

Kuveyt Türk Katılım Bankası Anonim Şirketi

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

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

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

REVIEW REPORT ON UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the unconsolidated financial position of Kuveyt Türk Katılım Bankası A.Ş. at September 30, 2020, and the results of its operations and its unconsolidated cash flows for the nine-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

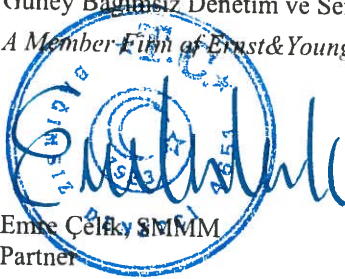
Report on Other Legal and Regulatory Requirements

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

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with “BRSA Accounting and Financial Reporting Legislation” and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Emre Çelikkaya SMMM
Partner

10 November 2020
Istanbul, Turkey

Index

Section One General information

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	1
II.	Shareholding structure, shareholders jointly or individually having direct or indirect control over the management and supervision of the Bank and the disclosures on any related changes in the current period, if any, and information about the Group that the Bank belongs to	1
III.	Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the bank	1
IV.	Information on qualified shareholders	2
V.	Explanations of the Bank's services and field of operations	2
VI.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries	2

Section Two The unconsolidated financial statements

I.	Unconsolidated Balance sheet (Statement of financial position)	3
II.	Unconsolidated Statement of off-balance sheet items	5
III.	Unconsolidated Income Statement	6
IV.	Unconsolidated Statement of profit or loss and other comprehensive income	7
V.	Unconsolidated Statement of changes in shareholders' equity	8
VI.	Unconsolidated Statement of cash flows	9

Section Three Accounting principles

I.	Explanations on basis of presentation	10
II.	Explanations on strategy of using financial instruments and foreign currency transactions	13
III.	Investments in associates and subsidiaries	13
IV.	Explanations on forward transactions and option contracts and derivative instruments	14
V.	Explanations on profit share income and expense	14
VI.	Explanations on fees and commission income and expenses	14
VII.	Explanations on financial assets	15
VIII.	Explanations on offsetting of financial assets and liabilities	16
IX.	Explanations on sale and repurchase agreements and lending of securities	16
X.	Explanations on assets held for sale and discontinued operations and related liabilities	17
XI.	Explanations on goodwill and other intangible assets	17
XII.	Explanations on tangible assets	17
XIII.	Explanations on leasing transactions	18
XIV.	Explanations on provisions and contingent liabilities	19
XV.	Explanations on liabilities relating to employee benefits	19
XVI.	Explanations on taxation	20
XVII.	Explanations on additional disclosures on borrowings	21
XVIII.	Explanations on share certificates issued	21
XIX.	Explanations on acceptances and availed drafts	21
XX.	Explanations on government grants	21
XXI.	Explanations on segment reporting	21
XXII.	Explanations on other matters	21

Section Four Information related to financial position and risk management of the Bank

I.	Explanations on equity items	22
II.	Explanations on currency risk	27
III.	Explanations related to stock position risk	30
IV.	Liquidity risk management and liquidity coverage ratio	31
V.	Explanations on leverage ratio	36
VI.	Explanations on the fair value of financial assets and liabilities	37
VII.	Transactions on behalf of others, explanations on transactions based on faith	37
VIII.	Explanations on hedge accounting practices	37
IX.	Explanations on risk management	39
X.	Securitization positions	40
XI.	Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions	40
XII.	Explanations on business segments	40

Section Five Explanations and notes on the unconsolidated financial statements

I.	Explanations and notes related to assets	42
II.	Explanations and notes related to liabilities	56
III.	Explanations and notes related to off-balance sheet contingencies and commitments	64
IV.	Explanations and notes related to the statement of income	66
V.	Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity	71
VI.	Explanations and notes related to cash flow statement	71
VII.	Explanations and notes related to the risk group of the Bank	71
VIII.	Information about the branches of the bank in domestic, foreign and coastal banking regions and their representative offices abroad	72
IX.	Significant events and matters arising subsequent to balance sheet date	72

Section Six Other Explanations

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	73
----	---	----

Section Seven Independent Review Report

I.	Explanations on the limited review report	73
II.	Notes and disclosures prepared by the independent auditor	73

Section Eight Interim Report

I.	Explanations on interim annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager	73
----	---	----

**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE NINE-MONTH PERIOD THEN ENDED 30 SEPTEMBER 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 unconsolidated interim financial report for the nine-month period prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

The unconsolidated financial statements for the nine-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

Shadi Ahmed Yacoub ZAHRAN
Chairman of the Audit
Committee

Nadir ALPASLAN
Member of the Audit Committee

Mohamad AL-MIDANI
Member of the Audit
Committee

Ufuk UYAN
General Manager

Ahmet KARACA
Chief Financial Officer

Arslan Murat Soner
Budget and Management
Reporting 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 UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

SECTION ONE

GENERAL INFORMATION

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

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

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

As of 30 September 2020, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by Wafra International Investment Company in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Date of Audit Committee assignment	Date of Audit Committee completion	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Burhan ERSOY	Member of BOD	18/06/2020			Bachelor	-
Nadir ALPASLAN	Member of BOD and Member of the Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	%0.01
Shadi Ahmed Yacoub ZAHARAN	Member of BOD and Chairman of the Audit Committee	25/09/2020	04/11/2020		Bachelor	-
Gehad Mohamed Elbendary ANANY	Member of BOD	25/09/2020	09/09/2020		Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S. A.A. AL KHARJI	Member of BOD	26/03/2014	24/09/2014	09/09/2020	Master	-
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

Shadi Ahmed Yacoub ZAHARAN was appointed as the chairman of the audit committee with the decision dated 4 November 2020.

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

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

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

4. Information on qualified shareholders

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

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

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

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

As of 30 September 2020, the Bank is operating through 435 domestic branches (31 December 2019 – 431) with 5,977 employees (31 December 2019 – 5,955). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

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

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

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

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

ASSETS	Note	Reviewed Current Period 30.09.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		27,968,703	40,305,353	68,274,056	4,803,455	37,903,612	42,707,067
1.1 Cash and Cash Equivalents		1,301,080	24,665,713	25,966,793	1,781,590	24,099,321	25,880,911
1.1.1 Cash and Balances with Central Bank	(5.1.1.)	1,276,456	20,544,218	21,820,674	1,768,747	17,124,339	18,893,086
1.1.2 Banks	(5.1.3.)	25,261	4,121,880	4,147,141	12,983	6,977,847	6,990,830
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Credit Loss (-)		637	385	1,022	140	2,865	3,005
1.2 Financial Assets at Fair Value Through Profit or Loss	(5.1.2.)	989,441	7,055,315	8,044,756	104,688	3,907,054	4,011,742
1.2.1 Government Debt Securities		401,164	6,997,599	7,398,763	77,977	3,863,617	3,941,594
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		588,277	57,716	645,993	26,711	43,437	70,148
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	24,449,183	8,124,634	32,573,817	2,898,407	9,732,060	12,630,467
1.3.1 Government Debt Securities		24,338,752	7,922,447	32,261,199	2,792,631	9,313,887	12,106,518
1.3.2 Equity Instruments		8,056	18,660	26,716	11,237	27,346	38,583
1.3.3 Other Financial Assets		102,375	183,527	285,902	94,539	390,827	485,366
1.4. Derivative Financial Assets		1,228,999	459,691	1,688,690	18,770	165,177	183,947
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		1,228,999	459,691	1,688,690	18,770	165,177	183,947
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	50,299,028	29,401,145	79,700,173	32,535,710	25,009,784	57,545,494
2.1 Loans		51,775,823	22,273,202	74,049,025	33,532,383	21,686,066	55,218,449
2.2 Leasing Receivables	(5.1.10.)	2,374,498	2,509,191	4,883,689	1,406,165	1,301,355	2,707,520
2.3 Financial Assets Measured At Amortized Cost	(5.1.6.)	-	5,999,181	5,999,181	-	2,630,914	2,630,914
2.3.1 Government Debt Securities		-	5,999,181	5,999,181	-	2,630,914	2,630,914
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Loss (-)		3,851,293	1,380,429	5,231,722	2,402,838	608,551	3,011,389
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)		491,580	-	491,580	473,326	-	473,326
3.1 Held For Sale		491,580	-	491,580	473,326	-	473,326
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1,481,015	-	1,481,015	564,853	-	564,853
4.1 Investments in Associates (Net)	(5.1.7.)	-	-	-	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Investment in Subsidiaries (Net)	(5.1.8.)	1,461,015	-	1,461,015	544,853	-	544,853
4.2.1 Unconsolidated Financial Subsidiaries		1,437,335	-	1,437,335	521,173	-	521,173
4.2.2 Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
4.3 Investment in Joint Ventures (Net)	(5.1.9.)	20,000	-	20,000	20,000	-	20,000
4.3.1 Joint Ventures Valued Based on Equity Method		20,000	-	20,000	20,000	-	20,000
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		1,074,044	1,325	1,075,369	1,033,995	957	1,034,952
VI. INTANGIBLE ASSETS (Net)		164,720	3	164,723	133,955	25	133,980
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		164,720	3	164,723	133,955	25	133,980
VII. INVESTMENT PROPERTIES (Net)		25,027	-	25,027	25,146	-	25,146
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(5.1.15.)	594,759	-	594,759	358,097	-	358,097
X. OTHER ASSETS	(5.1.17.)	998,595	314,423	1,313,018	658,556	937,874	1,596,430
TOTAL ASSETS		83,097,471	70,022,249	153,119,720	40,587,093	63,852,252	104,439,345

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

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

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

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

Reviewed Current Period 30.09.2020							Audited Prior Period 31.12.2019	
LIABILITIES		Note	TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1.)	38,903,245	80,436,904	119,340,149	35,410,329	50,084,058	85,494,387
II.	FUNDS BORROWED	(5.2.3.)	2,327,668	6,594,755	8,922,423	923,177	4,468,500	5,391,677
III.	MONEY MARKETS		8,224,602	-	8,224,602	-	-	-
IV.	SECURITIES ISSUED (Net)		-	-	-	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		50,954	331,376	382,330	129,690	294,447	424,137
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	50,954	331,376	382,330	129,690	164,719	294,409
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.6.)	-	-	-	-	129,728	129,728
VII.	LEASE PAYABLES	(5.2.5.)	336,397	6,134	342,531	315,732	10,446	326,178
VIII.	PROVISIONS	(5.2.7.)	1,005,728	413,284	1,419,012	850,649	240,346	1,090,995
8.1	Restructuring Provision		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		305,227	692	305,919	301,593	446	302,039
8.3	Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4	Other Provisions		700,501	412,592	1,113,093	549,056	239,900	788,956
IX.	CURRENT TAX LIABILITIES	(5.2.8.1.)	130,466	-	130,466	224,425	-	224,425
X.	DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.9.)	-	-	-	-	-	-
11.1	Held For Sale		-	-	-	-	-	-
11.2	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.10.)	-	4,720,851	4,720,851	-	3,380,983	3,380,983
12.1	Loans		-	-	-	-	-	-
12.2	Other Debt Instruments		-	4,720,851	4,720,851	-	3,380,983	3,380,983
XIII.	OTHER LIABILITIES	(5.2.4.)	1,354,238	751,075	2,105,313	1,023,193	262,080	1,285,273
XIV.	SHAREHOLDERS' EQUITY	(5.2.11.)	7,532,382	(339)	7,532,043	6,742,813	78,477	6,821,290
14.1	Paid-in Capital		4,595,131	-	4,595,131	3,995,766	-	3,995,766
14.2	Capital Reserves		25,124	-	25,124	24,489	-	24,489
14.2.1	Share Premiums		23,250	-	23,250	23,250	-	23,250
14.2.2	Share Cancellation Profits		1,874	-	1,874	1,239	-	1,239
14.2.3	Other Capital Reserves		-	-	-	-	-	-
14.3	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(19,082)	-	(19,082)	(19,082)	-	(19,082)
14.4	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		(133,550)	(339)	(133,889)	127,237	78,477	205,714
14.5	Profit Reserves		1,970,505	-	1,970,505	1,469,025	-	1,469,025
14.5.1	Legal Reserves		284,943	-	284,943	228,723	-	228,723
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		1,617,135	-	1,617,135	1,170,797	-	1,170,797
14.5.4	Other Profit Reserves		68,427	-	68,427	69,505	-	69,505
14.6	Profit or Loss		1,094,254	-	1,094,254	1,145,378	-	1,145,378
14.6.1	Retained Earnings		58,198	-	58,198	35,540	-	35,540
14.6.2	Current Period Net Profit or Loss		1,036,056	-	1,036,056	1,109,838	-	1,109,838
14.7	Minority Shares	(5.2.12.)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY			59,865,680	93,254,040	153,119,720	45,620,008	58,819,337	104,439,345

