.	Held For Sale		-	-	-	-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.11.)	-	3,896,913	3,896,913	-	3,380,983	3,380,983	-	1,901,210	1,901,210
12.1.	Loans		-	-	-	-	-	-	-	-	-
12.2.	Other Debt Instruments		-	3,896,913	3,896,913	-	3,380,983	3,380,983	-	1,901,210	1,901,210
XIII.	OTHER LIABILITIES	(5.2.5.)	1,616,364	678,613	2,294,977	1,225,662	273,578	1,499,240	1,404,741	158,507	1,563,248
XIV.	SHAREHOLDERS' EQUITY	(5.2.12.)	7,350,948	(55,389)	7,295,559	7,240,711	(47,838)	7,192,873	5,848,597	(162,664)	5,685,933
14.1.	Paid-in Capital		4,595,131	-	4,595,131	3,995,766	-	3,995,766	3,497,322	-	3,497,322
14.2.	Capital Reserves		26,399	-	26,399	25,764	-	25,764	24,208	-	24,208
14.2.1.	Share Premiums		24,525	-	24,525	24,525	-	24,525	24,208	-	24,208
14.2.2.	Share Cancellation Profits		1,874	-	1,874	1,239	-	1,239	-	-	-
14.2.3.	Other Capital Reserves		-	-	-	-	-	-	-	-	-
	Other Accumulated Comprehensive Income or Loss		-	-	-	-	-	-	-	-	-
14.3.	That Will Not Be Reclassified Through Profit or Loss	(19,082)	(19,082)	-	(19,082)	(19,082)	-	(19,082)	(13,296)	-	(13,296)
	Other Accumulated Comprehensive Income or Loss		-	-	-	-	-	-	-	-	-
14.4.	That Will Be Reclassified Through Profit or Loss		173,518	68,779	242,297	176,294	78,477	254,771	18,702	(51,432)	(32,730)
14.5.	Profit Reserves		1,997,186	-	1,997,186	1,494,059	-	1,494,059	1,123,576	-	1,123,576
14.5.1.	Legal Reserves		310,296	-	310,296	253,156	-	253,156	200,769	-	200,769
14.5.2.	Statutory Reserves		-	-	-	-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		1,617,135	-	1,617,135	1,170,797	-	1,170,797	923,536	-	923,536
14.5.4.	Other Profit Reserves		69,755	-	69,755	70,106	-	70,106	(729)	-	(729)
14.6.	Profit or Loss		549,059	(124,168)	424,891	1,539,449	(126,315)	1,413,134	1,172,973	(111,232)	1,061,741
14.6.1.	Retained Earnings	(317,213)	(317,213)	(126,315)	(443,528)	250,425	(111,232)	139,193	261,607	(107,902)	153,705
14.6.2.	Net Profit for the Period		866,272	2,147	868,419	1,289,024	(15,083)	1,273,941	911,366	(3,330)	908,036
14.7.	Minority Shares	(5.2.13.)	28,737	-	28,737	28,461	-	28,461	25,112	-	25,112
	<b>TOTAL LIABILITIES</b>		<b>64,570,049</b>	<b>73,331,298</b>	<b>137,901,347</b>	<b>47,798,158</b>	<b>61,203,420</b>	<b>109,001,578</b>	<b>33,444,415</b>	<b>42,992,233</b>	<b>76,436,648</b>

(\*)The effects of the restatement are explained in the note 1.5 of section III

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

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

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

**2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**

		Notes	Reviewed Current Period 30.06.2020			Restated Audited Prior Period(*) 31.12.2019			Restated Audited Prior Period(*) 01.01.2019		
			TL	FC	Total	TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>COMMITMENTS AND CONTINGENCIES</b>										
<b>I.</b>	<b>(I-II-III)</b>										
<b>I.1.</b>	<b>GUARANTEES AND WARRANTIES</b>	(5.3.1.)	71,043,593	53,859,319	124,902,912	67,066,872	56,290,702	123,357,574	57,247,416	29,212,634	86,460,050
<b>I.1.1.</b>	<b>Letters of Guarantee</b>		6,743,518	5,079,670	11,823,188	6,639,338	4,963,915	11,603,253	6,117,532	5,459,447	11,576,979
<b>I.1.1.1.</b>	Guarantees Subject to State Tender Law		6,371,980	3,568,730	9,940,710	6,292,941	3,415,529	9,708,470	5,907,785	4,184,393	10,092,178
<b>I.1.1.2.</b>	Guarantees Given For Foreign Trade Operations		224,218	46,034	270,252	218,286	62,740	281,026	217,252	174,971	392,223
<b>I.1.1.3.</b>	Other Letters of Guarantee		379,966	58,443	438,409	375,091	79,315	454,406	371,535	167,020	538,555
<b>I.1.2.</b>	Bank Loans		5,767,796	3,464,253	9,232,049	5,699,564	3,273,474	8,973,038	5,318,998	3,842,402	9,161,400
<b>I.2.</b>	Import Letter of Acceptances		3,799	39,925	43,724	8,546	46,489	55,035	17,516	56,582	74,098
<b>I.2.1.</b>	Other Bank Acceptances		3,799	39,925	43,724	8,546	46,489	55,035	17,516	56,582	74,098
<b>I.2.2.</b>	Letters of Credit		-	-	-	-	-	-	-	-	-
<b>I.3.</b>	Documentary Letters of Credit		19,181	1,385,290	1,404,471	10,567	1,363,442	1,374,009	11,512	1,068,364	1,079,876
<b>I.3.1.</b>	Other Letters of Credit		-	476,434	476,434	86	371,829	371,915	367	215,062	215,429
<b>I.3.2.</b>	Guaranteed Refinancing		19,181	908,856	928,037	10,481	991,613	1,002,094	11,145	853,302	864,447
<b>I.4.</b>	Endorsements		-	169	169	-	147	147	-	1,791	1,791
<b>I.5.</b>	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-	-	-	-
<b>I.5.1.</b>	Other Endorsements		-	-	-	-	-	-	-	-	-
<b>I.5.2.</b>	Other Guarantees		-	-	-	-	-	-	-	-	-
<b>I.6.</b>	Other Warrants		348,558	85,556	434,114	327,284	138,308	465,592	180,719	143,999	324,718
<b>I.7.</b>	Irrevocable Commitments		-	-	-	-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	(5.3.1.)	53,118,338	1,795,213	54,913,551	52,151,025	1,893,989	54,045,014	50,194,084	1,305,169	51,499,253
<b>2.1.</b>	Forward Asset Purchase and Sales Commitments		5,484,581	1,795,213	7,279,794	4,795,885	1,893,989	6,689,874	3,572,418	1,305,169	4,877,587
<b>2.1.1.</b>	Share Capital Commitment to Associates and Subsidiaries		500,540	1,782,767	2,283,307	455,887	1,890,943	2,346,830	345,756	1,295,480	1,641,236
<b>2.1.2.</b>	Loan Granting Commitments		-	-	-	-	-	-	-	-	-
<b>2.1.3.</b>	Securities Underwriting Commitments		435,060	-	435,060	358,094	-	358,094	214,413	-	214,413
<b>2.1.4.</b>	Commitments For Reserve Deposits Requirements		-	-	-	-	-	-	-	-	-
<b>2.1.5.</b>	Payment Commitments For Checks		1,355,049	-	1,355,049	1,305,235	-	1,305,235	1,136,474	-	1,136,474
<b>2.1.6.</b>	Tax and Fund Liabilities From Export Commitments		-	-	-	-	-	-	-	-	-
<b>2.1.7.</b>	Commitments For Credit Card Expenditure Limits		3,173,475	-	3,173,475	2,656,398	-	2,656,398	1,858,018	-	1,858,018
<b>2.1.8.</b>	Commitments For Credit Cards and Banking Services		-	-	-	-	-	-	-	-	-
<b>2.1.9.</b>	Promotions		2,700	-	2,700	2,514	-	2,514	-	-	-
<b>2.1.10.</b>	Receivables From Short Sale Commitments		-	-	-	-	-	-	-	-	-
<b>2.1.11.</b>	Payables For Short Sale Commitments		-	-	-	-	-	-	-	-	-
<b>2.1.12.</b>	Other Irrevocable Commitments		17,757	12,446	30,203	17,757	3,046	20,803	17,757	9,689	27,446
<b>2.2.</b>	Revocable Commitments		47,633,757	-	47,633,757	47,355,140	-	47,355,140	46,621,666	-	46,621,666
<b>2.2.1.</b>	Revocable Loan Granting Commitments		47,633,757	-	47,633,757	47,355,140	-	47,355,140	46,621,666	-	46,621,666
<b>2.2.2.</b>	Other Revocable Commitments		-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		11,181,737	46,984,436	58,166,173	8,276,509	49,432,798	57,709,307	935,800	22,448,018	23,383,818
<b>3.1.</b>	Derivative Financial Instruments Held For Risk Management		-	1,023,273	1,023,273	-	2,451,906	2,451,906	-	2,165,533	2,165,533
<b>3.1.1.</b>	Fair Value Hedges		-	1,023,273	1,023,273	-	2,451,906	2,451,906	-	2,165,533	2,165,533
<b>3.1.2.</b>	Cash Flow Hedges		-	-	-	-	-	-	-	-	-
<b>3.1.3.</b>	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-
<b>3.2.</b>	Held For Trading Transactions		11,181,737	45,961,163	57,142,900	8,276,509	46,980,791	55,257,300	935,800	20,282,485	21,218,285
<b>3.2.1.</b>	Forward Foreign Currency Buy/Sell Transactions		399,279	1,453,211	1,852,490	512,110	1,242,703	1,754,813	652,622	1,755,501	2,408,123
<b>3.2.1.1.</b>	Forward Foreign Currency Buy Transactions		252,023	678,848	930,871	276,131	603,627	879,758	347,631	862,093	1,209,724
<b>3.2.1.2.</b>	Forward Foreign Currency Sell Transactions		147,256	774,363	921,619	235,979	639,076	875,055	304,991	893,408	1,198,399
<b>3.2.2.</b>	Other Forward Buy/Sell Transactions		10,782,458	44,507,952	55,290,410	7,764,399	45,738,088	53,502,487	283,178	18,526,984	18,810,162
<b>3.3.</b>	Other		-	-	-	-	101	101	-	-	-
<b>IV.</b>	<b>CUSTODY AND PLEDGES SECURITIES</b>		436,625,189	190,098,939	626,724,128	381,449,255	165,631,022	547,080,277	316,497,679	142,487,425	458,985,104
<b>IV.1.</b>	<b>ITEMS HELD IN CUSTODY</b>		12,258,148	20,460,697	32,718,845	11,299,056	14,947,964	26,247,020	10,816,866	5,644,771	16,461,637
<b>4.1.</b>	Customers' Securities Held		-	-	-	-	-	-	-	-	-
<b>4.2.</b>	Investment Securities Held in Custody		4,091,920	5,115,068	9,206,988	2,891,875	424,980	3,316,855	2,159,381	156,528	2,315,909
<b>4.3.</b>	Checks Received for Collection		6,732,394	1,042,779	7,775,173	6,828,688	869,224	7,697,912	7,157,340	906,367	8,063,707
<b>4.4.</b>	Commercial Notes Received for Collection		1,433,834	299,953	1,733,787	1,578,493	280,131	1,858,624	1,500,145	242,668	1,742,813
<b>4.5.</b>	Other Assets Received for Collection		-	-	-	-	-	-	-	-	-
<b>4.6.</b>	Assets Received for Public Offering		-	-	-	-	-	-	-	-	-
<b>4.7.</b>	Other Items Under Custody		-	-	-	-	-	-	-	-	-
<b>4.8.</b>	Custodians		-	14,002,897	14,002,897	-	13,373,629	13,373,629	-	4,339,208	4,339,208
<b>V.</b>	<b>PLEDGED ITEMS</b>		424,355,402	169,557,907	593,913,309	370,138,560	150,613,354	520,751,914	305,669,174	136,780,695	442,449,869
<b>5.1.</b>	Marketable Securities		130,058	-	130,058	194,245	111,336	305,581	185,945	99,786	285,731
<b>5.2.</b>	Guarantee Notes		101,727	2,769,330	2,871,057	101,727	2,402,814	2,504,541	101,681	2,133,522	2,235,203
<b>5.3.</b>	Commodity		11,091,384	812,842	11,904,226	8,938,138	701,641	9,639,779	6,094,405	633,381	6,727,786
<b>5.4.</b>	Warranty		-	-	-	-	-	-	-	-	-
<b>5.5.</b>	Properties		138,660,232	3,406,294	142,066,526	124,206,037	2,983,314	127,189,351	112,015,122	2,715,023	114,730,145
<b>5.6.</b>	Other Pledged Items		274,372,001	162,569,441	436,941,442	236,698,413	144,414,249	381,112,662	187,272,021	131,198,983	318,471,004
<b>5.7.</b>	Pledged Items-Depository		-	-	-	-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED GUARANTEES AND WARRANTIES</b>		11,639	80,335	91,974	11,639	69,704	81,343	11,639	61,959	73,598
	<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		507,668,782	243,958,258	751,627,040	448,516,127	221,921,724	670,437,851	373,745,095	171,700,059	545,445,154

(\*)The effects of the restatement are explained in the note 1.5 of section III

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED INCOME STATEMENT AS OF 30 JUNE 2020**  
*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)*

