

# **Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Independent auditor's report, consolidated  
financial statements and notes for the year  
ended December 31, 2021**

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

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

## **REPORT ON CONSOLIDATED FINANCIAL INFORMATION**

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

### **A) Audit of consolidated Financial Statements**

#### *1) Opinion*

We have audited the accompanying consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş (the “Bank”) and its subsidiaries (collectively referred as “the Group”), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of income, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation which includes “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 and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards (“TFRS”) for those matters not regulated by the aforementioned regulations.

#### *2) Basis for Opinion*

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *3) Key Audit Matter*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter is addressed in our audit
Classification, measurement and impairment of financial assets within the scope of TFRS 9 “Financial Instruments” Standard and disclosures	
<p>As disclosed in footnote 1.6 of Section 3; the Group measures expected credit losses for financial instruments by TFRS 9 “Financial Instruments Standards”. The rationale reasons for selecting TFRS 9 implementation and impairment of financial assets as key audit subject are as follows;</p> <ul style="list-style-type: none"> <li>- Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements</li> <li>- The applications TFRS 9 are complex and comprehensive</li> <li>- The classification of financial instruments based on the Group’s business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows</li> <li>- Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses</li> <li>- The complexity and intensity of the control environment in the processes designed or reorganized for TFRS 9</li> <li>- Estimations and assumptions used in expected credit losses are new, important and complex</li> <li>- Complex and comprehensive disclosure requirements of TFRS 9.</li> </ul>	<p>Our audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> <li>- Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group's past performance, and local and global practices and notifications from regulatory authorities</li> <li>- Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists</li> <li>- Evaluation of the impact of Covid-19 outbreak on the staging of loans and macroeconomic variables used in the expected loan loss allowance calculations, together with its effect on the fair value calculations, important forecasts and assumptions.</li> <li>- Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices</li> <li>- Testing criteria used for determining the contractual cash flows including profit share payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group's business model</li> <li>- Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis</li> <li>- Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses</li> <li>- Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis</li> <li>- Evaluating the judgments and estimates used for the individually assessed financial assets.</li> <li>- Evaluating the necessity and accuracy of the updates made or required updates after the modeling process</li> <li>- Auditing of disclosures related to TFRS 9.</li> </ul>

#### *4) Responsibilities of Management and Directors for the Consolidated Financial Statements*

Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### *5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entries or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe the matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **B) Report on Other Legal and Regulatory Requirements**

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") ; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2021 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

#### **Additional paragraph for convenience translation to English**

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

The engagement partner who supervised and concluded this independent auditor's report is Emre Çelik.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
*A member firm of Ernst & Young Global Limited*

Emre Çelik, SMMM  
Partner

21 February 2022  
Istanbul, Turkey

## Index

### Section One General information

I.	History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status	1
II.	Parent Bank 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 Parent bank	1
IV.	Information on qualified parent bank	2
V.	Explanations of the Parent 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 Consolidated financial statements

I.	Consolidated balance sheet (Statement of financial position)	3
II.	Consolidated statement of off-balance sheet items	5
III.	Consolidated profit or loss statement	6
IV.	Consolidated statement of profit or loss and other comprehensive income	7
V.	Consolidated statement of changes in shareholders' equity	8
VI.	Consolidated statement of cash flows	9
VII.	Profit distribution of parent bank	10

### Section Three Accounting principles

I.	Explanations on basis of presentation	11
II.	Explanations on strategy of using financial instruments and foreign currency transactions	15
III.	Information on subsidiaries and associates	16
IV.	Explanations on forward transactions and option contracts and derivative instruments	17
V.	Explanations on profit share income and expense	17
VI.	Explanations on fees and commission income and expenses	17
VII.	Explanations on financial assets	18
VIII.	Explanations on offsetting of financial assets and liabilities	19
IX.	Explanations on sale and repurchase agreements and lending of securities	19
X.	Explanations on assets held for sale and discontinued operations and related liabilities	20
XI.	Explanations on goodwill and other intangible assets	20
XII.	Explanations on tangible assets	20
XIII.	Explanations on leasing transactions	21
XIV.	Explanations on insurance technical income and expenses	22
XV.	Explanations on insurance technical provisions	23
XVI.	Explanations on provisions and contingent liabilities	23
XVII.	Explanations on liabilities relating to employee benefits	23
XVIII.	Explanations on taxation	24
XIX.	Explanations on additional disclosures on borrowings	25
XX.	Explanations on share certificates issued	25
XXI.	Explanations on acceptances and availed drafts	25
XXII.	Explanations on government grants	25
XXIII.	Explanations on segment reporting	25
XXIV.	Explanations on other matters	25