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

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

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Reviewed Current Period 30.09.2020			Audited Prior Period 31.12.2019		
	Note	TL	FC	Total	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	81,391,394	72,540,928	153,932,322	67,365,973	56,289,772	123,655,745
I.	GUARANTEES AND WARRANTIES	(5.3.1.) 7,167,212	5,238,984	12,406,196	6,938,439	4,962,863	11,901,302
1.1.	Letters of Guarantee	6,699,134	3,457,696	10,156,830	6,592,042	3,414,624	10,006,666
1.1.1	Guarantees Subject to State Tender Law	213,988	46,153	260,141	218,286	62,740	281,026
1.1.2	Guarantees Given For Foreign Trade Operations	398,895	64,204	463,099	375,091	79,315	454,406
1.1.3	Other Letters of Guarantee	6,086,251	3,347,339	9,433,590	5,998,665	3,272,569	9,271,234
1.2	Bank Loans	5,264	50,783	56,047	8,546	46,489	55,035
1.2.1	Import Letter of Acceptances	5,264	50,783	56,047	8,546	46,489	55,035
1.2.2	Other Bank Acceptances	-	-	-	-	-	-
1.3	Letters of Credit	16,229	1,632,682	1,648,911	10,567	1,363,442	1,374,009
1.3.1	Documentary Letters of Credit	-	631,870	631,870	86	371,829	371,915
1.3.2	Other Letters of Credit	16,229	1,000,812	1,017,041	10,481	991,613	1,002,094
1.4	Guaranteed Refinancing	-	-	-	-	-	-
1.5	Endorsements	-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2	Other Endorsements	-	-	-	-	-	-
1.6	Other Guarantees	446,585	97,823	544,408	327,284	138,308	465,592
1.7	Other Warranties	-	-	-	-	-	-
II.	COMMITMENTS	(5.3.1.) 53,773,545	2,810,552	56,584,097	52,151,025	1,894,212	54,045,237
2.1	Irrevocable Commitments	6,003,664	2,810,552	8,814,216	4,795,885	1,894,212	6,690,097
2.1.1	Forward Asset Purchase and Sales Commitments	807,206	2,810,552	3,617,758	455,887	1,891,166	2,347,053
2.1.2	Share Capital Commitment to Associates and Subsidiaries	-	-	-	-	-	-
2.1.3	Loan Granting Commitments	473,571	-	473,571	358,094	-	358,094
2.1.4	Securities Underwriting Commitments	-	-	-	-	-	-
2.1.5	Commitments For Reserve Deposits Requirements	-	-	-	-	-	-
2.1.6	Payment Commitments For Checks	1,378,013	-	1,378,013	1,305,235	-	1,305,235
2.1.7	Tax and Fund Liabilities From Export Commitments	-	-	-	-	-	-
2.1.8	Commitments For Credit Card Expenditure Limits	3,324,278	-	3,324,278	2,656,398	-	2,656,398
2.1.9	Commitments For Credit Cards and Banking Services Promotions	2,839	-	2,839	2,514	-	2,514
2.1.10	Receivables From Short Sale Commitments	-	-	-	-	-	-
2.1.11	Payables For Short Sale Commitments	-	-	-	-	-	-
2.1.12	Other Irrevocable Commitments	17,757	-	17,757	17,757	3,046	20,803
2.2	Revocable Commitments	47,769,881	-	47,769,881	47,355,140	-	47,355,140
2.2.1	Revocable Loan Granting Commitments	47,769,881	-	47,769,881	47,355,140	-	47,355,140
2.2.2	Other Revocable Commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2.) 20,450,637	64,491,392	84,942,029	8,276,509	49,432,697	57,709,206
3.1	Derivative Financial Instruments Held For Risk Management	-	-	-	-	2,451,906	2,451,906
3.1.1	Fair Value Hedges	-	-	-	-	-	-
3.1.2	Cash Flow Hedges	-	-	-	-	2,451,906	2,451,906
3.1.3	Hedge of Net Investment in Foreign Operations	-	-	-	-	-	-
3.2.	Held For Trading Transactions	20,450,637	64,491,392	84,942,029	8,276,509	46,980,791	55,257,300
3.2.1	Forward Foreign Currency Buy/Sell Transactions	511,976	1,659,727	2,171,703	512,110	1,242,703	1,754,813
3.2.1.1	Forward Foreign Currency Buy Transactions	408,972	680,753	1,089,725	276,131	603,627	879,758
3.2.1.2	Forward Foreign Currency Sell Transactions	103,004	978,974	1,081,978	235,979	639,076	875,055
3.2.2	Other Forward Buy/Sell Transactions	19,938,661	62,831,665	82,770,326	7,764,399	45,738,088	53,502,487
3.3	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)	465,541,665	216,908,352	682,450,017	381,449,255	165,631,022	547,080,277
IV.	ITEMS HELD IN CUSTODY	13,240,238	25,002,101	38,242,339	11,299,056	14,947,964	26,247,020
4.1	Customers' Securities Held	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	3,946,036	8,508,057	12,454,093	2,891,875	424,980	3,316,855
4.3	Checks Received for Collection	7,759,037	1,115,662	8,874,699	6,828,688	869,224	7,697,912
4.4	Commercial Notes Received for Collection	1,535,165	351,370	1,886,535	1,578,493	280,131	1,858,624
4.5	Other Assets Received for Collection	-	-	-	-	-	-
4.6	Assets Received for Public Offering	-	-	-	-	-	-
4.7	Other Items Under Custody	-	-	-	-	-	-
4.8	Custodians	-	15,027,012	15,027,012	-	13,373,629	13,373,629
V.	PLEDGED ITEMS	452,289,788	191,814,837	644,104,625	370,138,560	150,613,354	520,751,914
5.1	Marketable Securities	183,101	-	183,101	194,245	111,336	305,581
5.2	Guarantee Notes	101,727	3,143,623	3,245,350	101,727	2,402,814	2,504,541
5.3	Commodity	13,130,543	939,428	14,069,971	8,938,138	701,641	9,639,779
5.4	Warranty	-	-	-	-	-	-
5.5	Properties	146,126,396	3,858,927	149,985,323	124,206,037	2,983,314	127,189,351
5.6	Other Pledged Items	292,748,021	183,872,859	476,620,880	236,698,413	144,414,249	381,112,662
5.7	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES	11,639	91,414	103,053	11,639	69,704	81,343
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		546,933,059	289,449,280	836,382,339	448,815,228	221,920,794	670,736,022

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

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

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

3. INCOME STATEMENT

			Reviewed Current Period 01.01.2020- 30.09.2020	Reviewed Current Period 01.07.2020- 30.09.2020	Reviewed Prior Period 01.01.2019- 30.09.2019	Reviewed Prior Period 01.07.2019- 30.09.2019
	Note					
I.	PROFIT SHARE INCOME	(5.4.1.)	6,666,024	2,607,796	5,625,937	1,956,885
1.1.	Profit Share on Loans		4,475,304	1,598,310	4,567,860	1,559,108
1.2.	Profit Share on Reserve Deposits		24,703	12,659	86,478	26,915
1.3.	Profit Share on Banks		92,509	6,217	183,121	67,824
1.4.	Profit Share on Money Market Placements		-	-	-	-
1.5.	Profit Share on Marketable Securities Portfolio		1,792,316	886,346	543,786	220,913
1.5.1.	Fair Value Through Profit or Loss		237,433	101,258	41,846	20,118
1.5.2.	Fair Value Through Other Comprehensive Income		1,430,713	732,401	447,314	180,542
1.5.3.	Measured at Amortised Cost		124,170	52,687	54,626	20,253
1.6.	Finance Lease Income		244,690	93,015	190,980	63,182
1.7.	Other Profit Share Income		36,502	11,249	53,712	18,943
II.	PROFIT SHARE EXPENSE		2,250,396	810,414	3,087,599	1,055,347
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	1,399,602	420,475	2,344,683	827,454
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	549,213	202,007	695,399	211,783
2.3.	Profit Share Expense on Money Market Borrowings		254,205	173,786	2,514	-
2.4.	Expense on Securities Issued		-	-	-	-
2.5.	Profit Share Expense on Lease		47,376	14,146	45,003	16,110
2.6.	Other Profit Share Expense		-	-	-	-
III.	NET PROFIT SHARE INCOME (I - II)		4,415,628	1,797,382	2,538,338	901,538
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		255,629	81,787	339,638	109,726
4.1.	Fees And Commissions Received		584,547	204,152	565,732	189,518
4.1.1.	Non-Cash Loans		102,828	33,358	107,360	35,338
4.1.2.	Other		481,719	170,794	458,372	154,180
4.2.	Fees And Commissions Paid		328,918	122,365	226,094	79,792
4.2.1.	Non-Cash Loans		22	6	16	5
4.2.2.	Other	(5.4.13.)	328,896	122,359	226,078	79,787
V.	DIVIDEND INCOME	(5.4.3.)	68	60	2,922	-
VI.	NET TRADING INCOME / LOSS	(5.4.5.)	844,334	72,892	886,401	321,374
6.1.	Capital Market Transaction Gains/Losses		50,070	(1,913)	26,935	7,620
6.2.	Gains/Losses From Derivative Financial Instruments		307,362	771,607	955,199	796,066
6.3.	Foreign Exchange Gains/Losses		486,902	(696,802)	(95,733)	(482,312)
VII.	OTHER OPERATING INCOME	(5.4.6.)	400,258	138,769	802,190	175,566
VIII.	GROSS OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		5,915,917	2,090,890	4,569,489	1,508,204
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	2,649,124	1,072,255	2,152,806	780,625
X.	OTHER PROVISIONS (-)		227,390	94,612	36,281	904
XI.	PERSONNEL EXPENSES (-)	(5.4.8)	886,644	276,304	762,689	238,601
XII.	OTHER OPERATING EXPENSES (-)	(5.4.8)	833,215	283,720	645,647	260,261
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		1,319,544	363,999	972,066	227,813
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES		-	-	-	-
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.)	1,319,544	363,999	972,066	227,813
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(283,488)	(82,002)	(194,570)	(51,784)
18.1.	Current Tax Provision		(432,927)	(130,626)	(172,329)	4,427
18.2.	Deferred Tax Income Effect (+)		134,484	-	194,309	-
18.3.	Deferred Tax Expense Effect (-)		283,923	48,624	172,068	(56,211)
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.11.)	1,036,056	281,997	777,496	176,029
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1.	Income on Non-Current Assets Held For Sale		-	-	-	-
20.2.	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-	-	-
20.3.	Income on Other Discontinued Operations		-	-	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1.	Expenses From Non-Current Assets Held For Sale		-	-	-	-
21.2.	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-	-	-
21.3.	Expenses From Other Discontinued Operations		-	-	-	-
XXII.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1.	Current Tax Provision		-	-	-	-
23.2.	Deferred Tax Expense Effect (+)		-	-	-	-
23.3.	Deferred Tax Income Effect (-)		-	-	-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXV.	NET PROFIT/LOSS (XVII+XXII)	(5.4.12.)	1,036,056	281,997	777,496	176,029
25.1.	Group's Income/Loss		1,036,056	281,997	777,496	176,029
25.2.	Minority Interest Income/Loss (-)		-	-	-	-
	Earnings Per Share Income/Loss		-	-	-	-

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

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

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

4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed Current Period 30.09.2020	Reviewed Prior Period 30.09.2019
I. CURRENT PROFIT (LOSS)	1,036,056	777,496
II. OTHER COMPREHENSIVE INCOME	(316,945)	163,480
2.1 Other Comprehensive Income Not Reclassified Through Profit Or Loss	-	-
2.1.1 Property And Equipment Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-	-
2.1.5 Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2 Other Comprehensive Income Reclassified Through Profit Or Loss	(316,945)	163,480
2.2.1 Foreign Currency Translation Difference	-	-
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	(415,680)	229,373
2.2.3 Cash Flow Hedge Income/Loss	11,512	(16,994)
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss	87,223	(48,899)
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	719,111	940,976