**3. CONSOLIDATED INCOME STATEMENT (STATEMENT OF PROFIT OR LOSS)**

			Reviewed Current Period 01.01.2020- 30.06.2020	Non-Reviewed Current Period 01.04.2020- 30.06.2020	Restated Reviewed Prior Period(*) 01.01.2019- 30.06.2019	Nom- Reviewed Prior Period(*) 01.04.2019- 30.06.2019
	Notes					
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>(5.4.1.)</b>	<b>4,196,927</b>	<b>2,291,219</b>	<b>3,799,473</b>	<b>1,977,698</b>
1.1.	Profit Share on Loans		2,920,859	1,456,447	3,037,683	1,559,506
1.2.	Profit Share on Reserve Deposits		12,044	11,262	59,563	32,596
1.3.	Profit Share on Banks		129,287	68,000	157,833	82,553
1.4.	Profit Share on Money Market Placements		-	-	-	-
1.5.	Profit Share on Marketable Securities Portfolio		957,053	664,434	380,099	221,117
1.5.1.	Fair Value Through Profit or Loss		154,390	117,890	35,321	22,444
1.5.2.	Fair Value Through Other Comprehensive Income		708,034	491,426	271,756	156,967
1.5.3.	Measured at Amortised Cost		94,629	55,118	73,022	41,706
1.6.	Finance Lease Income		151,675	76,759	127,798	66,144
1.7.	Other Profit Share Income		26,009	14,317	36,497	15,782
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>		<b>1,437,935</b>	<b>732,154</b>	<b>2,005,055</b>	<b>1,037,220</b>
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	981,079	457,452	1,503,296	782,898
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	173,596	93,323	115,793	58,297
2.3.	Profit Share Expense on Money Market Borrowings		80,419	77,619	2,514	-
2.4.	Expense on Securities Issued		169,549	87,162	354,559	181,499
2.5.	Profit Share Expense on Lease		33,292	16,598	28,893	14,526
2.6.	Other Profit Share Expense		-	-	-	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>		<b>2,758,992</b>	<b>1,559,065</b>	<b>1,794,418</b>	<b>940,478</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>126,137</b>	<b>65,924</b>	<b>182,336</b>	<b>93,094</b>
4.1.	Fees And Commissions Received		415,245	203,809	400,136	205,259
4.1.1.	Non-Cash Loans		90,109	43,300	87,220	43,394
4.1.2.	Other		325,136	160,509	312,916	161,865
4.2.	Fees And Commissions Paid		289,108	137,885	217,800	112,165
4.2.1.	Non-Cash Loans		5,335	2,791	4,400	2,952
4.2.2.	Other	(5.4.13.)	283,773	135,094	213,400	109,213
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(5.4.3.)</b>	<b>8</b>	<b>8</b>	<b>19,584</b>	<b>18,781</b>
<b>VI.</b>	<b>NET TRADING INCOME / LOSS</b>	<b>(5.4.5.)</b>	<b>886,380</b>	<b>270,021</b>	<b>608,796</b>	<b>343,367</b>
6.1.	Capital Market Transaction Gains/Losses		51,983	28,313	19,315	6,302
6.2.	Gains/Losses From Derivative Financial Instruments		(464,933)	(469,987)	157,689	(58,446)
6.3.	Foreign Exchange Gains/Losses		1,299,330	711,695	431,792	395,511
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5.4.6.)</b>	<b>845,680</b>	<b>337,135</b>	<b>1,072,572</b>	<b>498,984</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME/LOSS(III+IV+V+VI+VII+ VIII)</b>		<b>4,617,197</b>	<b>2,232,153</b>	<b>3,677,706</b>	<b>1,894,704</b>
<b>IX.</b>	<b>EXPECTED LOSS PROVISIONS (-)</b>	<b>(5.4.7.)</b>	<b>1,580,339</b>	<b>743,040</b>	<b>1,375,412</b>	<b>725,454</b>
<b>X.</b>	<b>OTHER PROVISIONS (-)</b>	<b>(5.4.8.)</b>	<b>140,276</b>	<b>(17,032)</b>	<b>40,219</b>	<b>(9,274)</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>675,328</b>	<b>315,804</b>	<b>576,058</b>	<b>268,549</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>		<b>1,115,160</b>	<b>555,943</b>	<b>903,295</b>	<b>459,785</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/LOSS (IX-X-XI)</b>		<b>1,106,094</b>	<b>634,398</b>	<b>782,722</b>	<b>450,190</b>
<b>XIV.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-	-	-
<b>XV.</b>	<b>INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>9,439</b>	<b>5,002</b>	<b>7,364</b>	<b>4,094</b>
<b>XVI.</b>	<b>INCOME / (LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)</b>	<b>(5.4.9.)</b>	<b>1,115,533</b>	<b>639,400</b>	<b>790,086</b>	<b>454,284</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(5.4.10)</b>	<b>(236,129)</b>	<b>(130,378)</b>	<b>(167,771)</b>	<b>(90,118)</b>
18.1.	Current Tax Provision		(326,475)	(211,001)	(201,173)	(143,308)
18.2.	Deferred Tax Income Effect (+)		158,891	11,072	203,711	4,208
18.3.	Deferred Tax Expense Effect (-)		249,237	91,695	237,113	57,398
<b>XIX.</b>	<b>CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(5.4.11.)</b>	<b>879,404</b>	<b>509,022</b>	<b>622,315</b>	<b>364,166</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
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		-	-	-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
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		-	-	-	-
<b>XXII.</b>	<b>PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-	-	-
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
23.1.	Current Tax Provision		-	-	-	-
23.2.	Deferred Tax Expense Effect (+)		-	-	-	-
23.3.	Deferred Tax Income Effect (-)		-	-	-	-
<b>XXIV.</b>	<b>CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXV.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>(5.4.12.)</b>	<b>879,404</b>	<b>509,022</b>	<b>622,315</b>	<b>364,166</b>
25.1.	Group's Income/Loss		868,419	500,093	632,902	364,759
25.2.	Minority Interest Income/Loss (-)		10,985	8,929	(10,587)	(593)
	Earnings Per Share Income/Loss		-	-	-	-

(\*)The effects of the restatement are explained in the note 1.5 of section III

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED 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. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Reviewed Current Period 30.06.2020	Restated Reviewed Prior Period(*) 30.06.2019
<b>I. CURRENT PROFIT (LOSS)</b>	<b>879,404</b>	<b>622,315</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(12,474)</b>	<b>9,619</b>
2.1 <b>Other Comprehensive Income Not Reclassified Through Profit Or Loss</b>	-	-
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 <b>Other Comprehensive Income Reclassified Through Profit Or Loss</b>	<b>(12,474)</b>	<b>9,619</b>
2.2.1 Foreign Currency Translation Difference	109,851	42,534
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	(68,764)	26,977
2.2.3 Cash Flow Hedge Income/Loss	8,368	(14,579)
2.2.4 Foreign Net Investment Hedge Income/Loss	(110,941)	(42,736)
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	49,012	(2,577)
<b>III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>866,930</b>	<b>631,934</b>

(\*)The effects of the restatement are explained in the note 1.5 of section III

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2020

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

### 5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

					Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss										
	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity	
Restated Prior Period (01/01/2019 – 30/06/2019)																		
I.	Prior Period Ending Balance	3,497,322	24,208	-	-	-	(13,296)	-	173,232	(117,150)	(88,812)	1,110,535	(1,160)	809,543	5,394,422	25,112	5,419,534	
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	28,613	(28,613)	13,041	154,865	98,493	266,399	-	266,399	
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-	
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	13,041	154,865	98,493	266,399	-	266,399	
III.	Adjusted Beginning Balance (I+II)	3,497,322	24,208	-	-	-	(13,296)	-	173,232	(88,537)	(117,425)	1,123,576	153,705	908,036	5,660,821	25,112	5,685,933	
IV.	Total Comprehensive Income (Loss)(*)	-	-	-	-	-	-	-	42,534	21,193	(54,108)	-	-	632,902	642,521	304	642,825	
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Reserves	500,000	-	-	-	-	-	-	-	-	-	(500,000)	-	-	-	-	-	
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase / Decrease by Other Changes	(1,556)	317	1,239	-	-	-	-	-	-	-	202	(62,234)	61,720	(312)	-	(312)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	871,508	61,702	(969,756)	(36,546)	-	(36,546)	
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(30,000)	(6,546)	(36,546)	-	(36,546)	
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	863,266	-	(863,266)	-	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	8,242	91,702	(99,944)	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)		(5.2.12.)	3,995,766	24,525	1,239	-	(13,296)	-	215,766	(67,344)	(171,533)	1,495,286	153,173	632,902	6,266,484	25,416	6,291,900	
Current Period (01/01/2020 – 30/06/2020)																		
I.	Prior Period Ending Balance	3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,472,776	(89,157)	1,117,637	6,758,475	28,461	6,786,936	
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	21,283	228,350	156,304	405,937	-	405,937	
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	21,283	228,350	156,304	405,937	-	405,937	
III.	Adjusted Beginning Balance (I+II)	3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,494,059	139,193	1,273,941	7,164,412	28,461	7,192,873	
IV.	Total Comprehensive Income (Loss)(*)	-	-	-	-	-	-	-	109,851	(53,636)	(68,689)	-	-	868,419	855,945	148	856,093	
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	-	-	-	-	-	-	-	(250)	(739,471)	(6,534)	(746,255)	128	(746,127)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	1,103,377	156,750	(1,267,407)	(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	-	-	-	-	-	-	-	-	-	-	819	156,750	(157,569)	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)		(5.2.12.)	4,595,131	24,525	1,874	-	(19,082)	-	335,363	161,059	(254,125)	1,997,186	(443,528)	868,419	7,266,822	28,737	7,295,559	

(\*) Neova Sigorta A.Ş., a subsidiary of the group manages the risk fund formed due to the contributions of the participants separately in accordance with Article 6 of the "regulation on participation insurance and working procedures and principles" published by the Ministry of Treasury and Finance. Accordingly, the profit/(expense) amount of the risk fund, which is due to participant contributions amounting to 10,837 TL for the current period, has been classified under other liabilities in balance sheet. (30 June 2019: TL 10.891).

(\*\*) The effects of the restatement are explained in the note 1.5 of section III

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4.Foreign Currency 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**  
**CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2020**

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

**6. CONSOLIDATED STATEMENT OF CASH FLOWS**

		Reviewed Current Period	Restated Reviewed Prior Period
	Note	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating Profit Before Changes in Assets And Liabilities From Banking Operations</b>	<b>(1,595,800)</b>	<b>1,788,749</b>
1.1.1	Profit Share Income Received	3,639,502	4,227,046
1.1.2	Profit Share Expense Paid	(1,388,449)	(1,954,085)
1.1.3	Dividends Received	8	12,953
1.1.4	Fees And Commissions Received	415,245	403,847
1.1.5	Other Income	1,370,658	1,485,699
1.1.6	Collections From Previously Written Off Loans	188,382	70,171
1.1.7	Payments to Personnel And Service Suppliers	(648,978)	(616,032)
1.1.8	Taxes Paid	(520,402)	(316,536)
1.1.9	Others	(4,651,766)	(1,524,314)
<b>1.2</b>	<b>Changes in Assets And Liabilities From Banking Operations</b>	<b>9,981,633</b>	<b>7,855,934</b>
1.2.1	Net (Increase) Decrease Held For Trading Financial Assets	(2,992,659)	(2,484,075)
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(546,453)	(717,348)
1.2.3	Net (Increase) Decrease in Due From Banks And Other Financial Institutions	(13,109,516)	(6,176,243)
1.2.4	Net (Increase) Decrease in Loans	(1,410,886)	2,062,635
1.2.5	Net (Increase) Decrease in Other Assets	480,848	(235,612)
1.2.6	Net Increase (Decrease) in Bank Deposits	19,057,921	16,544,981
1.2.7	Net Increase (Decrease) in Other Deposits	(767)	-
1.2.8	Net Increase (Decrease) in Funds Borrowed	629,365	(354,051)
1.2.9	Net Increase (Decrease) in Due Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	7,873,780	(784,353)
<b>I.</b>	<b>Net Cash Provided From / (Used in) Banking Operations</b>	<b>8,385,833</b>	<b>9,644,683</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net Cash Provided From / (Used in) Investing Activities</b>	<b>(21,907,788)</b>	<b>(7,840,873)</b>
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	-	(19,398)
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries	-	-
2.3	Fixed Assets Purchases	(27,554)	(66,467)
2.4	Fixed Assets Sales	200	10,456
2.5	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(21,446,232)	(6,722,510)
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	(3,022,691)	(3,356,850)
2.8	Cash Obtained From Sale of Investment Securities	562,728	722,120
2.9	Other	(27,766)	(4,453)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net Cash Provided From / (Used in) Financing Activities</b>	<b>323,134</b>	<b>(2,218,385)</b>
3.1	Cash Obtained From Funds Borrowed And Securities Issued	2,925,500	2,996,000
3.2	Cash Used for Repayments Funds Borrowed And Securities Issued	(2,561,610)	(5,129,809)
3.3	Equity instruments	-	-
3.4	Dividends Paid	(7,280)	(57,719)
3.5	Payments For Finance Leases	(33,476)	(26,857)
3.6	Other	-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents</b>	<b>(5.5.4)</b>	<b>3,218,186</b>
<b>V.</b>	<b>Net Increase (Decrease) in Cash And Cash Equivalents</b>	<b>(9,980,635)</b>	<b>(234,200)</b>
<b>VI.</b>	<b>Cash And Cash Equivalents at The Beginning of The Period</b>	<b>(5.5.1)</b>	<b>20,412,202</b>
<b>VII.</b>	<b>Cash And Cash Equivalents at The End of The Period</b>	<b>(5.5.1)</b>	<b>10,431,567</b>

The accompanying notes are an integral part of these financial statements

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**1. Explanations on Basis of Presentation**

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

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

**Additional paragraph for convenience translation**

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

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

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

The preparation of consolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the Group management to make assumptions and estimates with respect to the assets and liabilities on the balance sheet and contingent issues outstanding as of the balance sheet date. These assumptions and estimates mainly consist of calculations of the fair values of financial instruments and the impairment on assets. The assumptions 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 1.6 “Explanations on Expected Credit Loss”. In the upcoming periods, the Bank will update its relevant assumptions are necessary and revise the realizations of past estimates.

**1.3. Changes in accounting estimates, errors and classifications**

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

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

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

**1.5. TFRS 3 Explanations on Business Combinations Standard:**

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Business combinations are accounted in accordance with TFRS 3 "Business Combinations" except for the assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

The interests of non-controlling shareholders in the acquire is initially measured at the non-controlling's proportion of the fair value of the assets, liabilities and contingent liabilities recognized.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

□ Explanations regarding the accounting policy applied for the acquisition of Neova Sigorta A.Ş.

Following the necessary legal permissions on May 5, 2020, the Bank finalized the purchase of Neova Sigorta A.Ş. by completing the share transfer process. The Bank purchased 78,864,212 shares by paying TL 745,860 and increased the partnership share in Neova Sigorta A.Ş. from 7% to 100% by owning all the shares.

As per the principle related to "Accounting for business combinations under common control" the Public Oversight Accounting and Auditing Standards Authority issued in the Official Gazette No. 30568 dated 17 October 2018, business combinations under common control shall be accounted through restating previous period's financial statements via the pooling of interest method. In line with the aforementioned Authority decisions, The Group management restated its consolidated balance sheet and off-balance sheet as at 31 December 2019 and 1 January 2019 and also the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in shareholder's equity and cash flows for the period ended at 30 June 2019 due to the purchase of Neova Sigorta A.Ş.