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

I.	Explanations on consolidated equity items	26
II.	Explanations and Disclosures related to consolidated credit risk	31
III.	Explanations on consolidated currency risk	45
IV.	Explanations related to stock position risk	47
V.	Liquidity risk management and liquidity coverage ratio	48
VI.	Explanations on leverage ratio	56
VII.	Explanations on fair values of financial assets and liabilities	57
VIII.	Explanations on the activities carried out on behalf and account of other persons	57
IX.	Explanations on hedge accounting practices	57
X.	Explanations on consolidated risk management	57
XI.	Securitization positions	73
XII.	Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions	73
XIII.	Qualitative explanations on market risk	73
XIV.	Explanations on consolidated business segments	78

### Section Five Explanations and notes on the consolidated financial statements

I.	Explanations and notes related to consolidated assets	80
II.	Explanations and notes related to consolidated liabilities	97
III.	Explanations and notes related to off-balance sheet contingencies and commitments	104
IV.	Explanations and notes related to the statement of income	107
V.	Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity	113
VI.	Explanations and notes related to cash flow statement	113
VII.	Explanations and notes related to the risk group of the Bank	115
VIII.	Domestic, foreign and off-shore branches or equity investments and foreign representative offices	116
IX.	Significant events and matters arising subsequent to balance sheet date	117

### Section Six Other Explanations

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	118
----	---	-----

### Section Seven Independent Auditor's Report

I.	Explanations on the limited Auditor's report	118
II.	Notes and disclosures prepared by the independent auditor	118

**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
FOR THE YEAR ENDED 31 DECEMBER 2021**

Address of The Bank's Head Office : Büyükdere Cad. No: 129/1 34394 Esentepe Şişli / İSTANBUL  
Bank's Phone and Facsimile Number : 0212 354 11 11 - 0212 354 12 12  
Bank's Web page : www.kuveytturk.com.tr  
Contact E-mail address : kuveytturk@kuveytturk.com.tr

The consolidated Year-End Financial Report prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- General Information About the Parent Bank
- Consolidated Financial Statements of The Parent Bank
- Explanations on Accounting Policies Applied in The Period
- Information on Financial Structure and Risk Management of The Group
- Disclosures and Explanations on Consolidated Financial Statements
- Other Explanations
- Independent Auditors' Report

The following are our subsidiaries, subsidiaries and jointly controlled subsidiaries whose financial statements are consolidated in the framework of this financial report.

	Subsidiaries	Subsidiaries	Jointly Controlled Subsidiaries	Investment Funds
1.	KT Sukuk Varlık Kiralama A.Ş.		Katılım Emeklilik ve Hayat A.Ş.	Kt Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon
2.	KT Kira Sertifikaları Varlık Kiralama A.Ş.			
3.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.			
4.	KT Bank AG.			
5.	KT Portföy Yönetimi A.Ş.			
6.	Neova Katılım Sigorta A.Ş.			

The consolidated financial statements for the year end period and related disclosures and footnotes that are subject to independent audit 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 ZAHARAN  
Chairman of the Audit Committee

Nadir ALPASLAN  
Member of the Audit Committee

Mohamed Hedi MEJAI  
Member of the Audit Committee

Ufuk UYAN  
Chief Executive Officer

Ahmet KARACA  
Chief Financial Officer

Mehmed Tahir KAPLAN  
Budget and Reporting Group Manager

Contact information of the personnel in charge of the addressing of questions about this financial report:  
Name-Surname/Position: Mustafa ERDEM / Official Reporting Assistant Manager

Telephone: 0212 354 75 24

Facsimile: 0212 354 11 03

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**SECTION ONE**  
**GENERAL INFORMATION**

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

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

**2. Parent Bank 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 31 December 2021, 62.24% of the Parent Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by 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 parent bank**