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2020

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

5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

					Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss										
	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Retained Earnings	Net Prfit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares)	Total Shareholders' Equity	
Prior Period (01/01/2019 – 30/09/2019)																		
I.	Prior Period Ending Balance	3,497,322	22,933	-	-	-	(13,296)	-	-	(117,150)	36,196	1,107,196	905,352	-	5,438,553	-	5,438,553	
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-	
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-	
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	3,497,322	22,933	-	-	-	(13,296)	-	-	(88,537)	7,583	1,107,196	905,352	-	5,438,553	-	5,438,553	
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	176,735	(13,255)	-	-	777,496	940,976	-	940,976	
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	-	-	-	-	-	-	-	(1,077)	-	-	(1,077)	-	(1,077)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	863,266	(869,812)	-	(6,546)	-	(6,546)	
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(6,546)	-	(6,546)	-	(6,546)	
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	863,266	(863,266)	-	-	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)		(5.2.11.)	3,995,766	23,250	1,239	-	-	(13,296)	-	-	88,198	(5,672)	1,469,385	35,540	777,496	6,371,906	-	6,371,906
Current Period (01/01/2020 – 30/09/2020)																		
I.	Prior Period Ending Balance	3,995,766	23,250	1,239	-	-	(19,082)	-	-	214,695	(8,981)	1,469,025	35,540	1,109,838	6,821,290	-	6,821,290	
II.	Corrections and Accounting Policy Changes Made According to TAS 8(*)	-	-	-	-	-	-	-	-	(16,092)	-	-	16,092	-	-	-	-	
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	(16,092)	-	-	16,092	-	-	-	-	
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	3,995,766	23,250	1,239	-	-	(19,082)	-	-	198,603	(8,981)	1,469,025	51,632	1,109,838	6,821,290	-	6,821,290	
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	(325,926)	8,981	-	-	1,036,056	719,111	-	719,111	
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	-	-	-	-	-	(6,566)	-	(1,078)	6,566	-	(1,078)	-	(1,078)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,109,838)	(7,280)	-	(7,280)	
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	(7,280)	(7,280)	-	(7,280)	
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,102,558)	-	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)		(5.2.11.)	4,595,131	23,250	1,874	-	-	(19,082)	-	-	(133,889)	-	1,970,505	58,198	1,036,056	7,532,043	-	7,532,043

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4. Foreign Currency Transition Differences

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 SEPTEMBER 2020

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

6. STATEMENT OF CASH FLOWS

		Reviewed Current Period	Reviewed Prior Period
	Note	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Assets And Liabilities From Banking Operations	3,330,914	212,910
1.1.1	Profit Share Income Received	5,382,686	6,073,594
1.1.2	Profit Share Expense Paid	(2,301,527)	(3,063,720)
1.1.3	Dividends Received	68	2,922
1.1.4	Fees And Commissions Received	584,547	569,369
1.1.5	Other Income	1,963,604	(303,030)
1.1.6	Collections From Previously Written Off Loans	193,288	132,549
1.1.7	Payments to Personnel And Service Suppliers	(890,614)	(755,721)
1.1.8	Taxes Paid	(703,562)	(594,716)
1.1.9	Others	(897,576)	(1,848,337)
1.2	Changes in Assets And Liabilities From Banking Operations	4,548,211	11,053,156
1.2.1	Net (Increase) Decrease Held For Trading Financial Assets	(3,067,896)	(2,297,895)
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(9,945,432)	(2,138,246)
1.2.3	Net (Increase) Decrease in Due From Banks And Other Financial Institutions	(17,688,353)	(6,709,183)
1.2.4	Net (Increase) Decrease in Loans	(83,835)	1,094,200
1.2.5	Net (Increase) Decrease in Other Assets	314,714	(235,612)
1.2.6	Net Increase (Decrease) in Bank Deposits	22,589,142	22,650,062
1.2.7	Net Increase (Decrease) in Other Deposits	-	-
1.2.8	Net Increase (Decrease) in Funds Borrowed	1,989,443	(3,087,149)
1.2.9	Net Increase (Decrease) in Due Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	10,440,428	1,776,979
I.	Net Cash Provided From / (Used in) Banking Operations	7,879,125	11,266,066
B.	CASH FLOWS FROM INVESTING ACTIVITIES	-	-
II.	Net Cash Provided From / (Used in) Investing Activities	(21,927,486)	(7,367,608)
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	(745,860)	(16,901)
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries	-	-
2.3	Fixed Assets Purchases	(40,298)	(21,908)
2.4	Fixed Assets Sales	317	19,976
2.5	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(22,824,279)	(6,750,482)
2.6	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income	3,905,991	1,816,819
2.7	Cash Paid For Purchase of Investment Securities	(2,035,983)	(2,427,959)
2.8	Cash Obtained From Sale of Investment Securities	-	-
2.9	Other	(187,374)	12,847
C.	CASH FLOWS FROM FINANCING ACTIVITIES	-	-
III.	Net Cash Provided From / (Used in) Financing Activities	333,989	(43,222)
3.1	Cash Obtained From Funds Borrowed And Securities Issued	-	-
3.2	Cash Used For Repayments Funds Borrowed And Securities Issued	-	-
3.3	Equity instruments	388,645	-
3.4	Dividends Paid	(7,280)	-
3.5	Payments For Finance Leases	(47,376)	(43,222)
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.5.4)	3,845,560
V.	Net Increase (Decrease) in Cash And Cash Equivalents	(9,868,812)	5,327,548
VI.	Cash And Cash Equivalents at The Beginning of The Period	(5.5.1)	18,893,086
VII.	Cash And Cash Equivalents at The End of The Period	(5.5.1)	9,024,274

The accompanying notes are an integral part of these financial statements

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

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

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

Additional paragraph for convenience translation

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

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

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

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

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

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of September 30, 2020, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in third section footnote numbered 1.5 “Explanations on Expected Credit Loss”. In the upcoming periods, the Bank will update its relevant assumptions are necessary and revise the realizations of past estimates.

1.3. Changes in accounting estimates, errors and classifications

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

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

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

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

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

1.5. Disclosures Regarding TFRS 9 Financial Instruments:

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

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

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

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

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

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

Classification And Measurement of Financial Instruments:

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

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

Explanations on Expected Credit Loss :

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

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

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

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

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

The Bank has calculated the possible effects of the COVID-19 outbreak as of 30 September 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 September 2020. By its nature, the model effects are reflected in the financial statements with a delay due to the occurrence of the events and their effects at different times. For this reason, if deemed necessary the Bank may make sectoral based valuations in order to eliminate the timing difference, and establish additional provisions for the sector or customers which are considered to have a high impact due to outbreak.

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

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

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

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecast of future economic conditions.

The Bank applies a 'three-stage' impairment model depending on the gradual increase in credit risk observed since initial recognition

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

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

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

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

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

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

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

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

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

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

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

1.6 Revenue from TFRS 15 Customer Contracts:

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

1.7 Explanations on TFRS 16 Leases Standard

The leasing transactions are presented by the lessor as assets (right-of-use assets) and liabilities from leasing transactions. TFRS 16 Standard eliminates the dual accounting model of leasing transactions on balance sheet and operational leasing transactions as direct expense except balance sheet.

Within the scope of TFRS 16, the Bank reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Bank measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Bank. In addition, the Bank measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments.

As of September 30, 2020, the right-of-use assets classified tangible assets amounting to TL 483,802 in the balance sheet of the Bank and lease obligations amounting to TL 342,531. In the nine-month period that ended as of the same date, financial expenses amounting to TL 47,376 and depreciation expenses amounting to TL 80,190 were incurred.

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

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

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

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

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

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

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

3. Investments in Associates And Subsidiaries

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

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

The Bank enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. In accordance derivative instruments are classified as ‘hedging derivative financial asset’ and ‘derivative financial assets/liabilities at fair value profit or loss’. The Bank classifies its derivative instruments as “Derivative Financial Instruments Held for Hedging Purposes” and “Derivative Financial Instruments Held for Trading” even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as “held for trading” and are reflected in the “Derivative Financial Assets/liabilities at fair value profit or loss” account in the balance sheet.

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

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

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with TAS 39. If the embedded derivatives are closely related with the host contract, embedded derivatives are accounted for in-line with the relevant standard applicable for the host contract. TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank has continued to apply hedge accounting in accordance with TAS 39 in this context. The Bank's cash flow hedging process has ended as of 30 September 2020.

5. Explanations on Profit Share Income And Expense

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

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

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

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

6. Explanations on Fees And Commission Income And Expenses

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

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

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

7. Explanations on Financial Assets

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

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

7.1 Financial assets at fair value through profit or loss:

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

7.2 Financial assets at fair value through other comprehensive income:

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

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

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

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

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

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

7.3 Financial assets measured at amortized cost:

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

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

7.4 Derivative financial assets:

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

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

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

7.5 Loans:

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

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

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

8. Explanations on Offsetting of Financial Assets And Liabilities

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

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

Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. In this context, the Bank performs sale transactions of treasury rent certificates that are recognized in the assets of the balance sheet in return for conditional repurchasing by tendering to purchase auctions held by CBRT with various maturities; and thusly raises funds. As of 30 September 2020, the Bank has repurchase agreement amounting to TL 8,224,602 (31 December 2019: None).

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

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

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

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

11. Explanations on Goodwill And Other Intangible Assets

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

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

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

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

12. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

13. Explanations on Leasing Transactions

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

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

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

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

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

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

The right of the use asset

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

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

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

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

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

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

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

Lease Obligation

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

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

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

14. Explanations on Provisions And Contingent Liabilities

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

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

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

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

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

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

15. Explanations on Liabilities Relating to Employee Benefits

15.1 Defined benefit plans:

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

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

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

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

15.2 Defined contribution plans:

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

15.3 Short term benefits to employees:

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

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

16. Explanations on Taxation

Current Tax

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

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

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

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

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

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

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

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

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

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

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

Deferred Tax

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

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

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

17. Explanations on Additional Disclosures on Borrowings

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

The Bank has not issued convertible bonds.

18. Explanations on Share Certificates Issued

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

19. Explanations on Acceptances And Aailed Drafts

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

20. Explanations on Government Grants

There are no government grants received by the Bank.

21. Explanations on Segment Reporting

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

Segment reporting is disclosed in Section Four, Note 12.

22. Explanations on Other Matters

The Bank has no disclosures on other matters.

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

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

1. Explanations on Equity Items

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 September 2020 Bank’s total capital has been calculated as TL 12,360,051 (31 December 2019: TL 10,334,918), capital adequacy ratio is 22.65% (31 December 2019: 19.32%).

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

1.1 Components of Total Capital:

	<i>Current Period Amount</i>	<i>Prior Period Amount</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,000,000
Share Premium	23,250	23,250
Reserves	1,970,505	1,469,025
Other Comprehensive Income According to TAS	57,097	219,108
Profit	1,094,254	1,145,378
Current Period Profit	1,036,056	1,109,838
Prior Period Profit	58,198	35,540
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	7,745,106	6,856,761
Deductions From Common Equity Tier I Capital	-	-
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	-
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS (-)	138,139	13,394
Leasehold Improvements On Operational Leases (-)	72,368	66,940
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	154,679	124,315
Remaining after deducting from the related deferred tax liability with the deferred tax asset based on future taxable income, except for deferred tax assets based on temporary differences	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	-
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	-
Net Amount Of Defined Benefit Plans	19,082	19,082
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	4,869	4,234
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
Total Deductions From Common Equity Tier I Capital	389,137	227,965
Total Common Equity Tier I Capital	7,355,969	6,628,796

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

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

ADDITIONAL TIER I CAPITAL		
Privileged stocks not included in common equity and share premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,944,075	1,189,404
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	1,944,075	1,189,404
Deductions From Additional Tier I Capital	-	-
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	1,944,075	1,189,404
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	9,300,044	7,818,200
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (*)	2,721,700	2,073,398
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	-
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	564,259	565,274
Tier II Capital before deductions	3,285,959	2,638,672
Deductions From Tier II Capital	-	-
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Total Deductions From Tier II Capital	-	-
Total Tier II Capital	3,285,959	2,638,672
Total Equity (Total Tier I And Tier II Capital)	12,586,003	10,456,872

(*) TL 5 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.