The effects of the regulations and classifications described above are presented in detail below.

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*1) Effects of regulations and classifications on consolidated financial statements as of January 1, 2019:*

ASSETS			Reported 31/12/2018	Restatement Effects, Including Elimination Effects	Restated 01/01/2019
	Notes				
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>23,757,096</b>	<b>394,196</b>	<b>24,151,292</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>	(5.1.1)	<b>17,407,571</b>	<b>290,505</b>	<b>17,698,076</b>
1.1.2	Banks	(5.1.3)	6,896,927	290,505	7,187,432
<b>1.2</b>	<b>Financial Assets at Fair Value Through Profit or Loss</b>		<b>103,094</b>	<b>108,462</b>	<b>211,556</b>
1.2.3	Other Financial Assets		72,997	108,462	181,459
<b>1.3</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	(5.1.4)	<b>6,204,420</b>	<b>(4,771)</b>	<b>6,199,649</b>
1.3.2	Equity Instruments		27,548	(4,771)	22,777
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)</b>	(5.1.5)	<b>46,974,574</b>	<b>447,912</b>	<b>47,422,486</b>
<b>2.3</b>	<b>Financial Assets Measured At Amortized Cost</b>	(5.1.6.)	<b>37,156</b>	<b>447,912</b>	<b>485,068</b>
2.3.1	Government Debt Securities		37,156	176,891	214,047
2.3.2	Other Financial Assets		-	271,021	271,021
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>		<b>457,187</b>	<b>8,656</b>	<b>465,843</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>200,765</b>	<b>2,496</b>	<b>203,261</b>
6.2	Other		200,765	2,496	203,261
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	(5.1.12)	<b>380,683</b>	<b>12,439</b>	<b>393,122</b>
<b>X.</b>	<b>OTHER ASSETS</b>	(5.1.13)	<b>2,890,428</b>	<b>557,963</b>	<b>3,448,391</b>
	<b>TOTAL ASSETS</b>		<b>75,012,986</b>	<b>1,423,662</b>	<b>76,436,648</b>

LIABILITIES			Reported 31/12/2018	Restatement Effects, Including Elimination Effects	Restated 01/01/2019
	Notes				
<b>I.</b>	<b>FUNDS COLLECTED</b>	(5.2.1)	<b>55,230,018</b>	<b>(238,365)</b>	<b>54,991,653</b>
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>		<b>7,792,870</b>	<b>(147,565)</b>	<b>7,645,305</b>
<b>VIII.</b>	<b>PROVISIONS</b>		<b>800,522</b>	<b>1,288,762</b>	<b>2,089,284</b>
8.2	Reserves For Employee Benefits		229,078	10,211	239,289
8.3	Insurance For Technical Provision (Net)		-	1,274,777	1,274,777
8.4	Other Provisions		571,444	3,774	575,218
<b>IX.</b>	<b>CURRENT TAX LIABILITIES</b>	(5.2.8.1)	<b>177,652</b>	<b>28,901</b>	<b>206,553</b>
<b>XIII.</b>	<b>OTHER LIABILITIES</b>	(5.2.4)	<b>1,337,718</b>	<b>225,530</b>	<b>1,563,248</b>
<b>XIV.</b>	<b>EQUITY</b>	(5.2.11)	<b>5,419,534</b>	<b>266,399</b>	<b>5,685,933</b>
14.5	Profit Reserves		1,110,535	13,041	1,123,576
14.5.1	Legal Reserves		187,583	13,186	200,769
14.5.4	Other Profit Reserves		(584)	(145)	(729)
14.6	Profit or Loss		<b>808,383</b>	<b>253,358</b>	<b>1,061,741</b>
14.6.1	Retained Earnings		(1,160)	154,865	153,705
14.6.2	Net Profit of the Period		<b>809,543</b>	<b>98,493</b>	<b>908,036</b>
	<b>TOTAL LIABILITIES</b>		<b>75,012,986</b>	<b>1,423,662</b>	<b>76,436,648</b>

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*II) Effects of regulations and classifications on consolidated financial statements as of December 31, 2019:*

ASSETS		Notes	Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>43,374,329</b>	<b>1,167,817</b>	<b>44,542,146</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>	(5.1.1)	<b>26,730,059</b>	<b>915,156</b>	<b>27,645,215</b>
1.1.2	Banks	(5.1.3)	7,516,772	915,156	8,431,928
<b>1.2</b>	<b>Financial Assets at Fair Value Through Profit or Loss</b>		<b>4,001,504</b>	<b>258,167</b>	<b>4,259,671</b>
1.2.3	Other Financial Assets		59,910	258,167	318,077
<b>1.3</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	(5.1.4)	<b>12,460,760</b>	<b>(5,506)</b>	<b>12,455,254</b>
1.3.2	Equity Instruments		38,583	(5,506)	33,077
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)</b>	(5.1.5)	<b>59,782,476</b>	<b>353,543</b>	<b>60,136,019</b>
<b>2.3</b>	<b>Financial Assets Measured At Amortized Cost</b>	(5.1.6.)	<b>2,859,381</b>	<b>353,543</b>	<b>3,212,924</b>
2.3.1	Government Debt Securities		2,725,997	176,942	2,902,939
2.3.2	Other Financial Assets		133,384	176,601	309,985
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>		<b>834,101</b>	<b>12,242</b>	<b>846,343</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>198,760</b>	<b>3,239</b>	<b>201,999</b>
6.2	Other		198,760	3,239	201,999
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	(5.1.12)	<b>401,782</b>	<b>15,071</b>	<b>416,853</b>
<b>X.</b>	<b>OTHER ASSETS</b>	(5.1.13)	<b>1,698,669</b>	<b>584,516</b>	<b>2,283,185</b>
	<b>TOTAL ASSETS</b>		<b>106,865,150</b>	<b>2,136,428</b>	<b>109,001,578</b>

LIABILITIES		Notes	Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
<b>I.</b>	<b>FUNDS COLLECTED</b>	(5.2.1)	<b>88,249,772</b>	<b>(253,637)</b>	<b>87,996,135</b>
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>		<b>350,955</b>	<b>3,096</b>	<b>354,051</b>
<b>VIII.</b>	<b>PROVISIONS</b>		<b>1,099,254</b>	<b>1,710,118</b>	<b>2,809,372</b>
8.2	Reserves For Employee Benefits		302,820	14,502	317,322
8.3	Insurance For Technical Provision (Net)		-	1,693,153	1,693,153
8.4	Other Provisions		796,434	2,463	798,897
<b>IX.</b>	<b>CURRENT TAX LIABILITIES</b>	(5.2.8.1)	<b>226,221</b>	<b>29,176</b>	<b>255,397</b>
<b>XIII.</b>	<b>OTHER LIABILITIES</b>	(5.2.4)	<b>1,257,502</b>	<b>241,738</b>	<b>1,499,240</b>
<b>XIV.</b>	<b>EQUITY</b>	(5.2.11)	<b>6,786,936</b>	<b>405,937</b>	<b>7,192,873</b>
14.5	Profit Reserves		1,472,776	21,283	1,494,059
14.5.1	Legal Reserves		231,728	21,428	253,156
14.5.4	Other Profit Reserves		70,251	(145)	70,106
14.6	Profit or Loss		1,028,480	384,654	1,413,134
14.6.1	Retained Earnings		(89,157)	228,350	139,193
14.6.2	Net Profit for the Period		1,117,637	156,304	1,273,941
	<b>TOTAL LIABILITIES</b>		<b>106,865,150</b>	<b>2,136,428</b>	<b>109,001,578</b>

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**III) December January 1, 2019 and December 31, 2019 effects of the regulations and classifications on the Consolidated Statement of offsetting accounts:**

		Reported 31/12/2018	Restatement Effects, Including Elimination Effects	Restated 01/01/2019
<b>I.</b>	<b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>	<b>86,759,151</b>	<b>(299,101)</b>	<b>86,460,050</b>
	<b>GUARANTEES AND WARRANTIES</b>	<b>11,876,080</b>	<b>(299,101)</b>	<b>11,576,979</b>
1.1.	Letters of Guarantee	10,391,279	(299,101)	10,092,178
1.1.3.	Other Letters of Guarantee	9,460,501	(299,101)	9,161,400
	<b>TOTAL OFF-BALANCE SHEET ACCOUNTS</b>	<b>545,744,255</b>	<b>(299,101)</b>	<b>545,445,154</b>

		Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
<b>I.</b>	<b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>	<b>123,656,675</b>	<b>(299,101)</b>	<b>123,357,574</b>
	<b>GUARANTEES AND WARRANTIES</b>	<b>11,902,354</b>	<b>(299,101)</b>	<b>11,603,253</b>
1.1.	Letters of Guarantee	10,007,571	(299,101)	9,708,470
1.1.3.	Other Letters of Guarantee	9,272,139	(299,101)	8,973,038
	<b>TOTAL OFF-BALANCE SHEET ACCOUNTS</b>	<b>670,736,952</b>	<b>(299,101)</b>	<b>670,437,851</b>

**IV) Effects of regulations and classifications on Consolidated Income Statement as of June 30, 2019:**

		Reported 30/06/2019	Restatement Effects, Including Elimination Effects	Restated 30/06/2019
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>3,709,235</b>	<b>90,238</b>	<b>3,799,473</b>
1.3	Profit Share on Banks	119,837	37,996	157,833
1.5	Profit Share on Marketable Securities Portfolio	327,857	52,242	380,099
1.5.1	Fair Value Through Profit or Loss	21,728	13,593	35,321
1.5.3	Measured at Amortised Cost	34,373	38,649	73,022
<b>II.</b>	<b>PROFIT SHARE EXPENSE (-)</b>	<b>2,039,450</b>	<b>(34,395)</b>	<b>2,005,055</b>
2.1	Expense on Profit Sharing Accounts	1,521,646	(18,350)	1,503,296
2.4	Expense on Securities Issued	370,604	(16,045)	354,559
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>	<b>1,669,785</b>	<b>124,633</b>	<b>1,794,418</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>	<b>240,721</b>	<b>(58,385)</b>	<b>182,336</b>
4.1	Fees And Commissions Received	391,412	8,724	400,136
4.1.2	Other	304,192	8,724	312,916
4.2	Fees And Commissions Paid	150,691	67,109	217,800
4.2.2	Other	146,291	67,109	213,400
<b>VI.</b>	<b>NET TRADING INCOME / LOSS</b>	<b>606,180</b>	<b>2,616</b>	<b>608,796</b>
6.3	Foreign Exchange Gains/Losses	429,176	2,616	431,792
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>536,687</b>	<b>535,885</b>	<b>1,072,572</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)</b>	<b>3,072,957</b>	<b>604,749</b>	<b>3,677,706</b>
<b>X.</b>	<b>OTHER PROVISIONS (-)</b>	<b>36,438</b>	<b>3,781</b>	<b>40,219</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>	<b>553,401</b>	<b>22,657</b>	<b>576,058</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>420,173</b>	<b>483,122</b>	<b>903,295</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>	<b>687,533</b>	<b>95,189</b>	<b>782,722</b>
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)</b>	<b>694,897</b>	<b>95,189</b>	<b>790,086</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(144,048)</b>	<b>(23,723)</b>	<b>(167,771)</b>
18.1	Current Tax Provision	(176,820)	(24,353)	(201,173)
18.3	Deferred Tax Expense Effect (-)	236,483	630	237,113
<b>XIX.</b>	<b>CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>550,849</b>	<b>71,466</b>	<b>622,315</b>
<b>XXV.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>550,849</b>	<b>71,466</b>	<b>622,315</b>
25.1	Group's Income/Loss	550,545	82,357	632,902
25.2	Minority Interest Income/Loss (-)	304	(10,891)	(10,587)

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**1.6. Disclosures Regarding TFRS 9 Financial Instruments:**

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

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

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

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

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

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

**Classification And Measurement of Financial Instruments:**

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

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

**Explanations on Expected Credit Loss :**

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

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

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Macroeconomic scenarios affect TO and THK 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 Group 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 Parent Bank applies a 'three-stage' impairment model depending on the gradual increase in credit risk observed since initial recognition

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

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

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

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

The rating of the rating is calculated by using the Bank's rating ratings based on the internal rating of the parent Bank by using the rating of the credit rating. For the loan, the rating rating calculated on the reporting date exceeds the determined threshold values and is considered as a distortion in the rating.

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

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

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

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

**1.7 Revenue from TFRS 15 Customer Contracts:**

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

**1.8 Explanations on TFRS 16 Leases Standard**

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

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

As of June 30, the accompanying financial statements include right of use assets amounting to TL 482,308, lease payables amounting to TL 367,234, financial expense amounting to TL 33,476 and depreciation expense amounting to TL 56,795

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

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

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

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

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

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**3. Investments in Associates And Subsidiaries**

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

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

Title	Address (City/Country)	Main Operation	30-June-20	31-Dec-19	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Financial Institution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/Turkey	Financial Institution	50.00%	50.00%	Accounted with equity pick-up
Neova A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	7.00%	Full consolidation

(\*) KT Sukuk Company Limited, established on July 31, 2015 in the Cayman Islands for the issuance of the bank's Tier-II subordinated loan, was excluded.

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

Consolidation basis of subsidiaries:

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

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

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

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

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

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

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

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

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

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Parent 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 Group performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

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

**5. Explanations on Profit Share Income And Expense**

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

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

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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 fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

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

**7. Explanations on Financial Assets**

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

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

**7.1 Financial assets at fair value through profit or loss:**

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

**7.2 Financial assets at fair value through other comprehensive income:**

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition costs that reflect the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with effective profit share method regarding the financial assets at fair value through other comprehensive income and dividend income

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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 Group are foreign currency swaps, cross currency swaps and currency forwards.

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

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

**7.5 Loans:**

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

**8. Explanations on Offsetting of Financial Assets And Liabilities**

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

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

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

As of 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 Parent Bank has no discontinued operations.

**11. Explanations on Goodwill And Other Intangible Assets**

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

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

There is no goodwill related to associates and subsidiaries.

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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 Group assesses whether the contract has a lease qualification or include a lease transaction.

(a) The right to obtain almost all of the economic benefits from the use of the leased asset and,

(b) Whether the leased asset which has the right to manage its use is evaluated

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

The Bank has recognized the right to lease assets equal to the lease obligation by restating the previously paid or accrued lease payments.