Name	Title	Date of the Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Nadir ALPASLAN	Vice President of BOD and member of Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Shadi Ahmed Yacoub ZAHRAH	Member of BOD and chairman of the audit committee	25/09/2020	04/11/2020		Master	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	-
Burhan ERSOY	Member of BOD	18/06/2020			Bachelor	-
Mohamed Hedi MEJAI	Member of BOD and Audit Committee	25/03/2021	04/05/2021		Master	-
Ahmad S A A AL KHARJİ	Member of BOD	26/03/2014	24/09/2014	09/09/2020	Master	-
Gehad Mohamed Elbendary ANANY	Member of BOD	25/09/2020	09/09/2020	04/11/2020	Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	%0.057
Ahmet KARACA	Assistant General Manager, Financial Control.	12/07/2006			Master	%0.001
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	%0.004
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	%0.017
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking.	05/05/2005			Doctorate	%0.008
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	%0.001
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	%0.006
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	%0.005
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	%0.005
Hüseyin Cevdet YILMAZ	Head of Risk, Control and Compliance Group	16/12/2003			Bachelor	%0.001

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.10% of the Parent Bank's share capital (31 December 2020 – 0.12%).



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**4. Information on qualified parent bank**

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

As of 31 December 2021, 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 Parent Bank’s services and field of operations**

The Parent Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank’s core business is operating in accordance with the principles of interest-free banking as a participation parent bank by collecting funds through current and profit/loss sharing accounts and lending such funds to its customers. As of 31 December 2021, the Group is operating through 448 domestic branches (31 December 2020 – 440) with 6,760 employees (31 December 2020 – 6,552). 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 Parent Bank’s activities are not limited to the list above. If another transaction is decided to be beneficial to the Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of 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. Disclosures on the differences between the Communiqué on the Preparation of Consolidated Financial Statements of Banks and the consolidation transactions made in accordance with the Turkish Accounting Standards and the entities subject to full or proportionate consolidation, deducted from equity or not included in these three methods: According to the Communiqué on the Preparation of the Consolidated Financial Statements of Banks, only While financial partnerships are included in the scope of consolidation, all financial and non-financial partnerships should be included in the scope of consolidation in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards.