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

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

Total Tier I Capital And Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)	11,875	5,505
Other Items To Be Defined By The BRSA (-)	214,077	116,449
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
Capital		
Total Capital (Total Of Tier I Capital And Tier II Capital)	12,360,051	10,334,918
Total Risk Weighted Assets	54,568,550	53,504,497
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	13.48	12.39
Tier I Capital Ratio (%)	17.04	14.61
Capital Adequacy Ratio (%)	22.65	19.32
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	8.98	7.89
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital	-	-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising From Temporary Differences	-	-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	564,259	565,274
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	564,259	565,274
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-

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

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

Information on debt instruments to be included in equity calculation:			
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED	KT AT One Company Limited
Mean Code (CUSIP, ISIN vb.)	XS1323608635	XS2028862998	XS2227803819
Legislation to which the mean is subject	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity
Consideration In Equity Calculation			
Subject to consideration application reduced by 10% from 1/1/2015	Not being subject	Not being subject	Not being subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Means Type	Subordinated Sukuk	Subordinated Sukuk	Subordinated Sukuk
Amount taken into account in equity calculation (as of last reporting date-TL million)	2,722	1,555	389
Nominal value of the mean (TL million))	2,722	1,555	389
The account in which the mean is followed accounting	3470103	3470003	3470003
Export date of the mean	02/17/2016	16/07/2019	09/28/2020
Maturity structure of the mean (demand/term))	Term	Demand	Demand
Initial maturity of the mean	10 Years (Maturity Date : 02/17/2026)	Demand	Demand
Whether the issuer has the right to refund subject to BRSA approval	Yes	Yes	Yes
Date of repayment option, contingent repayment options and amount to be paid back	02/17/2021 - Complete	07/16/2024 - Complete	09/28/2025 - Complete
Subsequent repayment option dates	02/17/2021	07/16/2024	09/28/2025
Dividend payments			
Fixed or variable dividend payments	Fixed dividend payments	Fixed dividend payments	Fixed dividend payments
Dividend ratio and index value for dividend ratio	7.90%	9.13%	9.95%
Whether there are any restrictions that stop paying dividends	None	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative	Noncumulative
Ability to convert to stock			
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock.	Cannot be converted into stock	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertible means, if convertible to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Value reduction feature			
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Primary Unsecured Sukuk	Tier – 1	Tier - 1
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None

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

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

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

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

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

2. Explanations on currency risk

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

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

As of 30 September 2020, the Bank carries a net foreign currency short position of TL 20,657,098 (31 December 2019 – TL 8,252,773 long position) comprising of TL 20,258,640 balance sheet long position (31 December 2019 - TL 7,932,219 short position) and TL 398,458 off balance sheet short position (31 December 2019 – TL 320,554 long position).

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

	23/09/2020	24/09/2020	25/09/2020	26/09/2020	29/09/2020	Balance Sheet Valuation Rate
USD	7.681	7.65277	7.58626	7.77289	7.82037	7.7763
EURO	8.98232	8.91378	8.84042	9.05792	9.14489	9.10906
GBP	9.76777	9.74993	9.67144	9.98583	10.05734	9.98122
CHF	8.3417	8.27212	8.18222	8.38174	8.47536	8.43152
JPY	0.0731	0.07261	0.07197	0.07376	0.07404	0.07361

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

	Monthly average FC purchase rate
USD	7.53738
EURO	8.88932
GBP	9.77054
CHF	8.24205
JPY	0.07140

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

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

Currency risk of the Bank:

	Euro	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	6,750,250	8,307,025	5,486,943	20,544,218
Banks(****)	121,055	293,321	3,707,119	4,121,495
Financial assets at fair value through profit and loss	283,931	81,798	6,689,586	7,055,315
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,938,407	5,186,227	-	8,124,634
Loans and finance lease receivables (*)	10,596,910	14,941,123	132,422	25,670,455
Subsidiaries, associates and joint ventures (**)	610,120	-	-	610,120
Financial assets at amortized cost	3,656,286	2,342,895	-	5,999,181
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	1,325	-	1,325
Intangible assets	-	3	-	3
Other assets	19,005	208,407	84,886	312,298
Total assets	24,975,964	31,362,124	16,100,956	72,439,044
Liabilities				
Current account and funds collected from Banks via participation accounts	10,352	242,528	236,516	489,396
Current and profit sharing accounts FC (****)	11,448,452	37,090,256	31,408,800	79,947,508
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	262,494	11,059,246	-	11,321,740
Marketable securities issued	-	-	-	-
Miscellaneous payables	197,410	381,159	11,048	589,617
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	215,974	501,725	30,182	747,881
Total liabilities	12,134,682	49,274,914	31,686,546	93,096,142
Net balance sheet position	12,841,282	(17,912,790)	(15,585,590)	(20,657,098)
Net off-balance sheet position	(13,301,845)	17,974,376	15,586,109	20,258,640
Financial derivative assets	827,584	25,825,956	17,126,752	43,780,292
Financial derivative liabilities	14,129,429	7,851,580	1,540,643	23,521,652
Non-cash loans (***)	2,135,761	2,447,892	655,331	5,238,984
Prior period				
Total assets	29,683,514	25,876,253	11,234,038	66,793,805
Total liabilities	9,709,954	36,648,855	12,182,223	58,541,032
Net balance sheet position	19,973,560	(10,772,602)	(948,185)	8,252,773
Net off-balance sheet position	(20,055,534)	11,193,288	930,027	(7,932,219)
Financial derivative assets	371,546	19,860,378	1,463,898	21,695,822
Financial derivative liabilities	20,427,080	8,667,090	533,871	29,628,041
Non-cash loans (***)	1,882,866	2,503,577	576,420	4,962,863

(*) Includes foreign currency indexed loans amounting to TL 2,268,491 (31 December 2019 – TL 2,662,329) and includes expected loss provision amounting to TL 1,380,429 followed as TL on the balance sheet

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

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

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

(*****) Other liabilities at fair value through TL 4,696 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 177,835

(*****) Includes provisions for expected losses amounting to TL 385 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 459,691 (31 December 2019 – TL 165,177)
- Prepaid expenses : TL 2,108 (31 December 2019 – 1,217 TL)
- Derivative financial liabilities held for trading : TL 331,376 (31 December 2019 – TL 164,719)
- Marketable securities of FC revaluation reverse: (26,908) (31 December 2019 - TL (82,154))
- Derivative financial liabilities held for hedging : None (31 December 2019 - TL 129,728)

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

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

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

- Forward foreign currency purchase transactions TL 1,161,408 (31 December 2019 – TL 907,403)
- Forward foreign currency sale transactions: TL 1,649,144 (31 December 2019 – TL 983,763)
- Precious metals purchase transactions TL 16,556,317 (31 December 2019 – TL 15,348)
- Precious metals sale transactions TL 892,190 (31 December 2019 – TL 322,394)

Sensitivity to exchange rate risk

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

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

	Change in exchange rate (%)	Effect on profit / loss		Effect on Equity	
		Current period	Prior period	Current period	Prior period
USD	10%	6,159	42,069	6,159	50,284
EUR	10%	(46,056)	(8,197)	(46,056)	(8,197)
GOLD	10%	10,448	3,545	10,448	3,545

3. Explanations related to stock position risk

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

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

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

Current Period		Comparison	
Equity Securities (shares) investments	Carrying Value	Fair Value	Market Value
1 Securities at Fair Value Through Other Comprehensive Income	26,716	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries	1,461,015	-	341,220
Quoted Securities	53,418	-	341,220
4 Other	20,000	-	-
Quoted Securities	-	-	-
Prior Period		Comparison	
Equity Securities (shares) investments	Carrying Value	Fair Value	Market Value
1 Securities at Fair Value Through Other Comprehensive Income	38,583	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries	544,853	-	157,740
Quoted Securities	53,418	-	157,740
4 Other	20,000	-	-
Quoted Securities	-	-	-

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

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

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

4. Liquidity risk management and liquidity coverage ratio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.5. Information on liquidity risk mitigation techniques:

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

4.6. Information on the use of stress tests:

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

4.7. General information on emergency funding plan:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Emergency Funding Plan, which is approved by Board of Directors. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. Indicators of Emergency Funding Plan were determined, in case of unexpected progress at the liquidity situation occur or at situations trigger of other indicators, plan is put into use. Asset - Liability Committee is responsible from the determination of actions to be taken.

4.8. Presentation of financial liabilities according to contractual maturities:

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

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

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

Liquidity coverage ratio

<i>Current Period</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	33,448,272	19,148,006	31,202,074	16,901,808
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	57,652,230	13,473,775	5,078,025	1,347,377
3	Stable deposits	13,743,947	-	687,197	-
4	Less stable deposits	43,908,283	13,473,775	4,390,828	1,347,377
5	Unsecured wholesale funding, of which:	19,498,255	12,304,342	9,371,757	5,695,367
6	Operational deposits	-	-	-	-
7	Non-operational deposits	17,970,622	11,655,207	7,844,124	5,046,232
8	Unsecured funding	1,527,633	649,135	1,527,633	649,135
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	21,698,930	13,681,276	21,698,930	13,681,276
11	Outflows related to derivative exposures and other collateral requirements	21,175,456	13,608,831	21,175,456	13,608,831
12	Outflows related to restructured financial Instruments	523,474	72,445	523,474	72,445
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	17,409,914	5,139,502	1,419,776	281,906
16	TOTAL CASH OUTFLOWS			37,568,488	21,005,926
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	11,359,293	8,301,223	9,521,805	7,804,149
19	Other cash inflows	21,239,974	20,771,669	21,239,974	20,771,669
20	TOTAL CASH INFLOWS	32,599,267	29,072,892	30,761,779	28,575,818
21	TOTAL HQLA STOCK			Upper Limit Applied Value 31,202,074	16,901,808
22	TOTAL NET CASH OUTFLOWS			9,392,122	5,251,482
23	LIQUIDITY COVERAGE RATIO (%)			332.22	321.85

(*) 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 September 2020:

	Highest	Date	Lowest	Date	Average
TL+FC	422.95	29/05/2020	260.25	17/04/2020	343.92
FC	508.85	21/02/2020	211.65	01/05/2020	338.13

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

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

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

Liquidity risk management and liquidity coverage ratio (continued)

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

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

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

Prior Period:

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

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

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

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

Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (***)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	4,889,791	16,930,883	-	-	-	-	-	21,820,674
Banks (*)	4,146,119	-	-	-	-	-	-	4,146,119
Financial assets at fair value through profit and loss	-	808,922	573,253	6,418,709	224,478	-	19,394	8,044,756
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	11,212,393	3,925,608	3,744,614	13,562,109	-	129,093	32,573,817
Loans (**)	-	9,866,816	8,068,757	26,602,074	27,554,901	4,263,257	(2,654,813)	73,700,992
Financial assets evaluated at amortised cost	-	-	-	3,656,288	2,342,893	-	-	5,999,181
Other assets (***)	287,457	1,005,517	5,431	-	594,759	-	4,941,017	6,834,181
Total assets	9,323,367	39,824,531	12,573,049	40,421,685	44,279,140	4,263,257	2,434,691	153,119,720
Liabilities	-	-	-	-	-	-	-	-
Current account and funds collected from banks via participation accounts	503,937	10,141	-	-	-	-	-	514,078
Current and profit sharing accounts	67,060,087	40,091,973	7,316,741	4,247,401	108,009	1,860	-	118,826,071
Funds provided from other financial institutions	-	1,116,204	586,090	3,369,759	5,749,722	3,164,030	-	13,985,805
Money market borrowings	-	8,224,602	-	-	-	-	-	8,224,602
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	767,824	180,106	-	-	-	-	-	947,930
Other Liabilities (****)	-	1,427,551	238,976	3,652	-	-	8,951,055	10,621,234
Total Liabilities	68,331,848	51,050,577	8,141,807	7,620,812	5,857,731	3,165,890	8,951,055	153,119,720
Net liquidity gap	(59,008,481)	(11,226,046)	4,431,242	32,800,873	38,421,409	1,097,367	(6,516,364)	-
Prior period								
Total assets	14,684,003	25,120,662	8,099,186	21,014,456	31,667,444	2,380,485	1,473,109	104,439,345
Total liabilities	35,938,126	42,875,472	6,417,401	4,576,822	4,471,165	2,239,399	7,920,960	104,439,345
Net liquidity gap	(21,254,123)	(17,754,810)	1,681,785	16,437,634	27,196,279	141,086	(6,447,851)	-

(*) Presented with netting off expected credit losses.