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**The right of the use asset**

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

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

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

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

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

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

**Lease Obligation**

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

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

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

The Group measures the lease obligation by discounting the revised lease payments on a revised discount rate when any of the following conditions occur:

- A change in the rental period.
- The Group determines revised rent payments based on revised lease term.
- The Group determines the revised discount rate for the remaining portion of the lease term as the alternative borrowing interest rate at the date of Bank's revaluation.

**14. Insurance Technical Income and Expense**

In insurance companies, premium income is obtained after diminishing the shares transferred from arranged policy income to reinsurer.

Claims are recorded in expense on accrual basis. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reassurer' shares of outstanding and paid claims are offset in the provisions.

**15. Explanations on insurance technical provisions**

TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement".

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Within the framework of the current insurance regulation, insurance technical provisions accounted by insurance companies for unearned Premium claims, unexpired risk reserver, outstanding claims and life-mathematical reserves are presented in the consolidated financial statements.

Unearned premium reserve is recognized on accrued premiums without discount or commision which extends to the next period or periods on a daily basis for the current insurance contracts.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized fort he main branches specified by the Undersecretariat of Tresury. For each main branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision, is added to the unearned premium provision of that main branch.

If the outstanding claim reserve is established and confirmed by approximation and if there are unpaid or unidentified compensation amounts in both prior and current Accounting periods; it is separated for estimated yet unreported compensation amounts.

Mathematical reserve is recognized on actuarial bases in order to meet the requirements of policyholders and beneficiaries for life, healt and personal accident insurance contracts for a period longer than a year.

On the other hand, actuarial chan ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve fort he amount of uncertain indemnity, additional reserve must be set aside fort he difference.

Reinsurance companies recognize fort he outstanding claims that is declared by the companies, accrued and determined on account.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted Insurance premiums ceded to reinsurers on contract that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Cost which vary and are directyl associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

## **16. Explanations on Provisions And Contingent Liabilities**

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

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

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

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

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**17. Explanations on Liabilities Relating to Employee Benefits**

**17.1 Defined benefit plans:**

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

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

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

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

**17.2 Defined contribution plans:**

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

**17.3 Short term benefits to employees:**

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

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

**18. Explanations on Taxation**

***Current Tax***

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

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

The corporate tax rate will be applied as 22% for the years 2018, 2019 and 2020. This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. According to the tax legislations, advance tax amount shall also be calculated using a rate of 20% for each quarter over tax base and shall be paid, then the advance taxes paid within the year shall be offset from the corporate tax calculated over the yearly corporate tax return for that year.

Withholding taxes is not applied to dividends distributed to companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister’s decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15<sup>th</sup> and 30<sup>th</sup> 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.

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

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

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

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

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

***Deferred Tax***

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

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**19. Explanations on Additional Disclosures on Borrowings**

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

The Group has not issued convertible bonds.

**20. Explanations on Share Certificates Issued**

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

**21. Explanations on Acceptances And Aailed Drafts**

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

**22. Explanations on Government Grants**

There are no government grants received by the Group.

**23. Explanations on Segment Reporting**

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

Segment reporting is disclosed in Section Four, Note 13.

**24. Explanations on Other Matters**

The Group has no disclosures on other matters.

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**SECTION FOUR**

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

**1. Explanations on Consolidated Equity Items**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 June 2020 Group’s total capital has been calculated as TL 11,056,424 (31 December 2019: TL 10,668,414), capital adequacy ratio is 20.97% (31 December 2019: 18.96%).

Based on the press release made by the BRSA on 23 March 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provisions amounts, spot purchase exchange rate can be used in preparation of financial statements as of 31 December, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revaluation differences of the securities classified under “Financial Assets Measured at Fair Value through Other Comprehensive Income” which acquired before 23 March, 2020 may not be included in capital calculation. As of 30 June 2020, the Bank has used these opportunities in capital adequacy calculations.

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**1.1. Information on consolidated equity items**

	<i>Current Period Amount</i>	<i>Restated Prior Period Amount</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,000,000
Share Premium	24,525	24,525
Reserves	1,997,186	1,494,059
Other Comprehensive Income According to TAS	282,088	268,165
Profit	424,891	1,413,134
Current Period Profit	868,419	1,273,941
Prior Period Profit	(443,528)	139,193
Minority Shares	-	-
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	28,737	28,461
<b>Common Equity Tier I Capital Before Deductions</b>	<b>7,357,427</b>	<b>7,228,344</b>
<b>Deductions From Common Equity Tier I Capital</b>	<b>-</b>	<b>-</b>
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	221,541	192,334
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 (-)	-	-
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>343,900</b>	<b>295,984</b>
<b>Total Common Equity Tier I Capital</b>	<b>7,013,527</b>	<b>6,932,360</b>

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<b>ADDITIONAL TIER I CAPITAL</b>		
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)		
<b>Additional Tier I Capital before Deductions</b>	<b>1,370,836</b>	<b>1,189,404</b>
<b>Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
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 (-)		
<b>Items To Be Deducted From Tier I Capital During The Transition Period</b>	<b>-</b>	<b>-</b>
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 (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>1,370,836</b>	<b>1,189,404</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>8,384,363</b>	<b>8,121,764</b>
<b>Tier II Capital</b>		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	2,370,405	2,073,399
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	-
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	531,100	595,205
<b>Tier II Capital before deductions</b>	<b>2,901,505</b>	<b>2,668,604</b>
<b>Deductions From Tier II Capital</b>		
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 (-)	-	-
<b>Total Deductions From Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>2,901,505</b>	<b>2,668,604</b>
<b>Total Equity (Total Tier I And Tier II Capital)</b>	<b>11,285,868</b>	<b>10,790,368</b>

(\*) 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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<b>Total Tier I Capital And Tier II Capital (Total Equity)</b>		
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
<b>Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period</b>		
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 (-)	-	-
<b>Capital</b>	-	-
Total Capital ( Total Of Tier I Capital And Tier II Capital )	11,056,424	10,668,414
Total Risk Weighted Assets	52,726,760	56,262,955
<b>Capital Adequacy Ratios</b>		
CET1 Capital Ratio (%)	13.30	12.32
Tier I Capital Ratio (%)	15.90	14.44
Capital Adequacy Ratio (%)	20.97	18.96
<b>Buffers</b>		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	8.80	7.82
<b>Amounts Lower Than Excesses As Per Deduction Rules</b>		
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		-
<b>Limits For Provisions Used In Tier II Capital Calculation</b>		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	531,100	595,205
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	531,100	595,205
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-

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<b>Information on debt instruments to be included in equity calculation:</b>		
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
<b>Consideration In Equity Calculation</b>		
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
<b>Dividend payments</b>		
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
<b>Ability to convert to stock</b>		
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
<b>Value reduction feature</b>		
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Primary Unsecured Sukuk	Tier – 1
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None

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

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

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

**2. Explanations on consolidated currency risk**

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

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

As of 30 June 2020, the Group has a long position amounting to TL 70,010 (31 December 2019 – TL 446,838 long position), consisting of a balance sheet short position amounting to TL 10,434,255 (31 December 2019 – TL 8,378,733 long position) and an off-balance long position (31 December 2019 – TL 7,931,895 short position)

The announced current foreign exchange buying rates of the Parent Bank as of 30 June 2019 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
<b>USD</b>	6.85276	6.85411	6.85282	6.85205	6.85179	6.85418
<b>EURO</b>	7.74306	7.73773	7.68942	7.68917	7.72098	7.68419
<b>GBP</b>	8.55138	8.56508	8.5173	8.49118	8.44722	8.41665
<b>CHF</b>	7.24996	7.24598	7.2208	7.2293	7.24188	7.20643
<b>JPY</b>	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 Parent 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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**Consolidated currency risk of the Group:**

	<b>Euro</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	1,944,503	5,033,682	3,717,773	10,695,958
Banks(****)	2,379,018	831,011	1,590,813	4,800,842
Financial assets at fair value through profit and loss	436,816	274,496	5,892,333	6,603,645
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,735,744	4,735,826	-	7,471,570
Loans and finance lease receivables (*)	11,592,109	14,737,805	128,873	26,458,787
Subsidiaries, associates and joint ventures	-	-	-	-
Financial assets at amortized cost	3,321,658	2,167,570	-	5,489,228
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	12,113	951	-	13,064
Intangible assets	70,352	11	-	70,363
Other assets (****)	1,280,989	97,895	2,333	1,381,217
<b>Total assets</b>	<b>23,773,302</b>	<b>27,879,247</b>	<b>11,332,125</b>	<b>62,984,674</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	346,834	94,264	187,450	628,548
Current and profit sharing accounts FC (***)	12,216,254	31,075,818	19,930,523	63,222,595
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	135,944	4,789,793	-	4,925,737
Marketable securities issued	-	3,041,593	492,634	3,534,227
Miscellaneous payables	157,214	283,929	40,006	481,149
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	191,875	408,679	26,119	626,673
<b>Total liabilities</b>	<b>13,048,121</b>	<b>39,694,076</b>	<b>20,676,732</b>	<b>73,418,929</b>
Net balance sheet position	10,725,181	(11,814,829)	(9,344,607)	(10,434,255)
Net off-balance sheet position	(10,977,828)	12,146,886	9,335,207	10,504,265
Financial derivative assets	620,423	18,986,192	10,029,119	29,635,734
Financial derivative liabilities	11,598,251	6,839,306	693,912	19,131,469
Non-cash loans (**)	1,794,945	2,564,756	719,968	5,079,669
<b>Prior period</b>				
Total assets	32,421,730	25,771,122	11,237,311	69,430,163
Total liabilities	12,507,749	36,360,587	12,183,094	61,051,430
Net balance sheet position	19,913,981	(10,589,465)	(945,783)	8,378,733
Net off-balance sheet position	(20,055,210)	11,193,288	930,027	(7,931,895)
Financial derivative assets	371,647	19,860,378	1,463,898	21,695,923
Financial derivative liabilities	20,426,857	8,667,090	533,871	29,627,818
Non-cash loans (**)	1,883,918	2,503,577	576,420	4,963,915

(\*) Includes foreign currency indexed loans amounting to TL 2,206,525 (31 December 2019 – TL 2,662,329) and expected loss provisions to TL 203,537 followed as TL on the balance sheet

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

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

(\*\*\*\*) Other liabilities at fair value through TL 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 442,140 (31 December 2019 – TL 163,236)
- 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 748,937 (31 December 2019 – TL 907,180)
- Forward foreign currency sale transactions: TL 1,033,830 (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 group is largely exposed to exchange rate risk in Euros, US dollars and Gold.

The following table shows the group'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%	33,206	60,382	26,990	60,382
EUR	10%	(25,265)	(14,123)	(26,491)	(14,123)
GOLD	10%	7,301	3,545	7,301	3,545

**3. Explanations on stock position risk arising from banking accounts**

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

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

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

Current Period		Comparison		
Equity Securities (shares) investments (*)	Carrying Value	Fair Value	Market Value	
1 Securities at Fair Value Through Other Comprehensive Income	41,112	-	-	
Quoted Securities	-	-	-	
2 Investments in Associates	-	-	-	
Quoted Securities	-	-	-	
3 Investment in Subsidiaries	23,680	-	-	
Quoted Securities	-	-	-	
4 Other	49,820	-	-	
Quoted Securities	-	-	-	
Prior Period		Comparison		
Equity Securities (shares) investments (*)	Carrying Value	Fair Value	Market Value	
1 Securities Available-for-Sale	33,077	-	-	
Quoted Securities	-	-	-	
2 Investments in Associates	-	-	-	
Quoted Securities	-	-	-	
3 Investment in Subsidiaries	23,680	-	-	
Quoted Securities	-	-	-	
4 Other	40,381	-	-	
Quoted Securities	-	-	-	

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

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

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None.

**4. Consolidated Liquidity risk management and liquidity coverage ratio**

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

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

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

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

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

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

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

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

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

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

Group's 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.

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

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

**4.5. Information on liquidity risk mitigation techniques:**

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

**4.6. Information on the use of stress tests:**

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

**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 and reviewed every year by the Executive Risk Committee. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. Indicators of Emergency Funding Plan were determined, in case of unexpected progress at the liquidity situation occur or at situations trigger of other indicators, plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management 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) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
		TL+FC	FC	TL+FC	FC
<b>HIGH-QUALITY LIQUID ASSETS</b>					
1	Total high-quality liquid assets (HQLA)	32,461,619	19,139,070	30,306,012	16,983,464
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	55,091,050	11,223,646	4,858,116	1,122,365
3	Stable deposits	13,019,767	-	650,988	-
4	Less stable deposits	42,071,283	11,223,646	4,207,128	1,122,365
5	Unsecured wholesale funding, of which:	21,941,597	14,964,862	12,512,564	8,870,878
6	Operational deposits	-	-	-	-
7	Non-operational deposits	17,100,066	10,876,294	7,671,033	4,782,310
8	Unsecured funding	4,841,531	4,088,568	4,841,531	4,088,568
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	20,005,955	18,887,844	20,005,955	18,887,844
11	Outflows related to derivative exposures and other collateral requirements	20,005,955	18,887,844	20,005,955	18,887,844
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	17,763,921	5,537,247	1,407,249	321,372
16	<b>TOTAL CASH OUTFLOWS</b>			38,783,884	29,202,459
<b>CASH INFLOWS</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	16,752,330	9,788,800	13,444,004	9,263,823
19	Other cash inflows	20,070,931	16,982,204	20,070,931	16,982,204
20	<b>TOTAL CASH INFLOWS</b>	<b>36,823,261</b>	<b>26,771,004</b>	<b>33,514,935</b>	<b>26,246,027</b>
				Upper Limit Applied Values	
21	<b>TOTAL HQLA STOCK</b>			<b>30,306,012</b>	<b>16,983,464</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>9,695,971</b>	<b>7,300,615</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>312.56</b>	<b>232.63</b>

(\*) 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
<b>TL+FC</b>	397.95	28/01/2020	233.35	28/04/2020	328.48
<b>FC</b>	495.60	31/01/2020	196.65	14/06/2020	320.13

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

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**Liquidity risk management and liquidity coverage ratio (continued)**

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

(\*) 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
<b>TL+FC</b>	406.63	21/10/2019	240.00	28/03/2019	321.01
<b>FC</b>	484.90	21/10/2019	266.24	28/03/2019	359.10

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

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**Presentation of assets and liabilities according to their remaining maturities:**