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

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2021**

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

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

			Audited Current Period 31.12.2021			Audited Prior Period 31.12.2020		
	ASSETS	Note	TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>24,046,232</b>	<b>105,440,047</b>	<b>129,486,279</b>	<b>18,713,223</b>	<b>42,715,415</b>	<b>61,428,638</b>
<b>1.1.</b>	<b>Cash and Cash Equivalents</b>		<b>6,177,294</b>	<b>76,898,338</b>	<b>83,075,632</b>	<b>2,258,436</b>	<b>30,222,312</b>	<b>32,480,748</b>
1.1.1.	Cash and Balances with Central Bank	(5.1.1.)	5,384,058	61,590,221	66,974,279	1,144,427	23,966,543	25,110,970
1.1.2.	Banks	(5.1.3.)	793,894	15,310,474	16,104,368	1,114,456	6,256,097	7,370,553
1.1.3.	Money Markets		-	-	-	-	-	-
1.1.4.	Expected Credit Loss (-)		658	2,357	3,015	447	328	775
<b>1.2.</b>	<b>Financial Assets at Fair Value Through Profit or Loss</b>		<b>868,992</b>	<b>12,071,109</b>	<b>12,940,101</b>	<b>942,789</b>	<b>6,820,410</b>	<b>7,763,199</b>
1.2.1.	Government Debt Securities		395,925	10,639,682	11,035,607	315,651	6,735,347	7,050,998
1.2.2.	Equity Instruments		-	-	-	-	-	-
1.2.3.	Other Financial Assets		473,067	1,431,427	1,904,494	627,138	85,063	712,201
<b>1.3.</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	(5.1.4.)	<b>16,194,017</b>	<b>15,877,745</b>	<b>32,071,762</b>	<b>15,383,452</b>	<b>5,339,633</b>	<b>20,723,085</b>
1.3.1.	Government Debt Securities		16,083,932	15,622,265	31,706,197	15,299,606	5,190,032	20,489,638
1.3.2.	Equity Instruments		8,789	75,285	84,074	8,741	40,405	49,146
1.3.3.	Other Financial Assets		101,296	180,195	281,491	75,105	109,196	184,301
<b>1.4.</b>	<b>Derivative Financial Assets</b>	(5.1.2.)	<b>805,929</b>	<b>592,855</b>	<b>1,398,784</b>	<b>128,546</b>	<b>333,060</b>	<b>461,606</b>
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss	(5.1.2.)	805,929	592,855	1,398,784	128,546	333,060	461,606
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.11.)	-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)</b>	(5.1.5.)	<b>57,911,732</b>	<b>71,143,704</b>	<b>129,055,436</b>	<b>51,153,513</b>	<b>32,863,417</b>	<b>84,016,930</b>
<b>2.1.</b>	<b>Loans</b>		<b>59,228,283</b>	<b>60,573,031</b>	<b>119,801,314</b>	<b>52,228,594</b>	<b>25,726,231</b>	<b>77,954,825</b>
<b>2.2.</b>	<b>Leasing Receivables</b>	(5.1.10.)	<b>3,238,260</b>	<b>8,687,675</b>	<b>11,925,935</b>	<b>2,360,266</b>	<b>2,650,730</b>	<b>5,010,996</b>
<b>2.3.</b>	<b>Other Financial Assets Measured At Amortized Cost</b>	(5.1.6.)	<b>361,215</b>	<b>5,574,334</b>	<b>5,935,549</b>	<b>268,323</b>	<b>6,231,487</b>	<b>6,499,810</b>
2.3.1.	Government Debt Securities		286,240	5,094,594	5,380,834	268,323	6,049,489	6,317,812
2.3.2.	Other Financial Assets		74,975	479,740	554,715	-	181,998	181,998
<b>2.4.</b>	<b>Expected Credit Loss (-)</b>		<b>4,916,026</b>	<b>3,691,336</b>	<b>8,607,362</b>	<b>3,703,670</b>	<b>1,745,031</b>	<b>5,448,701</b>
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(Net)</b>	(5.1.16.)	<b>240,891</b>	<b>-</b>	<b>240,891</b>	<b>519,087</b>	<b>-</b>	<b>519,087</b>
3.1.	Held For Sale		240,891	-	240,891	519,087	-	519,087
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
<b>IV.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>112,938</b>	<b>-</b>	<b>112,938</b>	<b>84,991</b>	<b>-</b>	<b>84,991</b>
<b>4.1.</b>	<b>Investments in Associates (Net)</b>	(5.1.7.)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1.	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2.	Unconsolidated Associates		-	-	-	-	-	-
<b>4.2.</b>	<b>Investment in Subsidiaries (Net)</b>	(5.1.8.)	<b>23,680</b>	<b>-</b>	<b>23,680</b>	<b>23,680</b>	<b>-</b>	<b>23,680</b>
4.2.1.	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
<b>4.3.</b>	<b>Investment in Joint Ventures (Net)</b>	(5.1.9.)	<b>89,258</b>	<b>-</b>	<b>89,258</b>	<b>61,311</b>	<b>-</b>	<b>61,311</b>
4.3.1.	Joint Ventures Valued Based on Equity Method		89,258	-	89,258	61,311	-	61,311
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	(5.1.12.)	<b>1,017,685</b>	<b>66,857</b>	<b>1,084,542</b>	<b>909,226</b>	<b>14,856</b>	<b>924,082</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(5.1.13.)	<b>253,255</b>	<b>108,929</b>	<b>362,184</b>	<b>195,884</b>	<b>77,261</b>	<b>273,145</b>
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		253,255	108,929	362,184	195,884	77,261	273,145
<b>VII.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	(5.1.14.)	<b>63,598</b>	<b>-</b>	<b>63,598</b>	<b>77,457</b>	<b>-</b>	<b>77,457</b>
<b>VIII.</b>	<b>CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	(5.1.15.)	<b>1,767,547</b>	<b>115,397</b>	<b>1,882,944</b>	<b>761,880</b>	<b>73,642</b>	<b>835,522</b>
<b>X.</b>	<b>OTHER ASSETS</b>	(5.1.17.)	<b>2,640,123</b>	<b>2,365,259</b>	<b>5,005,382</b>	<b>1,710,414</b>	<b>8,326,847</b>	<b>10,037,261</b>
	<b>TOTAL ASSETS</b>		<b>88,054,001</b>	<b>179,240,193</b>	<b>267,294,194</b>	<b>74,125,675</b>	<b>84,071,438</b>	<b>158,197,113</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2021**