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

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

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

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

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

5. Explanations on leverage ratio

Disclosure of leverage ratio template

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

On-balance sheet assets ^(*)		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	147,193,809	100,598,884
2	(Assets amounts deducted in determining Basel III Tier I Capital)	(312,374)	(209,873)
3	Total on-balance sheet risks (sum of lines 1 and 2)	146,881,435	100,389,011
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	946,692	288,592
5	The potential amount of credit risk with all and credit derivatives	387,809	390,743
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,334,501	679,335
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	1,652,136	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)	1,652,136	572,070
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	68,388,862	65,619,596
11	(Adjustments for conversion to credit equivalent amounts)	(42,905,808)	(42,603,597)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	25,483,054	23,015,999
Capital and total risks			
13	Tier I Capital	9,242,258	7,708,462
14	Total risks (sum of lines 3, 6, 9 and 12)	175,351,126	124,656,415
Leverage ratio			
15	Leverage ratio	5.27	6.18

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was 5.27% (31 December 2019 - 6.18%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital increased by 20% due to the profit for the period, balance-sheet risks increased by 46%, and off-balance sheet items increased by 11%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 91 basis points.

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

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

6. Explanations on the fair value of financial assets and liabilities

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

7. Transactions on behalf of others, explanations on transactions based on faith

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

8. Explanations on hedge accounting practices

TFRS 9 permits to defer application of TFRS 9 hedge accounting principles and permits the companies continue to apply hedge accounting principles of TAS 39 as a policy choice. In this context, while the Bank continues to apply TAS 39 policy for the hedge accounting, Cash Flow Hedge (“CFH”) accounting ended as of 30 September 2020.

The contractual amounts of the derivative financial instruments as of September 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)	-	-	-	1,289,330	-	129,728
Total	-	-	-	1,289,330	-	129,728

(*) Only the "sell" legs of the related derivative financial instruments are presented. As of 30 September 2020, there is no balance in the Statement of off-balance Sheet for these derivative transactions. Including the purchase legs of TL 1,162,576 on 31 December 2019, the total amount of these derivative transactions Derivative financial instrument principal total of TL 2,451,906 is accounted for in off-balance sheet under “Derivative financial instruments held for risk management” line item

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

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

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

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

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

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

Cash flow hedge:

As of 31 December 2020, The Bank, convert Malaysian Ringgit (RM) 800,000 MYR borrowings to USD loan with cross currency swap and this fund was evaluating in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on borrowings and changes in USD/TL foreign exchange rates on profit share-yielding assets.

In this context, the derivative financial instruments which are determined as hedging instruments are cross currency swaps and the hedged items are funds borrowed and profit share-yielding assets. However, the accounting of CFH applied by the Bank has ended as of September 30, 2020.

In the below table, the effect of accounting of CFH (current and prior period) is explained:

Current Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Asset	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	-	-

(*) Includes the deferred tax effect. There is no current period deferred tax effect.

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

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

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

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

As of September 30, 2020, the Bank does not have any cash flow hedge transaction.

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

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

9. Explanations On Risk Management

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

9.1. Explanations on Risk Management and Risk Weighted Amounts:

9.1.1 GB1 - Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/09/2020	Prior Period 31/12/2019	Current Period 30/09/2020
1	Credit risk (excluding counterparty credit risk) (CCR)	44,903,199	44,998,563	3,592,256
2	Standardised approach (SA)	44,925,405	45,023,161	3,594,032
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	215,331	198,727	17,226
5	Standardised approach for counterparty credit risk (SA-CCR)	215,331	198,727	17,226
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	22,206	24,598	1,776
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	1,954,783	2,697,263	156,383
17	Standardised approach (SA)	1,954,783	2,697,263	156,383
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	7,473,031	5,585,346	597,842
20	Basic indicator approach	7,473,031	5,585,346	597,842
21	Standardised approach			
22	Advanced measurement approach			
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)			
24	Floor adjustment			
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	54,568,550	53,504,497	4,365,483

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

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

10. Securitization Positions

None.

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

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

12. Explanations on business segments

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

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

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

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

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

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

Selected balance sheet and income statement items according to segments:

Current Period 1 January 2020-30 September 2020	Retail and enterprise Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	Bank's total operation
Operating income	3,850,192	3,624,248	793,401	-	8,267,841
Operating expenses (-)	3,649,643	652,597	1,157,599	1,488,458	6,948,297
Transfers between segments	1,711,150	(325,131)	(1,386,019)	-	-
Net operating income(loss)	1,911,699	2,646,520	(1,750,217)	(1,488,458)	1,319,544
Income from associates	-	-	-	-	-
Income (loss) before tax	1,911,699	2,646,520	(1,750,217)	(1,488,458)	1,319,544
Provision for taxation (-)	-	-	-	283,488	283,488
Net income for the period	1,911,699	2,646,520	(1,750,217)	(1,771,946)	1,036,056
Current Period 30 September 2020					
Segment assets	30,045,222	43,483,234	74,937,353	-	148,465,809
Associates, subsidiaries and joint ventures	-	-	-	1,481,015	1,481,015
Undistributed assets	-	-	-	3,172,896	3,172,896
Total assets	30,045,222	43,483,234	74,937,353	4,653,911	153,119,720
Segment liabilities	96,686,992	22,649,900	22,595,994	-	141,932,886
Undistributed liabilities	-	-	-	3,654,791	3,654,791
Shareholders' equity	-	-	-	7,532,043	7,532,043
Total liabilities	96,686,992	22,649,900	22,595,994	11,186,834	153,119,720
Prior Period 1 January 2019 – 30 September 2019					
Operating income	4,045,320	2,586,454	1,215,126	-	7,846,900
Operating expenses (-)	3,597,892	1,041,971	945,172	1,289,799	6,874,834
Transfers between segments	2,170,458	(558,572)	(1,611,886)	-	-
Net operating income(loss)	2,617,886	985,911	(1,341,932)	(1,289,799)	972,066
Income from associates	-	-	-	-	-
Income (loss) before tax	2,617,886	985,911	(1,341,932)	(1,289,799)	972,066
Provision for taxation (-)	-	-	-	194,570	194,570
Net income for the period	2,617,886	985,911	(1,341,932)	(1,484,369)	777,496
Prior Period 31 December 2019					
Segment assets	19,680,015	35,203,430	45,842,442	-	100,725,887
Associates, subsidiaries and joint ventures	-	-	-	564,853	564,853
Undistributed assets	-	-	-	3,148,605	3,148,605
Total assets	19,680,015	35,203,430	45,842,442	3,713,458	104,439,345
Prior Period 31 December 2019					
Segment liabilities	71,408,114	14,083,077	9,526,171	-	95,017,362
Undistributed liabilities	-	-	-	2,600,693	2,600,693
Shareholders' equity	-	-	-	6,821,290	6,821,290
Total liabilities	71,408,114	14,083,077	9,526,171	9,421,983	104,439,345

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

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

SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets:

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	547,206	2,270,999	613,156	1,515,040
The Central Bank of Republic of Turkey	570,475	16,930,959	1,155,591	14,498,131
Other (*)	158,775	1,342,260	-	1,111,168
Total	1,276,456	20,544,218	1,768,747	17,124,339

(*) As of 30 September 2020, precious metal account amounting to TL 1,029,266 (31 December 2019 - TL 1,111,144) and money in transit amounting to TL 471,769 (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	557,816	76	730,347	3,201,221
Unrestricted time deposit	-	-	425,000	-
Restricted time deposit	12,659	16,930,883	244	11,296,910
Total	570,475	16,930,959	1,155,591	14,498,131

In accordance with the “Communiqué no. 2013/15 on Reserve Requirements”, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 1 % and 4 % for TL deposits and other liabilities according to their maturities as of 30 September 2020 (31 December 2019: %1 ile % 7 for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 21% for deposit and other foreign currency liabilities according to their maturities as of 30 September 2020 (31 December 2019: 5% and 21% for all foreign currency liabilities). The reserve rates for precious metal funds vary between 16% and 22% (31 December 2019: 5% and 21% for all precious metal funds liabilities).

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

As of 30 September 2020, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2019 – None).

Positive differences related to marketable derivative financial assets:

Financial assets at financial assets at fair value through profit or loss	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	16,913	29,617	14,949	3,045
Swap transactions	1,212,086	430,074	3,821	162,132
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	1,228,999	459,691	18,770	165,177

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

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

1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	25,261	4,121,880	12,983	6,977,847
Domestic	25,261	141,267	12,886	3,767,297
Foreign	-	3,980,613	97	3,210,550
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	25,261	4,121,880	12,983	6,977,847

1.3.2 Information on foreign banks account:

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

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

	Current period	Prior Period
Debt Securities	32,790,809	12,458,021
Quoted on stock exchange	32,790,809	12,458,021
Not quoted on stock exchange	-	-
Share certificates	105,786	185,732
Quoted on stock exchange	82,981	94,539
Not quoted on stock exchange	22,805	91,193
Impairment provision	(322,778)	(13,286)
Total	32,573,817	12,630,467

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

As of the balance sheet date, there is given collateral financial assets amounting to TL 7,541,601 (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 8,246,679 (31 December 2019: None) at fair value through other comprehensive income

1.5 Explanations on financial assets measured at amortized cost:

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	4,822	8,474	1,868	7,206
Corporate shareholders	-	8,434	-	7,190
Real person shareholders	4,822	40	1,868	16
Indirect loans granted to shareholders	61,916	663	780,512	723
Loans granted to employees	27,435	638	19,920	619
Total	94,173	9,775	802,300	8,548

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

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

1.5.2 Information on standart loans, loans under close 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	
			Loans and Receivables with Revised Contract Terms	Refinance
Cash Loans	Standard Loans and Other Receivables			
Loans	64,234,776	4,318,355	2,766,848	-
Export Loans	5,503,383	311,435	-	-
Import Loans	1,963,317	53,344	-	-
Corporation Loans	34,589,486	3,308,851	2,685,942	-
Consumer Loans	12,602,822	365,748	63,390	-
Credit Cards	1,161,057	126,745	17,516	-
Loans given to financial sector	2,050,258	-	-	-
Other	6,364,453	152,232	-	-
Other Receivables	4,409	138,811	8,917	-
Total	64,239,185	4,457,166	2,775,765	-

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

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

	Standard Loans	Loans under close	Standard Loans	Loans under close
	Current Period (*)	monitoring	Prior Period	monitoring
		Current Period (*)		Prior Period
12-Month Expected Loss Provision	1,097,431	-	482,133	-
Significant Increase In Credit Risk	-	2,034,556	-	996,886
Total	1,097,431	2,034,556	482,133	996,886

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL1,697. (31 December 2019: 767 TL)

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

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

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

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

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	75,329	12,870,841	12,946,170
Real Estate Loans	18,699	10,999,794	11,018,493
Vehicle Loans	29,232	1,480,327	1,509,559
Consumer Loans	21,941	226,666	248,607
Other	5,457	164,054	169,511
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	5	59,284	59,289
Real Estate Loans	-	29,161	29,161
Vehicle Loans	-	-	-
Consumer Loans	-	30,123	30,123
Other	5	-	5
Retail Credit Cards-TL	545,514	70	545,584
With Installment	121,360	70	121,430
Without Installment	424,154	-	424,154
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	2,088	24,413	26,501
Real Estate Loans	-	2,124	2,124
Vehicle Loans	694	15,816	16,510
Consumer Loans	1,393	6,473	7,866
Other	1	-	1
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	14,379	21	14,400
With Installment	5,141	21	5,162
Without Installment	9,238	-	9,238
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	637,315	12,954,629	13,591,944

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

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

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

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	75,033	7,726,981	7,802,014
Real Estate Loans	22,116	6,470,571	6,492,687
Vehicle Loans	31,568	963,169	994,737
Consumer Loans	20,214	219,628	239,842
Other	1,135	73,613	74,748
Consumer Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	79,276	79,276
Real Estate Loans	-	46,824	46,824
Vehicle Loans	-	-	-
Consumer Loans	-	28,626	28,626
Other	-	3,826	3,826
Retail Credit Cards-TL	456,724	73	456,797
With Installment	98,257	73	98,330
Without Installment	358,467	-	358,467
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,912	16,998	18,910
Real Estate Loans	-	1,410	1,410
Vehicle Loans	596	12,096	12,692
Consumer Loans	1,315	3,492	4,807
Other	1	-	1
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	11,025	60	11,085
With Installment	4,229	60	4,289
Without Installment	6,796	-	6,796
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	544,694	7,823,388	8,368,082

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

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

1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	402,354	8,921,629	9,323,983
Business Loans	7,004	2,004,434	2,011,438
Vehicle Loans	321,986	4,400,773	4,722,759
Consumer Loans	73,364	2,516,422	2,589,786
Other	-	-	-
Commercial Installment Loans-FC Indexed	527	626,680	627,207
Business Loans	527	91,320	91,847
Vehicle Loans	-	17,138	17,138
Consumer Loans	-	518,222	518,222
Other	-	-	-
Commercial Installment Loans-FC	414	206,271	206,685
Business Loans	-	114,751	114,751
Vehicle Loans	414	91,520	91,934
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	745,334	-	745,334
With Installment	288,465	-	288,465
Without Installment	456,869	-	456,869
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1,148,629	9,754,580	10,903,209
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	248,040	4,929,680	5,177,720
Business Loans	18,447	1,248,841	1,267,288
Vehicle Loans	194,640	2,385,462	2,580,102
Consumer Loans	34,953	1,295,377	1,330,330
Other	-	-	-
Commercial Installment Loans-FC Indexed	3,221	844,575	847,796
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
Commercial Installment Loans-FC	1,106	155,325	156,431
Business Loans	-	98,790	98,790
Vehicle Loans	1,106	56,535	57,641
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	620,612	-	620,612
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	872,979	5,929,580	6,802,559

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

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

1.5.6 Breakdown of credits by users:

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.