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (**)	Total
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	4,693,193	7,789,751	-	-	-	-	-	12,482,944
Banks(*)	4,559,728	-	1,172,394	-	-	-	-	5,732,122
Financial assets at fair value through profit and loss	-	38,906	18,108	6,454,062	350,491	-	410,055	7,271,622
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	6,982,845	9,382	13,259,039	11,949,930	-	142,566	32,343,762
Loans (**)	-	8,597,745	6,346,828	25,628,815	25,550,679	4,370,372	(2,073,520)	68,420,919
Financial assets measured at amortised cost	-	-	-	3,103,746	2,385,482	-	554,050	6,043,278
Other assets (***)	260,806	2,161,512	328,396	89,906	577,782	-	2,188,298	5,606,700
<b>Total assets</b>	<b>9,513,727</b>	<b>25,570,759</b>	<b>7,875,108</b>	<b>48,535,568</b>	<b>40,814,364</b>	<b>4,370,372</b>	<b>1,221,449</b>	<b>137,901,347</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	639,901	960	-	-	-	-	-	640,861
Current and profit-sharing accounts	55,377,108	39,354,078	6,532,458	4,590,361	1,016,765	1,637	-	106,872,407
Funds provided from other financial institutions	-	425,524	571,565	237,756	1,637,207	2,492,358	-	5,364,410
Money market borrowings	-	6,931,811	-	-	-	-	-	6,931,811
Marketable securities issued	-	1,016,397	910,976	-	2,959,605	-	-	4,886,978
Miscellaneous payables	720,842	127,637	-	-	-	-	-	848,479
Other Liabilities (****)	-	1,387,793	415,665	16,396	3,781	-	10,532,766	12,356,401
<b>Total Liabilities</b>	<b>56,737,851</b>	<b>49,244,200</b>	<b>8,430,664</b>	<b>4,844,513</b>	<b>5,617,358</b>	<b>2,493,995</b>	<b>10,532,766</b>	<b>137,901,347</b>
Net liquidity gap	(47,224,124)	(23,673,441)	(555,556)	43,691,055	35,197,006	1,876,377	(9,311,317)	-
<b>Prior period</b>								
Total assets	16,456,130	25,029,166	8,599,635	21,375,011	33,237,258	2,911,169	1,393,209	109,001,578
Total liabilities	37,304,079	42,377,871	6,494,668	5,242,158	5,061,569	2,239,399	10,281,834	109,001,578
Net liquidity gap	(20,847,949)	(17,348,705)	2,104,967	16,132,853	28,175,689	671,770	(8,888,625)	-

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

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

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

(\*\*\*\*) The other unallocated liabilities column consists mainly of equity and provision balances.

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**5. Explanations on consolidated leverage ratio**

**5.1 Disclosure of leverage ratio template**

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

<b>On-balance sheet assets <sup>(*)</sup></b>		<b>Current Period</b>	<b>Prior Period</b>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	135,376,009	103,613,007
2	(Assets amounts deducted in determining Basel III Tier I Capital)	(351,817)	(274,081)
3	Total amount on-balance sheet risks (sum of lines 1 and 2)	135,024,192	103,338,926
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative instruments and credit derivatives	431,047	288,592
5	The potential amount of credit risk with derivative financial instruments 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
<b>Securities or commodity financing transactions (SCFT)</b>			
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
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	69,989,244	65,620,425
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)	27,129,849	23,016,828
<b>Capital and total risks</b>			
13	Tier I Capital	8,340,677	7,716,781
14	Total risks (sum of lines 3, 6, 9 and 12)	163,694,166	127,607,159
<b>Leverage ratio</b>			
15	Leverage ratio	5.10	6.05

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Group’s consolidated balance sheet date was %5.1 (31 December 2019 - 6.05%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Accordingly, main capital increased by 8% on profit for the period, while on-balance sheet risk increased by 31% and off-balance sheet increased by 18%. Accordingly, there is a decrease of 95 basis points in the current period leverage ratio compared to the previous period.

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**6. Explanations on fair value of consolidated financial assets and liabilities**

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

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

**8. Explanations on consolidated hedge accounting practices**

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

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

The contractual amounts of the derivative financial instruments as of 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
<b>Total</b>	<b>543,264</b>	<b>-</b>	<b>61,804</b>	<b>1,289,330</b>	<b>-</b>	<b>129,728</b>

(\*) 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.

**Net investment hedge:**

The Group applies a net investment hedge strategy to hedge its foreign currency risk due to its net investment of EUR 106,964,123 (Full Amount) of its subsidiary KT Bank AG. The same portion of the Group's foreign currency denominated participation funds is designated as hedging instrument. The effective portion of the exchange rate changes of the foreign currency participation funds in this scope is accounted for under hedging funds account under equity.

Hedging funds account under equity and other comprehensive income regarding net investment hedges have been accounted after tax (TL 251,670) and (TL 75,216), respectively in the current period.

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**Cash flow hedge:**

The Parent Bank, convert Malaysian Ringgit (MYR) 300,000 MYR (31 December 2019:800.000 MYR) borrowings to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on borrowings and changes in USD/TL foreign exchange rates on profit share-yielding assets.

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

Current Period					
Type of hedging instrument	Hedged item (asset and 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 Participation Bank KT Kira Certifikaları A.Ş. Securities issued by the Parent Banks and presented in the "Securities Issued (Net)" 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 Parents Bank and presented in the "Securities Issued" line in the financial statements.

At the inception date, the Parent 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 Consolidated 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 Parent Bank is exposed. The Board of Directors is the owner of the Parent Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Parent Bank's Risk Management System is to identify, measure, monitor and control the risks that the Parent 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. Overview of risk weighted amounts:**

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/06/2020	Restated Prior Period 31/12/2019	Current Period 30/06/2020
1	Credit risk (excluding counterparty credit risk) (CCR)	42,269,752	47,393,051	3,381,580
2	Standardised approach (SA)	42,289,843	47,417,649	3,383,187
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	2,632,443	2,978,934	210,595
17	Standardised approach (SA)	2,632,443	2,978,934	210,595
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	7,606,341	5,667,645	608,507
20	Basic indicator approach	7,606,341	5,667,645	608,507
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>52,726,760</b>	<b>56,262,955</b>	<b>4,218,140</b>

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**Credit Risk Explanations**

**9.2.1. Credit Quality of Assets**

	Current Period(**)	<i>Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation</i>		<i>Provisions / depreciation and impairment</i>	<i>Net Values</i>
		<i>Defaulted</i>	<i>Non-Defaulted</i>		
1	Loans	2,202,831	66,902,561	1,769,023	67,336,369
2	Debt Instruments	-	36,902,753	16,163	36,886,590
3	Off-balance sheet exposures(*)	-	17,493,121	399,570	17,093,551
4	<b>Total</b>	<b>2,202,831</b>	<b>121,298,435</b>	<b>2,184,756</b>	<b>121,316,510</b>

(\*) The reiscouts of derivative transactions are shown on the net impairment line.

(\*\*) 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	<i>Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation</i>		<i>Provisions / depreciation and impairment</i>	<i>Net Values</i>
		<i>Defaulted</i>	<i>Non-Defaulted</i>		
1	Loans	2,109,681	57,856,487	1,557,589	58,408,579
2	Debt Instruments	-	15,682,556	8,872	15,673,684
3	Off-balance sheet exposures(*)	-	17,391,736	421,583	16,970,152
4	<b>Total</b>	<b>2,109,681</b>	<b>90,930,779</b>	<b>1,988,044</b>	<b>91,052,415</b>

(\*) The rediscounts of derivative transactions are shown on the net impairment line.

**9.2.2 Changes in Stock of Defaulted Loans and Debt Securities**

		Current Period	Prior Period
1	Amount of defaulted loans and debt instruments at the end of the prior reporting period	2,109,681	1,185,840
2	Defaulting loans and borrowing instruments from the last reporting period	489,043	2,329,691
3	Receivables that have not defaulted again	-	-
4	Amounts written off	-	974,156
5	Other exchanges	(341,720)	(431,694)
6	<b>Amount of defaulted loans and debt instruments at the end of the reporting period(1 + 2-3-4±5)(*)</b>	<b>2,257,004</b>	<b>2,109,681</b>

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**9.2.3 Credit Risk Mitigation Techniques - Overview:**

Current Period		Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	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	40,052,610	19,015,622	5,079,615	8,268,137	6,302,526	-	-
2	Debt Instruments	36,886,590	-	-	-	-	-	-
3	<b>Total</b>	<b>76,939,200</b>	<b>19,015,622</b>	<b>5,079,615</b>	<b>8,268,137</b>	<b>6,302,526</b>	-	-
4	Defaulted	96,153	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 (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	43,822,510	12,458,319	2,010,696	2,127,750	1,841,401	-	-
2	Debt Instruments	15,673,684	-	-	-	-	-	-
3	<b>Total</b>	<b>59,496,194</b>	<b>12,458,319</b>	<b>2,010,696</b>	<b>2,127,750</b>	<b>1,841,401</b>	-	-
4	Defaulted	526,472	25,620	15,922	-	-	-	-

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**9.2.4. Standard Approach - Exposure to credit risk and credit risk mitigation effects:**

	Risk Classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Density of risk weighted amount
1	Exposures to central governments or central banks	43,186,750	-	49,489,275	-	-	0%
2	Exposures to regional governments or local authorities	-	-	-	-	-	0%
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	0%
4	Exposures to multilateral development banks	214,476	-	214,476	-	-	0%
5	Exposures to international organisations	-	-	-	-	-	0%
6	Exposures to banks and securities firms	7,770,701	1,230,378	7,770,701	136,404	2,547,673	32%
7	Exposures to corporates	20,610,965	5,907,528	17,595,762	2,795,673	20,119,503	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	248,714	-	179,475	-	92,590	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	-	5,903,427	-	5,903,427	2,771,111	47%
17	Equity investment	-	73,500	-	73,500	73,500	100%
18	<b>Total</b>	<b>100,466,936</b>	<b>23,172,773</b>	<b>100,466,936</b>	<b>12,084,940</b>	<b>42,289,843</b>	

**9.2.5. Standardised Approach – Exposures by Asset Classes and Risk Weights:**

Risk Classes / Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	200%	Total Credit Risk Amount (CCF and CRM)
1	Exposures to central governments or central banks	49,489,275	-	-	-	-	-	-	-	-	-
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	214,476	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	14,365	-	5,218,259	-	2,340,920	-	333,562	-	-	2,547,673
7	Exposures to corporates	138,222	-	167,138	-	-	-	20,086,075	-	-	20,119,503
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	-	171,963	-	6,526	-	-	92,590
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	-	-	-	-	-	-	73,500	-	-	73,500
17	Other exposures	2,305,268	-	1,033,810	-	-	-	2,564,349	-	-	2,771,112
18	<b>Total</b>	<b>52,447,023</b>	<b>-</b>	<b>6,723,560</b>	<b>8,500,878</b>	<b>8,283,202</b>	<b>11,283,923</b>	<b>25,209,313</b>	<b>103,978</b>	<b>-</b>	<b>42,289,843</b>

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**9.3. Counterparty Credit Risk (CCR) Approach Analysis**

**9.3.1. Evaluation of counterparty credit risk according to measurement methods:**

	Current Period	Revaluation Cost	Potential Credit Risk Exposure	EBPRT	Alpha	Exposure after credit risk mitigation	Risk weighted amounts
1	Standardised Approach (for derivatives)	399,031	293,021	-	1.4	692,052	178,155
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	-	-
6	<b>Total</b>						<b>178,155</b>

\* In counterparty credit risk calculations, valuation method is used according to fair value.

	Previous Period	Revaluation Cost	Potential Credit Risk Exposure	EBPRT	Alpha	Exposure after credit risk mitigation	Risk weighted amounts
1	Standardised Approach (for derivatives)	183,939	351,813	-	1.4	535,752	179,294
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	-	-
6	<b>Total</b>						<b>179,294</b>

\* In counterparty credit risk calculations, valuation method is used according to fair value.

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**9.3.2 Credit Valuation Adjustment (CVA) Capital Charge:**

	Current Period		Previous Period	
	Risk amount (After the use of credit risk reduction techniques)	Risk-weighted amounts	Risk amount (After the use of credit risk reduction techniques)	Risk-weighted amounts
Total amount of portfolios subject to KDA capital obligation according to advanced method				
1 (i) Risk-exposed value component (including 3 * multiplier)	-	-	-	-
2 (ii) Value exposed to stress risk (including 3 * multiplier)	-	-	-	-
3 Total amount of portfolios subject to CVA capital obligation according to the standard method	692,052	19,979	535,752	19,433
4 <b>Total amount subject to CVA capital liability</b>	<b>692,052</b>	<b>19,979</b>	<b>535,752</b>	<b>19,433</b>

**9.3.3 Standardised Approach of CCR exposures by regulatory portfolio and risk weights**

**Risk Weights:**

Current Period - Risk Classes / Risk Weights *		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	Equity investment	-	-	-	-	-	-	-	-	-	-
17	Other exposures**	-	-	-	-	-	-	-	-	-	-
18	<b>Total</b>	<b>6,934,284</b>	<b>-</b>	<b>394,250</b>	<b>897</b>	<b>152,837</b>	<b>9,229</b>	<b>15,651</b>	<b>-</b>	<b>-</b>	<b>178,155</b>

\* Total credit risk: 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 KKR8.

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Previous 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 Equity investment	-	-	-	-	-	-	-	-	-	-
17 Other exposures **	-	-	-	-	-	-	-	-	-	-
18 <b>Total</b>	<b>425,122</b>	<b>-</b>	<b>307,401</b>	<b>217,557</b>	<b>6,416</b>	<b>4,139</b>	<b>-</b>	<b>-</b>	<b>239</b>	<b>179,294</b>

\* Total credit risk: 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 KKR8

\*\*\* 35% Risk weight is classified in the others section.

**9.3.4. Guarantees used for counterparty credit risk:**

None.

**9.3.5. Credit derivatives:**

None.

**9.3.6. Risks to the central counterparty ("CCT):**

None.

**10. Securitization Positions**

None.