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

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

			Audited Current Period 31.12.2021			Audited Prior Period 31.12.2020		
			TL	FC	Total	TL	FC	Total
	<b>LIABILITIES</b>	<b>Note</b>						
<b>I.</b>	<b>FUNDS COLLECTED</b>	(5.2.1.)	57,263,935	164,693,947	221,957,882	33,478,939	93,215,622	126,694,561
<b>II.</b>	<b>FUNDS BORROWED</b>	(5.2.3.)	204,154	3,419,828	3,623,982	175,272	5,029,049	5,204,321
<b>III.</b>	<b>MONEY MARKETS</b>		6,495,137	-	6,495,137	185,225	-	185,225
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>		3,632,174	-	3,632,174	1,821,975	3,337,298	5,159,273
<b>V.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		192,898	64,866	257,764	1,390,486	286,320	1,676,806
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	192,898	64,866	257,764	1,390,486	286,320	1,676,806
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.7.)	-	-	-	-	-	-
<b>VII.</b>	<b>LEASE PAYABLES</b>	(5.2.6.)	354,334	55,119	409,453	345,320	3,974	349,294
<b>VIII.</b>	<b>PROVISIONS</b>	(5.2.8.)	4,186,805	1,020,526	5,207,331	3,316,160	406,642	3,722,802
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves For Employee Benefits		595,764	2,651	598,415	436,440	1,014	437,454
8.3.	Insurance For Technical Provision (Net)		2,714,630	-	2,714,630	2,118,814	-	2,118,814
8.4.	Other Provisions		876,411	1,017,875	1,894,286	760,906	405,628	1,166,534
<b>IX.</b>	<b>CURRENT TAX LIABILITIES</b>	(5.2.9.1.)	1,282,020	-	1,282,020	388,013	1,857	389,870
<b>X.</b>	<b>DEFERRED TAX LIABILITIES</b>		-	-	-	-	-	-
<b>XI.</b>	<b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(5.2.10.)	-	-	-	-	-	-
11.1.	Held For Sale		-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-
<b>XII.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	(5.2.11.)	-	8,100,496	8,100,496	-	4,590,265	4,590,265
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	8,100,496	8,100,496	-	4,590,265	4,590,265
<b>XIII.</b>	<b>OTHER LIABILITIES</b>	(5.2.5.)	2,232,154	2,606,960	4,839,114	1,624,489	569,393	2,193,882
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	(5.2.12.)	11,666,294	(177,453)	11,488,841	8,064,461	(33,647)	8,030,814
14.1.	Paid-in Capital		4,595,131	-	4,595,131	4,595,131	-	4,595,131
14.2.	Capital Reserves		26,399	-	26,399	26,399	-	26,399
14.2.1.	Share Premiums		24,525	-	24,525	24,525	-	24,525
14.2.2.	Share Cancellation Profits		1,874	-	1,874	1,874	-	1,874
14.2.3.	Other Capital Reserves		-	-	-	-	-	-
14.3.	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(52,112)	-	(52,112)	(51,258)	-	(51,258)
14.4.	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		280,134	(74,654)	205,480	23,115	86,143	109,258
14.5.	Profit Reserves		3,411,612	-	3,411,612	1,996,805	-	1,996,805
14.5.1.	Legal Reserves		389,701	-	389,701	310,296	-	310,296
14.5.2.	Statutory Reserves		-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		2,936,850	-	2,936,850	1,617,135	-	1,617,135
14.5.4.	Other Profit Reserves		85,061	-	85,061	69,374	-	69,374
14.6.	Profit or Loss		3,369,111	(102,799)	3,266,312	1,444,265	(119,790)	1,324,475
14.6.1.	Prior Years' Profits or Losses		30,610	(119,790)	(89,180)	(295,348)	(126,315)	(421,663)
14.6.2.	Current Period Net Profit or Loss		3,338,501	16,991	3,355,492	1,739,613	6,525	1,746,138
14.7.	Minority Shares	(5.2.13.)	36,019	-	36,019	30,004	-	30,004
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>87,509,905</b>	<b>179,784,289</b>	<b>267,294,194</b>	<b>50,790,340</b>	<b>107,406,773</b>	<b>158,197,113</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31**  
**DECEMBER 2021**