1.5.7 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	70,602,419	47,120,720
Foreign loans	869,697	6,054,055
Total	71,472,116	53,174,775

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	194,529	178,601
Loans granted indirectly to subsidiaries and associates	-	-
Total	194,529	178,601

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

	Current period	Prior period
Loans and receivables with limited collectability	5,663	209,492
Loans and receivables with doubtful collectability	506,115	228,439
Uncollectible loans and receivables	1,587,957	1,094,439
Total	2,099,735	1,532,370

1.5.10 Information on non-performing loans (Net):

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

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period:	-	61,218	-
(Gross Amount Before Specific Provisions)	-	-	-
Restructured Loans and Receivables	-	61,218	-
Prior Period:	-	65,699	-
(Gross Amount Before Specific Provisions)	-	-	-
Restructured Loans and Receivables	-	65,699	-

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

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2019	250,407	318,133	1,475,134
Additions in the current period (+)	183,412	408,371	245,093
Transfers from other categories of non-performing loans (+)	8,521	401,386	412,034
Transfers to other categories of non-performing loans (-)	400,538	412,008	9,395
Collections in the current period (-)	18,369	24,254	150,665
Write offs (-)	-	-	-
Sold Portfolio (-) (*)	-	-	110,353
Corporate and commercial loans	-	-	110,353
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	23,433	691,628	1,861,848
Specific provisions (-)	5,663	506,115	1,587,957
Net balances on balance sheet	17,770	185,513	273,891

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

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

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

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

1.5.10.3 Information on non-performing loans arising from foreign currency loans:

	III. Grup	IV. Grup	V. Grup
Current period:			
Ending balance of the current period	2,124	211,475	114,035
Provision amount (-)	1,678	142,243	97,009
Net Balance at the balance sheet	446	69,232	17,026
Prior period:			
Ending balance of the current period	79,218	5,454	61,345
Provision amount (-)	48,407	4,640	44,173
Net balance at the balance sheet	30,811	814	17,172

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	17,770	185,513	273,891
Loans granted to real persons and legal entities (Gross)	23,433	691,628	1,861,848
Specific provision (-)	5,663	506,115	1,587,957
Loans to real persons and legal entities (Net)	17,770	185,513	273,891
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net)	40,915	89,694	380,695
Loans to real persons and legal entities (Gross)	250,407	318,133	1,475,134
Specific provision (-)	209,492	228,439	1,094,439
Loans to real persons and legal entities (Net)	40,915	89,694	380,695
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

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.

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

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	423	34,750	26,247
Profit share accruals, rediscount and valuation differences	868	92,636	233,425
Provision (-)	445	57,886	207,178

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period (Net)	7,824	8,150	43,927
Profit share accruals, rediscount and valuation differences	18,748	25,908	207,675
Provision (-)	10,924	17,758	163,748

1.5.11 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.

1.5.12 Information on the write-off policy:

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

1.6. Information on Other Financial Assets Evaluated at Amortized Cost

1.6.1 Information on those subject to repo transactions and those given as collateral / blocked, in a comparative way with their net values: None. (31 December 2019 – None)

1.6.2 Information on government debt securities to be held to maturity, valued over their amortized cost: None (31 December 2019 – None)

1.6.1 Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	5,999,181	2,630,914
Quoted on a Stock Exchange	5,999,181	2,630,914
Not Quoted	-	-
Impairment Provision (-)	1,697	767
Total	5,997,484	2,630,147

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

	Current Period	Prior Period
Opening Balance	2,630,914	-
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	3,368,267	2,630,914
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	1,697	767
Total	5,997,484	2,630,147

KUVEYT TRK KATILIM BANKASI ANONİM ŐİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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

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

1.7 Information on investment in associates (Net):

1.7.1 The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2019 – TL 7,659), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 33 (31 December 2019 – TL 33), Swift shares amounting to TL 390 (31 December 2019 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2019 – TL 15), 2.86% ownership of the shares of Ulusal Derecelendirme A.Ş. amounting to TL 2,755 (31 December 2019 – TL 0), 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).

1.7.3 Sector information on consolidated associates and their recorded amounts: None (31 December 2019 - None)

1.7.3 Consolidated associates quoted on the stock exchange: None (31 December 2019 - None)

1.8 Information on subsidiaries (Net):

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

1.8.2 Information on subsidiaries:

	Title	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1	Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Türkiye	99.99	99.99
2	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Türkiye	75.00	83.26
3	KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
4	KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
5	KT Bank AG (*)	Frankfurt/Almanya	100.00	100.00
6	Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş. (**)	İstanbul/Türkiye	100.00	100.00
7	KT Sukuk Company Limited (***)	George Town/Cayman Adaları	100.00	100.00
8	KT Portföy Yönetimi A.Ş.	İstanbul/Türkiye	100.00	100.00
9	Neova Sigorta A.Ş.	İstanbul/Türkiye	100.00	100.00

	Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
1	38,227	35,182	-	-	-	5,750	477	-
2	132,012	118,046	5	-	-	4,229	1,513	-
3	657	644	-	-	-	6	140	-
4	6,123,575	319	-	-	-	26	97	-
5	6,027,067	1,267,585	14,293	-	-	6,433	(6,258)	-
6	77,478	50,191	5,373	-	-	32,163	7,931	-
7	2,747,616	2	-	-	-	-	-	-
8	23,127	21,551	219	-	-	8,866	2,753	-
9	2,775,281	593,364	12,410	72,264	64,390	110,762	308,847	-

(*) As of 30 September 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 September 2020.

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

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

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

Movement regarding the subsidiaries

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

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

The Bank has obtained the necessary legal permissions as of 05/05/2020, Neova Sigorta A.Ş. completed the share transfer transactions and concluded the purchase. Neova Sigorta A.Ş., which has purchased 78,864,212 shares by paying 745,860 TL with the purchase transaction, and 7% before sales increased its partnership share to 100% by owning all the shares.

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

Sectoral information on consolidated subsidiaries and the related carrying amounts:

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

(*) The Bank purchased all shares of Neova Sigorta A.Ş. as of 30 June 2020. Prior to the acquisition, 7% of the shares of Neova Sigorta A.Ş. held by the Bank were followed in the financial assets item whose fair value difference was reflected in other comprehensive income.

Subsidiaries that are quoted on the stock exchange

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

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of September 30, 2020 is EUR 108,877,546 (Full amount) and the capital adequacy ratio is %22.6.

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

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

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*)	50%	3,744,827	105,813	15,058	30,831	19,699

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

1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2,171,623	1,727,851	1,227,784	886,869
1 to 4 years	2,728,118	2,546,326	1,572,914	1,445,267
More than 4 years	636,145	609,512	384,461	375,384
Total	5,535,886	4,883,689	3,185,159	2,707,520

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	5,535,885	3,185,159
Unearned finance lease income (-)	(652,196)	(477,639)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	4,883,689	2,707,520

1.10.3 Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 67,797 are included in the non-performing loans in the balance sheet (31 December 2019 – TL 48,391).

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

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

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

1.12 Information on Tangible Assets:

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

1.13 Information on Intangible Assets:

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

1.14 Information on investment properties

	Current period	Prior period
Opening Balance	25,146	25,305
Additions	1,303	1,143
Disposals (-), Net	-	-
Amortization Cost (-)	1,422	1,302
Closing Net Book Value	25,027	25,146

1.15 Information on deferred tax asset

As of 30 September 2020, deferred tax is offset as TL 594,759 in the balance sheet. The deferred tax asset is TL 910,280 TL (31 December 2019 – TL 399,960) and the deferred tax liability is TL 315,521 TL (31 December 2019 – TL 41,863 TL)

	Current period	Prior period
Reserve for employee benefits	36,968	41,047
Retirement pay liability	27,705	23,220
Deferred income	75,854	56,469
Impairment provision for subsidiaries, fixed assets and assets held for sale	2,146	2,523
Rediscounts for derivative instruments held for trading	-	52,909
TFRS 9 Provisions	496,238	214,057
Precious metals valuation difference	226,758	1,454
Difference in valuation of securities	36,062	-
Other	8,549	8,281
Deferred tax asset	910,280	399,960
Derivative transactions valuation differences	(289,530)	-
Tangible assets valuation differences	(10,044)	(9,665)
Financial assets valuation differences	(11,985)	(28,833)
Precious metal valuation difference	-	-
Other	(3,962)	(3,365)
Deferred tax liability	(315,521)	(41,863)
Deferred tax asset, (net)	594,759	358,097

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

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

Table of deferred tax asset movement:

	30 September 2020	31 December 2019
As of January, 1	358,097	346,640
Deferred tax (expense)/income	149,439	95,752
Deferred tax accounted under other comprehensive income	87,223	(84,295)
Deferred tax asset	594,759	358,097

1.16 Explanations on assets held for sale and discontinued operations:

	Current period	Prior period
Opening Balance	473,326	270,382
Additions	128,786	270,818
Transfers from Tangible Asset	-	-
Disposals (-), Net	110,532	67,874
Transfer to Tangible Assets	-	-
Amortization Cost (-)	-	-
Provision For Impairment (-)	-	-
Closing Net Book Value	491,580	473,326

1.17 Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 1,313,018 (31 December 2019 – TL 1,596,430). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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

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

SECTION FIVE

2. Explanations and notes related to liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	11,399,905	-	-	-	-	-	-	-	11,399,905
II. Real persons profit sharing accounts TL	-	6,902,963	9,427,897	583,971	-	848,622	1,288,090	22,813	19,074,356
III. Other current accounts-TL	5,713,687	-	-	-	-	-	-	-	5,713,687
Public sector	184,489	-	-	-	-	-	-	-	184,489
Commercial sector	5,446,548	-	-	-	-	-	-	-	5,446,548
Other institutions	57,970	-	-	-	-	-	-	-	57,970
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	24,680	-	-	-	-	-	-	-	24,680
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	24,375	-	-	-	-	-	-	-	24,375
Participation banks	305	-	-	-	-	-	-	-	305
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	813,695	1,416,245	45,589	-	315,466	124,289	13	2,715,297
Public sector	-	335	803	629	-	7,917	-	-	9,684
Commercial sector	-	732,727	1,252,683	37,233	-	295,001	122,437	13	2,440,094
Other institutions	-	80,284	161,362	7,727	-	12,510	493	-	262,376
Commercial and other institutions	-	349	1,378	-	-	38	1,359	-	3,124
Banks and participation banks	-	-	19	-	-	-	-	-	19
V. Real persons current accounts-FC	18,480,633	-	-	-	-	-	-	-	18,480,633
VI. Real persons profit sharing accounts-FC	-	6,401,475	9,035,034	1,105,477	-	1,365,722	1,572,889	3,211	19,483,808
VII. Other current accounts-FC	9,404,829	-	-	-	-	-	-	-	9,404,829
Commercial residents in Turkey	8,827,646	-	-	-	-	-	-	-	8,827,646
Commercial residents in Abroad	297,273	-	-	-	-	-	-	-	297,273
Banks and participation banks	279,910	-	-	-	-	-	-	-	279,910
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,002	-	-	-	-	-	-	-	1,002
Foreign banks	277,402	-	-	-	-	-	-	-	277,402
Participation banks	1,506	-	-	-	-	-	-	-	1,506
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	715,643	1,585,325	48,979	-	35,030	68,603	-	2,453,580
Public sector	-	21	-	-	-	-	-	-	21
Commercial sector	-	658,472	1,376,476	47,767	-	34,319	68,603	-	2,185,637
Other institutions	-	22,022	121,939	1,200	-	190	-	-	145,351
Commercial and other institutions	-	35,118	76,815	12	-	521	-	-	112,466
Banks and participation banks	-	10	10,095	-	-	-	-	-	10,105
IX. Precious metal funds	22,564,970	4,552,806	2,818,482	375,036	-	291,195	11,367	198	30,614,054
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	67,564,024	19,386,582	24,282,983	2,159,052	-	2,856,035	3,065,238	26,235	119,340,149

There are no 7 days notification accounts of the Bank.