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

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

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**12. Qualitative information on market risk:**

**12.1 Standard approach:**

		Current Period	Prior Period
	<b>Direct (advance) products</b>	<b>2,632,443</b>	<b>2,978,935</b>
1	Profit share rate risk (general and specific)	2,120,972	2,801,526
2	Stock risk (general and specific)	-	-
3	Exchange rate risk	510,567	177,216
4	Commodity risk	904	193
	<b>Options</b>	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisations	-	-
9	<b>Total</b>	<b>2,632,443</b>	<b>2,978,935</b>

**13. Explanations on consolidated business segments**

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

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

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

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long-term financing agreements with foreign banks. Besides supplying syndicated loans and issue the Sukuk for the Group, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Group, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (forward, swap) with 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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**Specific balance sheet and income statement items according to segments:**

<b>Current Period</b> <b>1 January 2020-30 June 2020</b>	<b>Retail</b> <b>Banking</b>	<b>Corporate and</b> <b>Commercial</b> <b>banking</b>	<b>Treasury and</b> <b>international</b> <b>banking</b>	<b>Unallocated</b>	<b>Bank's total</b> <b>operation</b>
Operating income	2,507,747	3,208,462	487,755	-	6,203,964
Operating expenses (-)	2,032,061	850,102	425,317	1,790,390	5,097,870
Transfers between segments	1,500,511	(376,653)	(1,123,858)	-	-
<b>Net operating income(loss)</b>	<b>1,976,197</b>	<b>1,981,707</b>	<b>(1,061,420)</b>	<b>(1,790,390)</b>	<b>1,106,094</b>
Income from associates	-	-	-	9,439	9,439
<b>Income (loss) before tax</b>	<b>1,976,197</b>	<b>1,981,707</b>	<b>(1,061,420)</b>	<b>(1,780,951)</b>	<b>1,115,533</b>
Provision for taxation (-)	-	-	-	236,129	236,129
<b>Net income for the period</b>	<b>1,976,197</b>	<b>1,981,707</b>	<b>(1,061,420)</b>	<b>(2,017,080)</b>	<b>879,404</b>
<b>Current Period</b> <b>30 June 2020</b>					
Segment assets	26,991,323	38,718,261	67,579,829	-	133,289,413
Associates, subsidiaries and joint ventures	-	-	-	73,500	73,500
Undistributed assets	-	-	-	4,538,434	4,538,434
<b>Total assets</b>	<b>26,991,323</b>	<b>38,718,261</b>	<b>67,579,829</b>	<b>4,611,934</b>	<b>137,901,347</b>
Segment liabilities	94,102,854	20,335,769	10,562,789	-	125,001,412
Undistributed liabilities	-	-	-	5,604,376	5,604,376
Shareholders' equity	-	-	-	7,295,559	7,295,559
<b>Total liabilities</b>	<b>94,102,854</b>	<b>20,335,769</b>	<b>10,562,789</b>	<b>12,899,935</b>	<b>137,901,347</b>
<b>Prior Period</b> <b>1 January 2019 – 30 June 2019</b>					
Operating income	3,438,201	1,911,815	510,326	-	5,860,342
Operating expenses (-)	2,162,935	1,178,204	257,346	1,479,135	5,077,620
Transfers between segments	1,500,511	(376,653)	(1,123,858)	-	-
<b>Net operating income(loss)</b>	<b>2,775,777</b>	<b>356,958</b>	<b>(870,878)</b>	<b>(1,479,135)</b>	<b>782,722</b>
Income from associates	-	-	-	7,364	7,364
<b>Income (loss) before tax</b>	<b>2,775,777</b>	<b>356,958</b>	<b>(870,878)</b>	<b>(1,471,771)</b>	<b>790,086</b>
Provision for taxation (-)	-	-	-	167,771	167,771
<b>Net income for the period</b>	<b>2,775,777</b>	<b>356,958</b>	<b>(870,878)</b>	<b>(1,639,542)</b>	<b>622,315</b>
<b>Prior Period</b> <b>31 December 2019</b>					
Segment assets	19,680,015	35,203,430	50,268,046	-	105,151,491
Associates, subsidiaries and joint ventures	-	-	-	64,061	64,061
Undistributed assets	-	-	-	3,786,026	3,786,026
<b>Total assets</b>	<b>19,680,015</b>	<b>35,203,430</b>	<b>50,268,046</b>	<b>3,850,087</b>	<b>109,001,578</b>
<b>Prior Period</b> <b>31 December 2019</b>					
Segment liabilities	73,909,898	14,083,077	9,251,721	-	97,244,696
Undistributed liabilities	-	-	-	4,564,009	4,564,009
Shareholders' equity	-	-	-	7,192,873	7,192,873
<b>Total liabilities</b>	<b>73,909,898</b>	<b>14,083,077</b>	<b>9,251,721</b>	<b>11,756,882</b>	<b>109,001,578</b>

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**SECTION FIVE**

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Explanations and notes related to consolidated assets:**

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	546,591	1,768,748	613,156	1,838,246
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
<b>Total</b>	<b>1,786,986</b>	<b>10,695,958</b>	<b>1,768,747</b>	<b>17,447,545</b>

(\*) 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
<b>Total</b>	<b>1,105,609</b>	<b>8,177,758</b>	<b>1,155,591</b>	<b>14,498,131</b>

In accordance with the “Communiqué no. 2013/15 on Reserve Requirements”, the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 1 % and 2 % for TL deposits and other liabilities according to their maturities as of 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 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	428,983	3,821	160,191
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>27,928</b>	<b>442,140</b>	<b>18,770</b>	<b>163,236</b>

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**1.3 Information on Banks:**

**1.3.1. Information on Banks:**

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	931,706	4,806,668	924,323	7,507,605
Domestic	931,706	1,639,430	924,294	3,771,051
Foreign	-	3,167,238	29	3,736,554
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
<b>Total</b>	<b>931,706</b>	<b>4,806,668</b>	<b>924,323</b>	<b>7,507,605</b>

**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
<b>Debt Securities</b>	<b>32,240,961</b>	<b>12,288,314</b>
Quoted on stock exchange	32,240,961	12,288,314
Not quoted on stock exchange	-	-
<b>Share certificates</b>	<b>123,822</b>	<b>180,226</b>
Quoted on stock exchange	102,107	94,539
Not quoted on stock exchange	21,715	85,687
<b>Impairment provision</b>	<b>(21,021)</b>	<b>(13,286)</b>
<b>Total</b>	<b>32,343,762</b>	<b>12,455,254</b>

**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 Group:**

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

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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
<b>Loans</b>	<b>59,588,539</b>	<b>4,201,382</b>	<b>2,569,996</b>	<b>-</b>
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	11,323,179	379,804	52,034	-
Credit Cards	1,027,955	130,660	17,113	-
Loans given to financial sector	3,003,401	-	-	-
Other	8,105,806	171,060	-	-
<b>Other Receivables</b>	<b>5,164</b>	<b>139,996</b>	<b>12,889</b>	<b>-</b>
<b>Total</b>	<b>59,593,703</b>	<b>4,341,378</b>	<b>2,582,885</b>	<b>-</b>

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
<b>Loans</b>	<b>49,298,335</b>	<b>3,556,702</b>	<b>2,264,742</b>	<b>-</b>
Export Loans	4,531,667	319,767	-	-
Import Loans	951,591	42,549	-	-
Corporation Loans	20,627,346	2,652,310	2,194,384	-
Consumer Loans	7,717,979	304,840	47,325	-
Credit Cards	950,450	117,001	23,033	-
Loans given to financial sector	8,820,174	-	-	-
Other	5,699,128	120,235	-	-
<b>Other Receivables</b>	<b>2,697</b>	<b>15,292</b>	<b>11,199</b>	<b>-</b>
<b>Total</b>	<b>49,301,032</b>	<b>3,571,994</b>	<b>2,275,941</b>	<b>-</b>

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

	Standard Loans	Loans and other receivables under close monitoring	Standard Loans	Loans and other receivables under close monitoring
	Current Period (*)	Current Period (*)	Prior Period	Prior Period
12 Month Expected Credit Losses	1,036,411	-	488,598	-
Significant Increase in Credit Risk	-	1,472,210	-	996,886
<b>Total</b>	<b>1,036,411</b>	<b>1,472,210</b>	<b>488,598</b>	<b>996,886</b>

(\*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 23,724.

**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.

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

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>65,178</b>	<b>11,403,504</b>	<b>11,468,682</b>
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
<b>Consumer Loans-FC Indexed</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>3</b>	<b>264,654</b>	<b>264,657</b>
Real Estate Loans	-	235,579	235,579
Vehicle Loans	-	377	377
Consumer Loans	-	28,698	28,698
Other	3	-	3
<b>Retail Credit Cards-TL</b>	<b>470,775</b>	<b>57</b>	<b>470,832</b>
With Installment	83,852	57	83,909
Without Installment	386,923	-	386,923
<b>Retail Credit Cards-FC</b>	<b>2,519</b>	<b>-</b>	<b>2,519</b>
With Installment	2,519	-	2,519
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,615</b>	<b>20,063</b>	<b>21,678</b>
Real Estate Loans	-	1,684	1,684
Vehicle Loans	684	14,105	14,789
Consumer Loans	930	4,274	5,204
Other	1	-	1
<b>Personnel Loans-FC Indexed</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>11,515</b>	<b>21</b>	<b>11,536</b>
With Installment	3,605	21	3,626
Without Installment	7,910	-	7,910
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>551,605</b>	<b>11,688,299</b>	<b>12,239,904</b>

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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
<b>Consumer Loans-TL</b>	<b>75,033</b>	<b>7,726,981</b>	<b>7,802,014</b>
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
<b>Consumer Loans-FC Indexed</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	<b>249,220</b>	<b>249,220</b>
Real Estate Loans	-	216,395	216,395
Vehicle Loans	-	373	373
Consumer Loans	-	28,626	28,626
Other	-	3,826	3,826
<b>Retail Credit Cards-TL</b>	<b>456,724</b>	<b>73</b>	<b>456,797</b>
With Installment	98,257	73	98,330
Without Installment	358,467	-	358,467
<b>Retail Credit Cards-FC</b>	<b>1,650</b>	-	<b>1,650</b>
With Installment	1,650	-	1,650
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,912</b>	<b>16,998</b>	<b>18,910</b>
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
<b>Personnel Loans-FC Indexed</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>11,025</b>	<b>60</b>	<b>11,085</b>
With Installment	4,229	60	4,289
Without Installment	6,796	-	6,796
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>546,344</b>	<b>7,993,332</b>	<b>8,539,676</b>

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**1.5.5 Information on commercial installment loans and corporate credit cards:**

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>285,483</b>	<b>6,935,814</b>	<b>7,221,297</b>
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	-	-	-
<b>Commercial Installment Loans-FC Indexed</b>	<b>680</b>	<b>658,814</b>	<b>659,494</b>
Business Loans	680	101,711	102,391
Vehicle Loans	-	32,951	32,951
Consumer Loans	-	524,152	524,152
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>127,139</b>	<b>2,708,158</b>	<b>2,835,297</b>
Business Loans	31,755	645,534	677,289
Vehicle Loans	95,384	84,381	179,765
Consumer Loans	-	-	-
Other	-	1,978,243	1,978,243
<b>Corporate Credit Cards-TL</b>	<b>690,056</b>	<b>-</b>	<b>690,056</b>
With Installment	243,106	-	243,106
Without Installment	446,950	-	446,950
<b>Corporate Credit Cards-FC</b>	<b>785</b>	<b>-</b>	<b>785</b>
With Installment	785	-	785
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,104,143</b>	<b>10,302,786</b>	<b>11,406,929</b>
<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>248,040</b>	<b>4,929,680</b>	<b>5,177,720</b>
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	-	-	-
<b>Commercial Installment Loans-FC Indexed</b>	<b>3,221</b>	<b>844,575</b>	<b>847,796</b>
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>127,905</b>	<b>2,043,461</b>	<b>2,171,366</b>
Business Loans	31,456	686,563	718,019
Vehicle Loans	96,449	81,449	177,898
Consumer Loans	-	-	-
Other	-	1,275,449	1,275,449
<b>Corporate Credit Cards-TL</b>	<b>620,612</b>	<b>-</b>	<b>620,612</b>
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
<b>Corporate Credit Cards-FC</b>	<b>340</b>	<b>-</b>	<b>340</b>
With Installment	340	-	340
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,000,118</b>	<b>7,817,716</b>	<b>8,817,834</b>

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**1.5.6 Breakdown of loans by user:**

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**1.5.7 Breakdown of domestic and foreign loans:**

	Current period	Prior period
Domestic loans	62,419,923	46,697,875
Foreign loans	4,098,043	8,451,092
<b>Total</b>	<b>66,517,966</b>	<b>55,148,967</b>

**1.5.8 Loans granted to subsidiaries and associates:**

	Current period	Prior period
Loans granted directly to subsidiaries and associates	118	182
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>118</b>	<b>182</b>

**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	1,294,097	1,119,658
<b>Total</b>	<b>1,828,493</b>	<b>1,557,589</b>

**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 Collectibility	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
<b>Current Period:</b>			
(Gross Amount Before Specific Provisions)	-	63,562	-
Restructured Loans and Receivables	-	-	-
<b>Prior Period:</b>			
(Gross Amount Before Specific Provisions)	-	65,699	-
Restructured Loans and Receivables	-	-	-

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Ending balance of prior period 31.12.2019</b>	<b>250,407</b>	<b>318,133</b>	<b>1,541,141</b>
Additions in the current period (+)	179,350	59,875	249,818
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	152,223
Write offs (-)	-	-	-
<b>Sold Portfolio (-)(*)</b>	<b>-</b>	<b>-</b>	<b>153,338</b>
Corporate and commercial loans	-	-	153,338
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>221,630</b>	<b>419,922</b>	<b>1,615,452</b>
Specific provisions (-)	170,426	363,970	1,294,097
<b>Net balances on balance sheet</b>	<b>51,204</b>	<b>55,952</b>	<b>321,355</b>

(\*) The Group assigned the risk of TL 153,338, which was allocated one hundred percent provision from its non-performing loans, to the asset management company for a fee of TL 50,000.