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

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

		Note	Audited Current Period 31.12.2021			Audited Prior Period 31.12.2020		
			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>70,094,888</b>	<b>83,169,750</b>	<b>153,264,638</b>	<b>86,647,683</b>	<b>77,863,364</b>	<b>164,511,047</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	(5.3.1.)	<b>8,913,959</b>	<b>8,471,915</b>	<b>17,385,874</b>	<b>7,465,311</b>	<b>4,396,022</b>	<b>11,861,333</b>
1.1.	Letters of Guarantee		8,057,678	3,781,136	11,838,814	6,992,772	2,595,861	9,588,633
1.1.1.	Guarantees Subject to State Tender Law		267,372	19,827	287,199	210,252	41,900	252,152
1.1.2.	Guarantees Given For Foreign Trade Operations		445,301	49,329	494,630	408,225	60,079	468,304
1.1.3.	Other Letters of Guarantee		7,345,005	3,711,980	11,056,985	6,374,295	2,493,882	8,868,177
1.2.	Bank Loans		1,044	112,639	113,683	5,503	35,493	40,996
1.2.1.	Import Letter of Acceptances		1,044	112,639	113,683	5,503	35,493	40,996
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		13,942	4,507,178	4,521,120	14,424	1,670,598	1,685,022
1.3.1.	Documentary Letters of Credit		-	1,979,005	1,979,005	-	756,822	756,822
1.3.2.	Other Letters of Credit		13,942	2,528,173	2,542,115	14,424	913,776	928,200
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		841,295	70,962	912,257	452,612	94,070	546,682
1.7.	Other Warranties		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	(5.3.1.)	<b>58,403,315</b>	<b>4,865,677</b>	<b>63,268,992</b>	<b>54,000,887</b>	<b>2,299,498</b>	<b>56,300,385</b>
2.1.	Irrevocable Commitments		9,395,375	4,865,677	14,261,052	6,228,293	2,299,498	8,527,791
2.1.1.	Forward Asset Purchase and Sales Commitments		1,340,772	4,807,250	6,148,022	776,088	2,299,498	3,075,586
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3.	Loan Granting Commitments		1,007,332	-	1,007,332	555,059	-	555,059
2.1.4.	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5.	Commitments For Reserve Deposits Requirements		-	-	-	-	-	-
2.1.6.	Payment Commitments For Checks		1,750,116	-	1,750,116	1,372,786	-	1,372,786
2.1.7.	Tax and Fund Liabilities From Export Commitments		-	-	-	-	-	-
2.1.8.	Commitments For Credit Card Expenditure Limits		5,278,441	58,427	5,336,868	3,503,366	-	3,503,366
2.1.9.	Commitments For Credit Cards and Banking Services Promotions		957	-	957	3,237	-	3,237
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	-	17,757
2.2.	Revocable Commitments		49,007,940	-	49,007,940	47,772,594	-	47,772,594
2.2.1.	Revocable Loan Granting Commitments		49,007,940	-	49,007,940	47,772,594	-	47,772,594
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>2,777,614</b>	<b>69,832,158</b>	<b>72,609,772</b>	<b>25,181,485</b>	<b>71,167,844</b>	<b>96,349,329</b>
3.1	Derivative Financial Instruments Held For Risk Management		-	-	-	-	-	-
3.1.1	Fair Value Hedges		-	-	-	-	-	-
3.1.2	Cash Flow Hedges		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held For Trading Transactions		2,777,614	69,832,158	72,609,772	25,181,485	71,167,844	96,349,329
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1,732,559	2,929,682	4,662,241	1,083,945	1,651,269	2,735,214
3.2.1.1	Forward Foreign Currency Buy Transactions		1,426,726	944,285	2,371,011	785,976	604,362	1,390,338
3.2.1.2	Forward Foreign Currency Sell Transactions		305,833	1,985,397	2,291,230	297,969	1,046,907	1,344,876
3.2.2	Other Forward Buy/Sell Transactions		1,045,055	66,902,476	67,947,531	24,097,540	69,516,575	93,614,115
3.3	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>667,226,247</b>	<b>348,895,558</b>	<b>1,016,121,805</b>	<b>478,587,067</b>	<b>203,218,899</b>	<b>681,805,966</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>20,834,179</b>	<b>34,556,759</b>	<b>55,390,938</b>	<b>13,171,821</b>	<b>20,387,564</b>	<b>33,559,385</b>
4.1.	Customers' Securities Held		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		5,719,656	4,866,680	10,586,336	3,145,487	7,054,819	10,200,306
4.3.	Checks Received for Collection		13,271,444	2,766,870	16,038,314	8,485,888	1,082,506	9,568,394
4.4.	Commercial Notes Received for Collection		1,843,079	545,230	2,388,309	1,540,446	312,851	1,853,297
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	26,377,979	26,377,979	-	11,937,388	11,937,388
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>646,380,429</b>	<b>314,183,181</b>	<b>960,563,610</b>	<b>465,403,607</b>	<b>182,743,974</b>	<b>648,147,581</b>
5.1.	Marketable Securities		401,159	-	401,159	149,465	-	149,465
5.2.	Guarantee Notes		101,097	5,361,650	5,462,747	101,128	2,996,008	3,097,136
5.3.	Commodity		22,137,974	669,993	22,807,967	14,297,126	913,904	15,211,030
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		165,337,287	6,452,977	171,790,264	147,051,571	3,715,371	150,766,942
5.6.	Other Pledged Items		458,402,912	301,698,561	760,101,473	303,804,317	175,118,691	478,923,008
5.7.	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>155,618</b>	<b>167,257</b>	<b>11,639</b>	<b>87,361</b>	<b>99,000</b>
	<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>737,321,135</b>	<b>432,065,308</b>	<b>1,169,386,443</b>	<b>565,234,750</b>	<b>281,082,263</b>	<b>846,317,013</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31**  
**DECEMBER 2021**