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

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

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

There are no 7 day notification accounts of the Bank.

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

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

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

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

	Under the guarantee of savingdeposit insurance		Exceeding the limit of savingDeposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	18,726,740	17,752,145	11,748,364	10,782,495
FC accounts	28,615,095	16,294,727	37,623,633	24,484,448
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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

The headquarters of the Bank is in Turkey.

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

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

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	11,103	9,044
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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

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

2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	33,185	16,601	13,191	974
Swap transactions	17,769	314,775	116,499	163,745
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	50,954	331,376	129,690	164,719

2.3. Information on funds borrowed:

2.3.1 Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	2,283,063	3,988,907	923,177	4,354,444
From Foreign Banks, Institutions and Funds	44,605	2,605,848	-	114,056
Total	2,327,668	6,594,755	923,177	4,468,500

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	2,327,668	2,610,344	923,177	1,469,612
Medium and Long-Term	-	3,984,411	-	2,998,888
Total	2,327,668	6,594,755	923,177	4,468,500

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

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

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

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

2.4 Information on other liabilities and miscellaneous payables:

As of 30 September 2020, other liabilities amount to TL 1,157,383 (31 December 2019 – TL 897,094), sundry creditors amount to TL 947,930 (31 December 2019 - TL 388,179), both of them do not exceed 10% of the balance sheet total.

2.5 Information on finance lease payables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	146,198	89,092	124,506	87,233
1 to 4 years	255,914	157,166	263,799	141,347
More than 4 years	127,494	96,273	139,376	97,598
Total	529,606	342,531	527,681	326,178

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

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

None (31 Aralık 2019 – None).

2.5.1.1. Explanations on financial leasing obligations

None (31 Aralık 2019 – None).

2.5.1.2. Explanations on operating lease:

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

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

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

2.6 Information on hedging derivative financial liabilities:

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

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

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

2.7 Information on provisions:

2.7.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 30 September 2020, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 181 (31 December 2019 – TL 5) and TL 34 for leasing receivables (31 December 2019 – TL 192) is offset against loans and receivables.

2.7.2 Information on other provisions:

	Current Period	Prior Period
Specific provisions for non cash loans that are not indemnified converted into cash	441,989	422,274
General Provisions for non-cash loans	185,830	127,145
Provision for profits will be allocated to participation accounts	379,425	150,934
Credit cards of banking services applications	2,839	2,332
Other (*)	103,010	86,271
Total	1,113,093	788,956

(*) The other part of the main period amounting to TL 36,850 (December 31, 2019 - TL 27,573) is TL 2,008(31 December 2019 - TL 6,500) for the expense of TL 64,152 (31 December 2019 - TL 51,035) is the amount for impairment loss.

2.7.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 137,884 (31 December 2019 – TL 115,461), vacation pay liability amounting to TL 5,633 (31 December 2019 – TL 712), performance premium amounting to TL 84,895 (31 December 2019 – TL 109,912), retirement bonuses on payment of TL 66,098 (31 December 2019 – TL 63,437), committee fee amounting to TL 11,152 (31 December 2019 – TL 12,231) and other fees amounting to TL 257 (31 December 2019 – TL 196).

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

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

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

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

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

	Current Period	Prior Period
Balance at the beginning of the period	115,461	86,381
Provisions recognized during the period	26,573	30,613
Paid during the period	(4,150)	(7,319)
Actuarial loss	-	5,786
Balances at the end of the period	137,884	115,461

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

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

2.8 Explanations on tax liability:

2.8.1 Explanations on current tax liability:

2.8.1.1 Information on tax provisions: 130,466 (31 December 2019 - TL 224,425)

2.8.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	38,559	39,489
Taxation of immovable property	950	1,796
Banking Insurance Transaction Tax (BITT)	25,361	29,327
Foreign Exchange Transaction Tax	78,038	4,532
Value Added Tax Payable	1,700	2,663
Income tax deducted from wages	14,259	12,624
Other	1,564	4,058
Total	160,431	94,489

2.8.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Security Premiums-Employee	8,497	7,430
Social Security Premiums-Employer	9,136	8,000
Unemployment insurance-Employee	608	532
Unemployment insurance-Employer	1,434	1,263
Other	-	-
Total	19,675	17,225

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

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

2.9 Information on payables related to assets held for sale:

None (31 December 2019 – None).

2.10 Information on subordinated loans:

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

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

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

2.11 Information on shareholders' equity:

2.11.1 Presentation of paid-in capital:

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

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

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

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

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

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

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

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

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

2.11.6 Summary of privileges given to shares representing the capital:

None. (31 December 2019- None)

2.11.7 Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	(126,023)	4,250	136,954	82,154
Foreign Exchange Difference	-	-	-	-
Total	(126,023)	4,250	136,954	82,154

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

2.12 Information on minority shares:

None (31 December 2019 – None).

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

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

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

3.1. Explanations on off-balance sheet accounts:

3.1.1 Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 30 September 2020 amounts to TL 3,324,278 (31 December 2019 – TL 2,656,398); payment commitments for cheque books amounts to TL 1,378,013 (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 September 2020, the Bank has guarantees and surety ships constituting of TL 10,156,830 (31 December 2019 – TL 10,006,666) of letters of guarantee; TL 56,047 (31 December 2019 – TL 55,035) of acceptances and TL 1,648,911 (31 December 2019 – TL 1,374,009) of letters of credit. Also, banks has other acceptances amounting to TL 544,408 (31 December 2019 – TL 465,592).

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

3.1.3 Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	(13,583)	-
With original maturity of 1 year or less	(13,583)	-
With original maturity of more than 1 year	-	-
Other non-cash loans	12,419,779	11,901,302
Total	12,406,196	11,901,302

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

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

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

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

3.2 Information on derivative transactions:

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

3.3 Information on credit derivatives and their risks:

None.

3.4 Information on contingent liabilities and assets:

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

3.5 Information on services provided to others names and accounts:

None.

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

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.

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

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

4. Explanations and notes related to the statement of income

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	3,782,353	692,951	4,037,042	530,818
Short term loans	773,834	67,136	1,179,282	92,895
Medium and long-term loans	2,975,209	624,044	2,822,492	437,919
Profit share on non-performing loans	33,310	1,771	35,268	4
Premiums received from resource utilization support fund	-	-	-	-
Total	3,782,353	692,951	4,037,042	530,818

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	-	-	265	-
Foreign Banks	38,196	53,978	41,757	140,099
Branches and head office abroad	-	335	-	1,000
Total	38,196	54,313	42,022	141,099

4.1.3 Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit or Loss	63,413	174,020	11,671	30,175
Financial Assets at Fair Value Through Other Comprehensive Income	1,148,787	281,926	212,171	235,143
Financial Assets Evaluated at Amortized Cost	-	124,170	-	54,626
Toplam	1,212,200	580,116	223,842	319,944

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

	Current Period	Prior Period
Profit share income received from associates and subsidiaries	254	44

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

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

4.2 Information on profit share expenses:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	19,403	15,443	11,582	17,801
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	18,893	3,925	11,582	7,759
Foreign banks	510	11,518	-	10,042
Branches and head office abroad	-	-	-	-
Other Institutions	93,325	421,042	273,227	392,789
Total	112,728	436,485	284,809	410,590

4.2.1 Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	390,881	336,413

4.2.2 Profit share expense paid to securities issued:

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

4.3 Information on dividend income:

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.

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

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

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

Current period		Profit Sharing Accounts						
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year	Accumulated profit-sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person’s non-trading profit sharing Account	394,187	595,938	38,501	-	45,085	69,126	902	1,143,739
Public-sector profit-sharing account	17	12	37	-	21	-	-	87
Commercial sector profit sharing account	33,318	71,483	3,411	-	1,477	1,010	-	110,699
Other institutions profit sharing account	3,453	8,142	765	-	308	113	-	12,781
Total	430,975	675,575	42,714	-	46,891	70,249	902	1,267,306
FC								
Banks	15	543	27	-	-	-	-	585
Real person’s non-trading profit sharing account	29,998	49,027	7,261	-	7,569	10,657	16	104,528
Public-sector profit-sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	2,755	8,686	318	-	370	88	-	12,217
Other institutions profit sharing account	287	1,073	109	-	62	-	-	1,531
Precious metal accounts	6,780	5,273	705	-	677	-	-	13,435
Total	39,835	64,602	8,420	-	8,678	10,745	16	132,296
Grand Total	470,810	740,177	51,134	-	55,569	80,994	918	1,399,602
Prior period		Profit Sharing Accounts						
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year	Accumulat ed profit-sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	144	-	-	-	-	-	144
Real person’s non-trading profit sharing account	637,943	989,273	57,119	-	32,507	36,710	2,158	1,755,710
Public sector profit sharing account	20	102	25	-	6	-	-	153
Commercial sector profit sharing account	45,567	109,523	12,222	-	1,941	1,316	-	170,569
Other institutions profit sharing account	5,689	8,997	1,275	-	376	143	-	16,480
Total	689,219	1,108,039	70,641	-	34,830	38,169	2,158	1,943,056
FC								
Banks	60	1,947	-	-	-	-	-	2,007
Real person’s non-trading profit sharing account	90,853	155,916	22,259	-	13,587	12,359	46	295,020
Public sector profit sharing account.	-	14	-	-	-	-	-	14
Commercial sector profit sharing account	8,119	53,783	2,689	-	211	203	-	65,005
Other institutions profit sharing account	634	8,441	68	-	77	-	-	9,220
Precious metal accounts	14,331	13,720	1,603	-	707	-	-	30,361
Total	113,997	233,821	26,619	-	14,582	12,562	46	401,627
Grand Total	803,216	1,341,860	97,260	-	49,412	50,731	2,204	2,344,683

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

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

4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	844,334	886,401
Income	37,932,974	30,877,536
Gain on capital market transactions	63,274	38,548
Gain on derivative financial instruments	5,933,606	2,437,468
Foreign exchange profit	31,936,094	28,401,520
Losses (-)	(37,088,640)	(29,991,135)
Losses on capital market transactions	(13,204)	(11,613)
Losses on derivative financial instruments	(5,626,244)	(1,482,269)
Foreign exchange losses	(31,449,192)	(28,497,253)

4.6 Information on other operating income:

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

	Current Period	Prior Period
Reversal of prior period provisions	324,180	762,316
Income from sale of assets	64,887	33,155
Income from the real estate sales' gains by rent certificates	5,089	2,245
Other Income	6,102	4,474
Total	400,258	802,190

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

	Current Period (*)	Prior Period
Expected Credit Loss	2,649,124	2,152,806
12 month expected credit loss (Stage 1)	652,414	13,975
Significant increase in credit risk (Stage 2)	1,061,065	605,279
Non-performing loans (Stage 3)	935,645	1,533,552
Marketable Securities Impairment Expense	16,805	864
Financial Assets at Fair Value through Profit or Loss	16,805	864
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 (**)	210,585	35,417
Total	2,876,514	2,189,087

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

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

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

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

4.8 Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	864,221	742,626
Provision for employee termination	22,423	20,063
Depreciation expenses of fixed assets	151,039	134,727
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	25,253	30,843
Depreciation expenses of assets held for sale	-	-
Other operating expenses	285,302	253,374
Rent expenses	1,689	1,835
Maintenance expenses	50,949	73,433
Advertisement expenses	17,172	25,616
Communication expenses	45,245	37,358
Heating, electricity and water expenses	19,640	19,057
Cleaning expenses	5,453	5,073
Vehicle expenses	6,085	6,917
Stationery expenses	7,523	6,765
Other expenses	131,546	77,320
Losses on sales of assets	280	984
Deposit insurance fund expenses	231,401	118,537
Other	139,940	107,182
Total	1,719,859	1,408,336

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

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

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

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 432,927 (1 January-30 September 2019 - TL 172,329), deferred tax income of TL 283,923 (1 January-30 September 2019 - TL 172,068) and TL 134,484 (1 January-30 September 2019 - TL 194,309) deferred tax expense is recognized.