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
<b>Current period:</b>			
Ending balance of the current period	64,271	72,354	92,543
Provision amount (-)	44,841	44,270	74,889
<b>Net balance at the balance sheet</b>	<b>19,430</b>	<b>28,084</b>	<b>17,654</b>
<b>Prior period</b>			
Ending balance of the current period	79,218	5,454	127,352
Provision amount (-)	48,407	4,640	69,392
<b>Net balance at the balance sheet</b>	<b>30,811</b>	<b>814</b>	<b>57,960</b>

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>51,204</b>	<b>55,952</b>	<b>321,355</b>
Loans granted to real persons and legal entities (Gross)	221,630	419,922	1,615,452
Specific provision (-)	170,426	363,970	1,294,097
<b>Loans to real persons and legal entities (Net)</b>	<b>51,204</b>	<b>55,952</b>	<b>321,355</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (net) 31.12. 2019</b>	<b>40,915</b>	<b>89,694</b>	<b>421,483</b>
Loans to real persons and legal entities (Gross)	250,407	318,133	1,541,141
Specific provision (-)	209,492	228,439	1,119,658
<b>Loans to real persons and legal entities (Net)</b>	<b>40,915</b>	<b>89,694</b>	<b>421,483</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

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

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

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

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

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

**1.5.10.8** Information on the write-off policy:

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**1.6 Information on other financial assets measured at amortised cost:**

**1.6.1 Information on Other Financial Assets Measured at Amortized Cost**

	Current Period	Prior Period
<b>Debt Securities</b>	<b>6,043,278</b>	<b>3,212,924</b>
Quoted on a Stock Exchange	5,273,403	2,859,381
Not Quoted	769,875	353,543
<b>Impairment Provision (-)</b>	<b>23,774</b>	<b>767</b>
<b>Total</b>	<b>6,019,504</b>	<b>3,212,157</b>

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

	Current Period	Prior Period
Opening Balance	3,212,924	485,068
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	2,267,626	4,101,976
Disposals Through Sales and Redemptions	562,728	1,374,120
Impairment Provision (-)	23,774	767
<b>Ending Balance</b>	<b>6,019,504</b>	<b>3,212,157</b>

**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 2018 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2019 – TL 390), 2.86% ownership of the shares of Ulusal Derecelendirme A.Ş. amounting to TL 2,755 (31 December 2019 – None) and the shares of VISA INC amounting to TL 12,971 (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 Parent Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş does not confirm to the definition of financial subsidiary in accordance with "Regulation related to the Preparation of Consolidated Financial Statements by Banks" published in the Official Gazette No. 26340 dated 8 November 2006; hence this subsidiary has not been consolidated. The Bank has reflected its subsidiary at restated cost less any provision for impairment in its financial statements until 31 December 2004.

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**1.8.2 Information on subsidiaries:**

Title	Address (City/Country)	Bank's share percentage, if different- voting percentage (%)	Bank's risk group share percentage (%)
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Türkiye	99.99	99.99
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Türkiye	75.00	83.26
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
KT Bank AG (*)	Frankfurt/Almanya	100.00	100.00
Architech Bilgi Sistemleri ve Pazarlama Tic A.Ş. (**)	İstanbul/Türkiye	100.00	100.00
KT Sukuk Company Limited (***)	George Town/Cayman Adaları	100.00	100.00
KT Portföy Yönetimi A.Ş.	İstanbul/Türkiye	100.00	100.00
Neova Sigorta A.Ş.	İstanbul/Türkiye	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)	-
2,614,492	462,507	10,084	-	-	61,646	71,762	-

(\*) 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.

**Movement regarding the subsidiaries**

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

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Sectoral information on consolidated subsidiaries and the related carrying amounts:

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

(\*)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.

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,418
Quoted in Foreign Stock Exchange	-	-
<b>Total</b>	<b>53,418</b>	<b>53,418</b>

**1.8.3 Information on capital adequacies of major subsidiaries:**

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

**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
<b>Total</b>	<b>4,560,763</b>	<b>3,983,063</b>	<b>3,185,159</b>	<b>2,707,520</b>

**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 (-)	-	-
<b>Net receivable from finance leases</b>	<b>3,983,063</b>	<b>2,707,520</b>

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**1.10.3 Information on finance lease contracts:**

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

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

**1.12 Information on tangible asset**

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

**1.13 Explanations on intangible asset**

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

**1.14 Explanations on investment properties:**

	Current period	Previous period
Opening Balance	37,646	29,671
Acquisition Are The Ones	1,303	9,277
Disposals ( - ), Net	-	-
AmortizationCost (-)	1,382	1,302
<b>Closing Net Book Value</b>	<b>37,567</b>	<b>37,646</b>

**1.15 Information on deferred tax asset**

As of 30 June 2020, deferred tax is offset as TL 556,211 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 30 June 2020 is TL 654,779 (31 December 2019 – TL 458,716) 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
Transferred financial losses	66,595	43,503
Other	28,358	23,534
<b>Deferred tax asset</b>	<b>654,779</b>	<b>458,716</b>
Derivative Transactions Valuation Differences	(37,711)	-
The difference between the registered value of tangible assets and tax value	(9,446)	(9,665)
Revaluation difference of financial assets at fair value through profit or loss	(47,910)	(28,833)
Other	(3,501)	(3,365)
<b>Deferred tax liability</b>	<b>(98,568)</b>	<b>(41,863)</b>
<b>Deferred tax asset, (net)</b>	<b>556,211</b>	<b>416,853</b>

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Table of deferred tax asset movement:

	<b>Current period</b>	<b>Prior period</b>
As of January 1	401,782	380,683
Effect of changes in accounting policy	15,071	12,439
Deferred tax (expense)/income	90,346	103,478
Deferred tax accounted under other comprehensive income	49,012	(79,747)
<b>Deferred tax asset</b>	<b>556,211</b>	<b>416,853</b>

**1.16 Explanations on assets held for sale and discontinued operations:**

	<b>Current period</b>	<b>Prior period</b>
Opening Balance	473,326	270,382
Acquisition Are The Ones	120,008	270,818
Transfers From Property, Plant And Equipment	-	-
Disposals ( - ), Net	68,636	67,874
Tangible Assets Transfer	-	-
Amortization Cost (-)	-	-
Provision For Impairment (-)	-	-
<b>Closing Net Book Value</b>	<b>524,698</b>	<b>473,326</b>

**1.17 Information on other assets:**

As of balance sheet date, the Group's other assets amount to TL 2,870,957 (31 December 2019 – TL 2,283,185). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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**SECTION FIVE**

**2. Explanations and notes related to consolidated liabilities**

**2.1 Information on funds collected**

**2.1.1 Information on maturity structure of funds collected:**

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>13,570,280</b>	-	-	-	-	-	-	-	<b>13,570,280</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>7,854,912</b>	<b>10,669,166</b>	<b>659,349</b>	-	<b>839,202</b>	<b>1,290,045</b>	<b>22,446</b>	<b>21,335,120</b>
<b>III. Other current accounts-TL</b>	<b>6,258,464</b>	-	-	-	-	-	-	-	<b>6,258,464</b>
Public sector	147,833	-	-	-	-	-	-	-	147,833
Commercial sector	6,052,331	-	-	-	-	-	-	-	6,052,331
Other institutions	47,629	-	-	-	-	-	-	-	47,629
Commercial and other institutions	-	-	-	-	-	-	-	-	-
<b>Banks and participation banks</b>	<b>10,671</b>	-	-	-	-	-	-	-	<b>10,671</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,244	-	-	-	-	-	-	-	10,244
Participation banks	427	-	-	-	-	-	-	-	427
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>731,585</b>	<b>1,386,477</b>	<b>43,907</b>	-	<b>284,940</b>	<b>51,347</b>	<b>5</b>	<b>2,498,261</b>
Public sector	-	324	125	608	-	6,635	-	-	7,692
Commercial sector	-	652,599	1,244,876	35,037	-	264,139	49,571	5	2,246,227
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
<b>V. Real persons current accounts-FC</b>	<b>14,520,324</b>	-	-	-	-	-	-	-	<b>14,520,324</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>5,440,604</b>	<b>8,458,988</b>	<b>1,174,335</b>	-	<b>1,395,811</b>	<b>2,259,326</b>	<b>2,321</b>	<b>18,731,385</b>
<b>VII. Other current accounts-FC</b>	<b>8,911,346</b>	-	-	-	-	-	-	-	<b>8,911,346</b>
Commercial residents in Turkey	7,165,507	-	-	-	-	-	-	-	7,165,507
Commercial residents in Abroad	1,276,622	-	-	-	-	-	-	-	1,276,622
<b>Banks and participation banks</b>	<b>469,217</b>	-	-	-	-	-	-	-	<b>469,217</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	467,825	-	-	-	-	-	-	-	467,825
Participation banks	1,392	-	-	-	-	-	-	-	1,392
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>619,619</b>	<b>1,518,356</b>	<b>105,052</b>	-	<b>155,119</b>	<b>147,867</b>	-	<b>2,546,013</b>
Public sector	-	19	-	-	-	-	-	-	19
Commercial sector	-	563,707	1,345,720	44,781	-	57,346	63,420	-	2,074,974
Other institutions	-	17,004	83,279	60,261	-	97,315	84,447	-	342,306
Commercial and other institutions	-	38,879	88,521	10	-	458	-	-	127,868
Banks and participation banks	-	10	836	-	-	-	-	-	846
<b>IX. Precious metal funds</b>	<b>12,756,595</b>	<b>3,540,275</b>	<b>2,325,295</b>	<b>299,324</b>	-	<b>212,487</b>	<b>7,916</b>	<b>183</b>	<b>19,142,075</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>56,017,009</b>	<b>18,186,995</b>	<b>24,358,282</b>	<b>2,281,967</b>	-	<b>2,887,559</b>	<b>3,756,501</b>	<b>24,955</b>	<b>107,513,268</b>

There are no 7 days notification accounts of the Group.

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Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>7,951,114</b>	-	-	-	-	-	-	-	<b>7,951,114</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>7,232,001</b>	<b>11,223,102</b>	<b>725,113</b>	-	<b>610,209</b>	<b>911,230</b>	<b>22,190</b>	<b>20,723,845</b>
<b>III. Other current accounts-TL</b>	<b>4,390,638</b>	-	-	-	-	-	-	-	<b>4,390,638</b>
Public sector	200,309	-	-	-	-	-	-	-	200,309
Commercial sector	4,146,563	-	-	-	-	-	-	-	4,146,563
Other institutions	32,529	-	-	-	-	-	-	-	32,529
Commercial and other institutions	-	-	-	-	-	-	-	-	-
<b>Banks and participation banks</b>	<b>11,237</b>	-	-	-	-	-	-	-	<b>11,237</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,913	-	-	-	-	-	-	-	10,913
Participation banks	324	-	-	-	-	-	-	-	324
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>592,927</b>	<b>1,108,842</b>	<b>103,271</b>	-	<b>235,942</b>	<b>60,845</b>	-	<b>2,101,827</b>
Public sector	-	373	68	611	-	3,046	-	-	4,098
Commercial sector	-	546,923	1,007,502	79,737	-	225,544	59,133	-	1,918,839
Other institutions	-	44,940	100,133	22,873	-	7,312	457	-	175,715
Commercial and other institutions	-	691	1,121	50	-	40	1,255	-	3,157
Banks and participation banks	-	-	18	-	-	-	-	-	18
<b>V. Real persons current accounts-FC</b>	<b>12,896,518</b>	-	-	-	-	-	-	-	<b>12,896,518</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>5,792,299</b>	<b>9,758,724</b>	<b>1,405,912</b>	-	<b>1,516,213</b>	<b>1,822,399</b>	<b>1,803</b>	<b>20,297,350</b>
<b>VII. Other current accounts-FC</b>	<b>6,032,043</b>	-	-	-	-	-	-	-	<b>6,032,043</b>
Commercial residents in Turkey	4,547,539	-	-	-	-	-	-	-	4,547,539
Commercial residents in Abroad	1,216,989	-	-	-	-	-	-	-	1,216,989
<b>Banks and participation banks</b>	<b>267,515</b>	-	-	-	-	-	-	-	<b>267,515</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	267,170	-	-	-	-	-	-	-	267,170
Participation banks	345	-	-	-	-	-	-	-	345
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>593,559</b>	<b>2,356,951</b>	<b>97,624</b>	-	<b>114,694</b>	<b>66,878</b>	-	<b>3,229,706</b>
Public sector	-	10	-	-	-	-	-	-	10
Commercial sector	-	520,552	2,112,990	35,707	-	45,383	50,331	-	2,764,963
Other institutions	-	41,158	152,018	61,908	-	68,914	16,461	-	340,459
Commercial and other institutions	-	31,831	84,336	9	-	397	-	-	116,573
Banks and participation banks	-	8	7,607	-	-	-	86	-	7,701
<b>IX. Precious metal funds</b>	<b>5,757,301</b>	<b>2,444,094</b>	<b>1,846,409</b>	<b>207,182</b>	-	<b>113,344</b>	<b>4,703</b>	<b>61</b>	<b>10,373,094</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>37,027,614</b>	<b>16,654,880</b>	<b>26,294,028</b>	<b>2,539,102</b>	-	<b>2,590,402</b>	<b>2,866,055</b>	<b>24,054</b>	<b>87,996,135</b>

There are no 7 days notification of the Group.

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	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 Parent Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Parent Bank is in Turkey.

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

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

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	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	-	-	-	-
<b>Total</b>	<b>220,537</b>	<b>22,604</b>	<b>129,690</b>	<b>164,719</b>

**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	109,568	104,407	160,847	172,998
From Foreign Banks, Institutions and Funds	-	886,288	-	113,380
<b>Total</b>	<b>109,568</b>	<b>990,695</b>	<b>160,847</b>	<b>286,378</b>

**2.3.2 Information on maturity structure of borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	109,568	968,480	160,847	286,378
Medium and Long-Term	-	22,215	-	-
<b>Total</b>	<b>109,568</b>	<b>990,695</b>	<b>160,847</b>	<b>286,378</b>

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

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

**2.4. Information on securities issued**

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

Current Period	TL		FC	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
Nominal	1,850,000	-	-	3,492,830
Remaining Income Distribution	39,727	-	-	841,411
Book Value	1,352,751	-	-	3,534,227

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

**2.5 Information on other liabilities and miscellaneous payables:**

As of 30 June 2020, other liabilities amount to TL 1,446,498 (31 December 2019 – TL 1,111,061), 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.

**2.6 Information on finance lease payables (net):**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	137,548	89,810	124,506	87,233
1 to 4 years	264,540	185,469	294,798	169,220
More than 4 years	127,212	91,955	139,376	97,598
<b>Total</b>	<b>529,300</b>	<b>367,234</b>	<b>558,680</b>	<b>354,051</b>

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

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

None (31 December 2019 – None).

**2.6.1.1. Explanations on financial leasing obligations**

None (31 December 2019 – None).

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**2.6.1.2. Explanations on operating lease:**

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

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

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

**2.7 Information on hedging derivative financial liabilities:**

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

**2.8 Information on provisions:**

**2.8.1** Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 30 June 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.

**2.8.2** 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 (*)	103,915	96,212
<b>Total</b>	<b>963,385</b>	<b>798,897</b>

(\*) The other part of the main period amounting to TL 25,850 (December 31, 2019 - TL 25,573) is TL 4,524 (31 December 2019 - TL 6,500) for the expense of TL 73,541 (31 December 2019 - TL 62,139) is the amount for other provision.