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

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

4.12 Information on net income/loss:

4.12.1 The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

As of 30 September 2020, net profit share income is TL 4,415,628 (1 January-30 September 2019 – TL 2,538,338), net fees and commission income is TL 255,629 (1 January-30 September 2019 – TL 339,638).

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 September 2019 – None).

4.12.3 Profit/Loss attributable to minority interest:

None (30 September 2019 – None).

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

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

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

As of 30 September 2020, other fees and commissions received is TL 481,719 (1 January – 30 September 2019 – TL 458,373), TL 100,879 of this amount is related with credit card fees and commissions (1 January – 30 September 2019 – TL 152,377) and TL 83,950 of this amount is related with POS machine commissions (1 January – 30 September 2019 – TL 112,130).

As of 30 September 2020, other fees and commissions given is TL 328,896 (1 January – 30 September 2019 – TL 226,078), TL 77,127 (1 January – 30 September 2019 – TL 133,293) of this amount is related with POS clearing commissions and installation expenses, TL 15,852 (1 January – 30 September 2019 – TL 18,946) of this amount is related with fees and commissions paid for credit cards.

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

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 Disclosures Related to Statement of Cash Flows

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

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

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

Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	178,601	18,527	1,868	7,206	780,512	723
Balance at end of period	194,529	20,487	4,822	8,474	61,916	663
Profit share and commission income	62	192	158	63	3,993	-

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

Prior period:

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

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

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

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Current and profit sharing accounts						
Balance at beginning of period	181,714	62,800	151,321	35,032	390,698	255,239
Balance at end of period	64,353	181,714	85,835	151,321	207,298	390,698
Profit share expense	4,890	4,634	832	1,824	304	29,492

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current Period	Current period
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	75,460	274,933	607,498	287,483	-	-
Balance at end of period	118,447	75,460	650,588	607,498	-	-
Total Profit / Loss	438	1,669	(9,654)	1	-	-
Hedging Transactions	-	-	-	-	-	-
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Borrowings						
Balance at beginning of period	8,324,759	5,646,443	68,696	802,108	-	-
Balance at end of period	10,844,091	8,324,759	777,641	68,696	-	-
Profit share expense	385,991	331,779	11	38,735	-	-

(*) The subordinated Tier-II sukuk worth USD 350,000,000 (full amount) issued by the Bank on 17/02/2016 for USD 1,450,000 (full amount) amount part to Kuwait Finance House; the part of the amount of USD 50,000,000 (full amount) belongs to Islamic Development Bank.

(*) The entire subordinated Tier-I sukuk amounting to USD 200,000,000 (full amount) issued by the Bank on 16/07/2019 and the subordinated Tier-I (full amount) amounting to USD 50,000,000 (full amount) issued by the Bank on 28/09/2020 belongs to Kuwait Finance House

7.5 Information on remunerations provided to top management:

As of 1 January – 30 September 2020, the Bank has paid TL 42,636 to top management (1 January – 30 September 2019 TL 33,516).

8. Information about the branches of the bank 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.

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

Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 198,370 on 27 October 2020 and a maturity of 94 days with a cost of 13.07%

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

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

SECTION SIX

OTHER EXPLANATIONS

- 1. Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet:** None.

SECTION SEVEN

LIMITED REVIEW REPORT

- 1. Explanations on the limited review report:**

The unconsolidated financial statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 10 November 2020 is presented preceding the financial statements.

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

SECTION EIGHT
INTERIM REPORT

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

1.1 About Kuveyt Türk

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

62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by Wafra International Investment Company 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.

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

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

1.2 Financial Informations Summary:

UNCONSOLIDATED BALANCE SHEET	30.09.2020	31.12.2019
CASH BALANCES AND CENTRAL BANK BANKS	21,820,674	18,893,086
SECURITIES	4,147,141	6,990,830
LOANS AND RECEIVABLES	46,617,754	19,273,123
FINANCE LEASE RECEIVABLES (Net)	74,049,025	55,218,449
EXPECTED LOSS PROVISIONS (-)	4,883,689	2,707,520
TANGIBLE ASSETS (Net)	5,232,744	3,014,394
OTHER ASSETS	1,075,369	1,034,952
	5,758,812	3,335,779
TOTAL ASSETS	153,119,720	104,439,345
FUND COLLECTED	119,340,149	85,494,387
FUNDS BORROWED	8,922,423	5,391,677
MARKETABLE SECURITIES ISSUED	-	-
FINANCE LEASE PAYABLES	342,531	326,178
SUBORDINATED LOANS	4,720,851	3,380,983
OTHER LIABILITIES	12,261,723	3,024,830
EQUITY	7,532,043	6,821,290
TOTAL LIABILITIES	153,119,720	104,439,345
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS	30.09.2020	30.09.2019
PROFIT SHARE INCOME	6,666,024	5,625,937
PROFIT SHARE EXPENSE	2,250,396	3,087,599
NET PROFIT SHARE INCOME/EXPENSE	4,415,628	2,538,338
NET FEES AND COMMISSION INCOME/EXPENSE	255,629	339,638
PERSONNEL EXPENSES	886,644	762,689
DIVIDEND INCOME	68	2,922
NET TRADING INCOME / LOSS	844,334	886,401
OTHER OPERATING INCOME	400,258	802,190
EXPECTED LOSS PROVISIONS (-)	2,649,124	2,152,806
OTHER PROVISION EXPENSES (-)	227,390	36,281
OTHER OPERATING EXPENSES (-)	833,215	645,647
INCOME/ LOSS BEFORE TAX	1,319,544	972,066
TAX CHARGE	(283,488)	(194,570)
CURRENT PERIOD INCOME/LOSSES	1,036,056	777,496

	30.09.2020	31.12.2019
Total Loans/Total Assets*	51.55%	55.46%
Total Loans/Fund Collected*	66.14%	67.75%
Average Equity Profit **	19.25%	18.11%
Average Assets Profit **	1.07%	1.24%
Capital Adequacy Ratio	22.65%	19.32%

* Finance Lease Receivables is included in total loans.

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

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

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

1.3 Message from the Chairman

Global economic activity, which gained a relatively stable appearance on a global scale in the first half of 2020 with the developments that led to the end of protectionist policies, was limited by the new type of coronavirus (SARS-COV-2) epidemic, which had an impact as of the first quarter of the year and increased rapidly in the second quarter. As a matter of fact, the risks faced by the economies of the country in terms of employment, supply chains, and production capacity due to the epidemic made it necessary to take comprehensive monetary and financial measures on a global scale.

Interest cuts, asset purchase programs, and loan support packages led by central banks and public authorities of developed and developing countries alleviated the impact of the epidemic on economic activity. In this direction, the International Monetary Fund (IMF) has revised its forecast of 5.2 percent contraction for 2020 in its Global Economic Outlook Report to 4.4 percent positively. It was stated that the prediction in question was developed depending on the earlier than expected recovery in economic activity with the decrease in quarantine measures and this improvement is an indicator of a stronger recovery.

While the FED maintains the policy rate at 0.25 percent, it continues its asset purchase programs with a monthly volume of 120 billion dollars. Following the second quarter of 2020, which was recorded as the worst quarter in terms of economic performance and the negative impact of the new type of coronavirus (SARS-COV-2) epidemic on the economy was felt intensely, the US economy recorded a record growth of 33.1 percent on an annual basis in the third quarter.

The European Central Bank, on the other hand, did not change the current monetary policy at its meeting held in October and left the policy rate unchanged at 0 percent. It was stated that the asset purchase program, which started in March and reached a volume of 1.35 trillion Euros in total, could be expanded. In the third quarter of 2020, where the normalization process accelerated, the regional economy recorded a record growth of 12.7 percent on a quarterly basis and contracted by 4.3 percent on an annual basis.

The banking sector, which plays an active role in the process of fighting the epidemic, continues it's supported at the real economy in this process. Kuveyt Türk Participation in the financial sector, as well as one of the most important actors, will continue to contribute to sustainable growth in Turkey's economy.

With its fast and solution-oriented technological infrastructure, Kuveyt Türk has shaped its main focus within the framework of the health of its customers and employees in the new period dominated by epidemic conditions. In the third quarter of 2020 within the scope of the fight against the epidemic, which continued its support for the real sector without compromising the measures taken Kuveyt Türk, prioritizing human health in the last quarter of the year also continues to support Turkey's economy.

Hamad Abdulmohsen ALMARZOUQ
Head of the BOD

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

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

1.4 Message from the General Manager

The new type of coronavirus (SARS-COV-2) outbreak was an important factor affecting the global macroeconomic outlook as of the first quarter of 2020. Following the losses in the first half of the year, the third quarter has been a period in which the normalization process accelerated and strong signs of recovery were observed in economic activity. Comprehensive actions, including monetary and financial support, led by central banks and public authorities, have become the most important factors in balancing the economy and transition to the new normal process.

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 third quarter of 2020 and increased its net profit by 33.3% compared to the same period of the previous year and reached 1 billion TL. The size of the funds collected by Kuveyt Türk reached 119.3 billion TL with an increase of 39.6% compared to the end of 2019, while the size of the funds provided increased by 36.3% to 78.9 billion TL. Having increased its equities to 7.5 billion TL and its asset size to 153 billion TL, Kuveyt Türk maintained its first place among participating financial institutions in terms of asset size.

Turkey's leading participation of financial institutions with Kuveyt Türk, Great Place to Work, organized by the Institute and one of the world's most prestigious organization in the field of human resources "Europe's Best Employers 2020" has entered the list. The first financial institutions that fall under this list from Turkey to Kuveyt Türk also achieved the success of being the first bank in Europe to get its name listed in the field of Islamic finance.

Increasing its support to the real sector, Kuveyt Türk started the second phase in the third quarter with the machine finance campaign launched in February and continued until the end of April for its commercial customers to contribute to production and investment. Providing financial support to its commercial customers with attractive profit rates, Kuveyt Türk provided financing support of up to TL 1 billion to businesses with maturity options of up to 60 months, 6 months grace period. Thus, the support given to production and investment at the end of the two campaigns reached approximately 1.8 billion TL in total.

At the Kuveyt Turk Banking School, which Kuveyt Türk launched in 2017 by signing a first in the sector, the training for employees continued online during the epidemic process. Kuveyt Turkish Banking School, where employees receive training in many areas such as the Data Analyst Training Program, the Data Scientist Training Program, and the Digital Competence Development Program, as well as professional and competency development training, Excellence Awards organized by Brandon Hall Group, one of the most prestigious consultancy companies, as a result of its successful work. He was awarded 10 awards, 4 of which were gold.

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

Ufuk UYAN
Member of BOD and General Manager

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

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

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

As of 30 September 2020, unconsolidated financial statements asset size is TL 153 million 120 thousand, amount of the utilization of funds is TL 78 million 933 thousand and funds collected amount is TL 119 million 340 thousand. Due to the effect of the first nine months' profit of TL 1,036 thousand, the ratio of shareholder equity increased 10.42% by reaching TL 7 million 532 thousand. As of 30 September 2020, unconsolidated capital adequacy ratio has been realized as 22.65%.

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

1.6 Announcement regarding important developments within 3 months

On 28 September 2020, within the scope of the "Regulation on the Equity of Banks", the Bank issued a lease certificate from KT AT One Company Ltd, with an option to repurchase after 5 years, with an expected annual rental income of 9.95%, amounting to USD 50 million, which can be included in the additional tier capital.

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

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

Bank, KT Lease Certificates Varlık Kiralama A.Ş. issued a sukuk with a nominal value of 253,000 thousand TL on 27 July 2020, with a maturity of 92 days and a cost of 7.89%.

Bank, KT Lease Certificates Varlık Kiralama A.Ş. issued sukuk with a nominal value of TL 450,000 on 12 August 2020, with a maturity of 196 days at a cost of 9.37%.

Bank, KT Lease Certificates Varlık Kiralama A.Ş. issued sukuk with a nominal value of 350,000 thousand TL and a maturity of 189 days on 26 August 2020, with a 10.16% cost.

Bank, KT Lease Certificates Varlık Kiralama A.Ş. issued sukuk with a nominal value of TL 500,000 on September 23, 2020, with a maturity of 91 days and a cost of 11.10%.

1.7 Assessment of the expectations related to the subsequent interim period

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