**2.8.3** Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 137,604 (31 December 2019 – TL 122,748), vacation pay liability amounting to TL 23,859 (31 December 2019 – TL 712), performance premium amounting to TL 57,942 (31 December 2019 – TL 124,414), retirement bonuses on payment of TL 62,665 (31 December 2019 – TL 56,931), committee fee amounting to TL 8,677 (31 December 2019 – TL 12,321) and other fees amounting to TL 225 (31 December 2019 – TL 196).

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

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

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

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

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

	Current Period	Prior Period
Balance at the beginning of the period	116,242	89,508
Effect of changes in accounting policy	6,506	3,816
Provisions recognized during the period	18,019	30,957
Paid during the period	(3,163)	(7,319)
Actuarial loss	-	5,786
<b>Balances at the end of the period</b>	<b>137,604</b>	<b>122,748</b>

**2.9 Explanations on tax liability:**

**2.9.1** Explanations on current tax liability:

**2.9.1.1** Information on tax provisions: TL 231,143. (31 December 2019 – TL 255,397)

**2.9.1.2** 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	1,787	4,059
<b>Total</b>	<b>108,083</b>	<b>94,490</b>

**2.9.1.3** 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
<b>Total</b>	<b>19,553</b>	<b>17,225</b>

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

**2.9.1.4** Information on deferred tax liability:

None (31 December 2018 - None).

**2.10 Information on payables related to assets held for sale:**

None (31 December 2018 – None).

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**2.11 Information on subordinated loans:**

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**2.12 Information on shareholders' equity:**

**2.12.1 Presentation of paid-in capital:**

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

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

**2.12.2 Amount of Paid-in Capital, Disclosure on whether the Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital:**

Registered capital system is not applied in the Parent Bank.

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

Date Of Increase	Amount Of Increase	Cash	Profit Reserves Subject To Increase
30-March-20	600,000	-	600,000

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

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

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

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

**2.11.6 Summary of privileges given to shares representing the capital:**

None (31 December 2019- None).

**2.12.7 Information on marketable securities value increase fund:**

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	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	-	-	-	-
<b>Total</b>	<b>106,148</b>	<b>74,425</b>	<b>136,954</b>	<b>82,154</b>

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

**2.13 Information on minority shares:**

30 June 2020 - TL 28,737. (31 December 2019 - TL 28,461). (\*) Neova Sigorta A.Ş., a subsidiary of the group., in accordance with Article 6 of the "regulation on participation insurance and working procedures and principles" published by the Ministry of Treasury and Finance, it manages the risk fund formed due to the contributions of the participants separately. Accordingly, the profit/(expense) amount of the risk fund, which is due to participant contributions of 10,837 TL for the current period, has been classified under other liabilities from balance sheet items. (30 June 2019: TL 10,891).

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

**3.1. Explanations on off-balance sheet accounts:**

**3.1.1 Types and amounts of irrevocable commitments:**

Commitment for credit card limits, as of 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 Group has guarantees and surety ships constituting of TL 9,940,710 (31 December 2019 – TL 9,708,470) 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, Parent Bank has other acceptances amounting to TL 434,283 (31 December 2019 – TL 465,739).

**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	11,823,188	11,603,253
<b>Total</b>	<b>11,823,188</b>	<b>11,603,253</b>

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

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

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

**3.2. Explanations on derivative transactions:**

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

**3.3. Explanations on credit derivatives and their risks:**

None.

**3.4. Explanations on contingent liabilities and assets:**

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

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

None.

**3.6. Summary information on the rating of the Parent Bank to international rating agencies**

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

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**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
<b>Profit share on loans</b>	<b>2,431,639</b>	<b>489,220</b>	<b>2,665,658</b>	<b>372,025</b>
Short term loans	488,685	87,112	820,242	89,918
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	-	-	-	-
<b>Total</b>	<b>2,431,639</b>	<b>489,220</b>	<b>2,665,658</b>	<b>372,025</b>

**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	-	-	38,145	-
Foreign Banks	79,182	49,851	12,068	106,936
Branches and head office abroad	-	254	-	684
<b>Total</b>	<b>79,182</b>	<b>50,105</b>	<b>50,213</b>	<b>107,620</b>

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**4.1.3 Information on profit share income from securities portfolio:**

Profit share of TL 957,053 was obtained from the Securities in the group's assets as of the period. (01January – 30 June 2019 – TL 380,099)

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

	<b>Current Period</b>	<b>Prior Period</b>
Profit share income received from associates and subsidiaries	50	37

**4.2 Information on profit share expenses:**

**4.2.1 Information on profit share given to loans used:**

	<b>Current period</b>		<b>Prior period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Banks	14,835	4,674	6,372	15,239
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	14,835	2,687	6,372	5,499
Foreign banks	-	1,987	-	9,740
Branches and head office abroad	-	-	-	-
Other Institutions	-	154,087	-	94,182
<b>Total</b>	<b>14,835</b>	<b>158,761</b>	<b>6,372</b>	<b>109,421</b>

**4.2.2 Profit share expense given to associates and subsidiaries:**

	<b>Current period</b>	<b>Prior period</b>
Profit share expenses given to associates and subsidiaries	465	339

**4.2.3 Profit share expense paid to securities issued:**

30 June 2020 – TL 169,549 (1 January - 30 June 2019: 354,559).

**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 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	Accumulated profit sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person’s non-trading profit sharing account	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	44,049	2,662	-	971	651	-	70,377
Other institutions profit sharing account	2,085	5,309	631	-	209	76	-	8,310
Total	292,966	467,841	31,265	-	31,957	46,943	561	871,533
FC								
Banks	15	448	27	-	-	-	-	490
Real person’s non-trading profit sharing account	22,984	45,777	5,935	-	5,317	7,525	4	87,542
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	58,404	6,866	-	6,156	7,584	4	109,546
Grand Total	323,498	526,245	38,131	-	38,113	54,527	565	981,079

Prior period	Profit Sharing Accounts						Accumulated profit sharing accounts	Total
Account name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year		
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
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	46,840	8,213	-	1,211	890	-	87,788
Other institutions profit sharing account	4,082	5,586	842	-	326	116	-	10,952
Total	443,492	689,526	46,446	-	21,738	24,158	1,419	1,226,779
FC								
Banks	60	1,324	-	-	-	-	-	1,384
Real person's non-trading profit sharing account	60,405	108,344	15,575	-	9,124	7,636	32	201,116
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	165,140	18,688	-	9,731	7,770	32	276,517
Grand Total	518,648	854,666	65,134	-	31,469	31,928	1,451	1,503,296

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**4.5 Information on trading income/loss (Net):**

	Current period	Prior period
<b>Net</b>	<b>886,380</b>	<b>608,796</b>
<b>Income</b>	<b>20,631,955</b>	<b>22,311,857</b>
Gain on capital market transactions	60,613	28,063
Gain on derivative financial instruments	2,143,032	1,065,981
Foreign exchange profit	18,428,310	21,217,813
<b>Losses (-)</b>	<b>(19,745,575)</b>	<b>(21,703,061)</b>
Losses on capital market transactions	(8,630)	(8,748)
Losses on derivative financial instruments	(2,607,965)	(908,292)
Foreign exchange losses	(17,128,980)	(20,786,021)

**4.6 Information on other operating income:**

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

	Current Period	Prior Period
Reversal of prior period provisions	782,135	1,030,447
Income from sale of assets	38,650	23,348
Rental income.	1,495	1,465
Other Income	23,400	17,312
<b>Total</b>	<b>845,680</b>	<b>1,072,572</b>

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

	Current Period(*)	Prior Period
<b>Expected Credit Loss</b>	<b>1,580,339</b>	<b>1,375,412</b>
12 month expected credit loss (Stage 1)	554,187	20,994
Significant increase in credit risk (Stage 2)	486,415	409,060
Non-performing loans (Stage 3)	539,737	945,358
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 (**)	136,322	39,263
<b>Total</b>	<b>1,720,615</b>	<b>1,415,631</b>

(\*)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	660,472	561,589
Provision for employee termination	14,856	14,469
Depreciation expenses of fixed assets	104,077	89,822
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	22,258	24,351
Depreciation expenses of assets held for sale	-	-
Other operating expenses	211,180	162,563
Rent expenses	6,152	5,562
Maintenance expenses	30,064	28,675
Advertisement expenses	16,331	19,215
Communication expenses	32,144	24,584
Heating, electricity and water expenses	13,572	11,931
Cleaning expenses	4,198	3,759
Vehicle expenses	4,170	4,606
Stationery expenses	5,244	4,477
Other expenses	99,305	59,754
Losses on sales of assets	98	218
Deposit insurance fund expenses	146,176	63,676
Other	631,371	562,665
<b>Total</b>	<b>1,790,488</b>	<b>1,479,353</b>

(\*)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 (326,475) (1 January-30 June 2019 - TL (201,173)), deferred tax expense of TL 158,891 (1 January-30 June 2019 - TL 203,711) and TL 249,237 (1 January-30 June 2019 - TL 237,113) deferred tax income is recognized.

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

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

**4.12 Information on net income/loss:**

**4.12.1** The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 30 June 2020, net profit share income is TL 2,758,992 (1 January-30 June 2019 - TL 1,794,418) net fees and commission income is TL 126,137 (1 January-30 June 2019 - TL 182,336).

**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 2020 - None).

**4.12.3 Profit/Loss attributable to minority interest:**

	Current Period	Prior Period
Profit / (Loss) of Minority Shares	10,985	(10,587)

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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 325,136 (1 January - 30 June 2019 – TL 312,916), TL 63,501 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 283,773 (1 January - 30 June 2019 – TL 213,400), TL 9,089 (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 Notes Related to the Consolidated Statement of Shareholders' Equity**

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

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

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

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

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

Current period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	182	18,827	1,868	7,206	780,512	423
Balance at end of period	65	18,251	1,664	7,547	71,157	3,249
Profit share and commission income	-	50	69	44	2,600	-

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

Prior period:

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

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

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

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Current and profit sharing accounts						
Balance at beginning of period	307,815	276,378	151,321	43,050	137,061	131,331
Balance at end of period	20,951	307,815	52,322	151,321	158,256	137,061
Profit share expense	465	3,919	325	983	130	90

(\*) 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 Parent 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
<b>Transactions at Fair Value through Profit or Loss</b>						
Balance at beginning of period	-	-	607,498	287,483	-	-
Balance at end of period	-	-	565,908	607,498	-	-
Total Profit / Loss	-	-	(3,651)	1	-	-
<b>Hedging Transactions</b>						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

**7.4 Information on loans received from the Parent 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	-	-	68,696	802,108	-	-
Balance at end of period	-	-	-	68,696	-	-
Profit share expense	-	-	-	17,208	-	-

**7.5 Information on remunerations provided to top management:**

As of 1 January - 30 June 2020, the Bank has paid TL 49,148 to top management (1 January - 30 June 2019- TL 37,573).

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

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

The public Institution for Social Security, one of the parent bank's Partners, has transferred its 9% stake to WAFRA International Investment Company, which has a 99.99% stake, as of 02/07/2020.

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

The Parent Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. issued sukuk on July 17, 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 consolidated financial statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 21 August 2020 is presented preceding the financial statements.

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

**SECTION EIGHT**

**CONSOLIDATED INTERIM REPORT**

- 1. Explanations on interim 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:**

<b>CONSOLIDATED BALANCE SHEET</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
CASH BALANCES AND CENTRAL BANK	12,482,944	19,216,292
BANKS	5,738,374	8,431,928
SECURITIES	45,658,662	19,927,849
LOANS	68,774,970	57,258,648
FINANCE LEASE RECEIVABLES (Net)	3,983,063	2,707,520
EXPECTED CREDIT LOSS	4,343,366	3,046,078
TANGIBLE ASSETS (Net)	842,712	846,343
OTHER ASSETS	4,763,988	3,659,076
<b>TOTAL ASSETS</b>	<b>137,901,347</b>	<b>109,001,578</b>
FUND COLLECTED	107,513,268	87,996,135
FUNDS BORROWED	1,100,263	447,225
MARKETABLE SECURITIES ISSUED (Net)	4,886,978	4,642,165
FINANCE LEASE PAYABLES (Net)	367,234	354,051
SUBORDINATED LOANS	3,896,913	3,380,983
OTHER LIABILITIES	12,841,132	4,988,146
EQUITY	7,295,559	7,192,873
<b>TOTAL LIABILITIES</b>	<b>137,901,347</b>	<b>109,001,578</b>
<b>CONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
PROFIT SHARE INCOME	4,196,927	3,799,473
PROFIT SHARE EXPENSE	1,437,935	2,005,055
NET PROFIT SHARE INCOME/EXPENSE	2,758,992	1,794,418
NET FEES AND COMMISSION INCOME/EXPENSE	126,137	182,336
PERSONNEL EXPENSES	675,328	576,058
DIVIDEND INCOME	8	19,584
NET TRADING INCOME / LOSS	886,380	608,796
OTHER OPERATING INCOME	845,680	1,072,572
EXPECTED LOSS PROVISIONS (-)	1,580,339	1,375,412
OTHER PROVISION EXPENSES (-)	140,276	40,219
OTHER OPERATING EXPENSES (-)	1,115,160	903,295
PROFIT / LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING	9,439	7,364
INCOME/ LOSS BEFORE TAX	1,115,533	790,086
TAX CHARGE	(236,129)	(167,771)
<b>CURRENT PERIOD INCOME/LOSSES</b>	<b>879,404</b>	<b>622,315</b>
	<b>30.06.2020</b>	<b>31.12.2019</b>
Total Loans/Total Assets*	52.76%	55.01%
Total Loans/Fund Collected*	67.67%	68.15%
Average Equity Profit **	24.28%	20.20%
Average Assets Profit **	1.42%	1.38%
Capital Adequacy Ratio	20.97%	18.96%

\* 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

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

As of 30 June 2020, consolidated financial statements asset size is TL 137 million 901 thousand, amount of the utilization of funds is TL 72 million 758 thousand and funds collected amount is TL 107 million 513 thousand. Due to the effect of the first six months' profit of TL 879 thousand, the ratio of shareholder equity increased 1,43% by reaching TL 7 million 296 thousand. As of 30 June 2020, consolidated capital adequacy ratio has been realized as 20,97%.

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

**1.6 Announcement regarding important developments during the period**

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