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

**3. CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

			<b>Audited Current Period 01.01.2021- 31.12.2021</b>	<b>Audited Prior Period 01.01.2020- 31.12.2020</b>
	<b>INCOME AND EXPENSE TABLE</b>	<b>Note</b>		
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>(5.4.1.)</b>	<b>13,452,120</b>	<b>9,646,347</b>
1.1.	Profit Share on Loans		8,723,679	6,283,767
1.2.	Profit Share on Reserve Deposits		230,553	37,473
1.3.	Profit Share on Banks		222,398	229,931
1.4.	Profit Share on Money Market Placements		-	-
1.5.	Profit Share on Marketable Securities Portfolio		3,604,226	2,702,365
1.5.1.	Fair Value Through Profit or Loss		265,071	342,538
1.5.2.	Fair Value Through Other Comprehensive Income		3,083,751	2,121,615
1.5.3.	Measured at Amortised Cost		255,404	238,212
1.6.	Finance Lease Income		602,626	342,754
1.7.	Other Profit Share Income		68,638	50,057
<b>II.</b>	<b>PROFIT SHARE EXPENSE (-)</b>		<b>5,384,372</b>	<b>3,111,225</b>
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	3,376,303	1,934,858
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	533,675	396,952
2.3.	Profit Share Expense on Money Market Borrowings		535,629	354,479
2.4.	Expense on Securities Issued		884,948	365,387
2.5.	Profit Share Expense on Lease		53,817	59,549
2.6.	Other Profit Share Expense		-	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>		<b>8,067,748</b>	<b>6,535,122</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>508,093</b>	<b>261,839</b>
4.1.	Fees And Commissions Received		1,256,790	862,342
4.1.1.	Non-Cash Loans		141,317	136,800
4.1.2.	Other	(5.4.13.)	1,115,473	725,542
4.2.	Fees And Commissions Paid (-)		748,697	600,503
4.2.1.	Non-Cash Loans		19	11,835
4.2.2.	Other	(5.4.13.)	748,678	588,668
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(5.4.3.)</b>	<b>6,042</b>	<b>68</b>
<b>VI.</b>	<b>NET TRADING INCOME / LOSS</b>	<b>(5.4.5.)</b>	<b>3,056,725</b>	<b>847,844</b>
6.1.	Capital Market Transaction Gains/Losses		56,636	45,028
6.2.	Gains/Losses From Derivative Financial Instruments		1,306,798	(2,210,668)
6.3.	Foreign Exchange Gains/Losses		1,693,291	3,013,484
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5.4.6.)</b>	<b>2,460,399</b>	<b>1,819,357</b>
<b>VIII.</b>	<b>GROSS OPERATING PROFIT (III+IV+V+VI+VII+ VIII)</b>		<b>14,099,007</b>	<b>9,464,230</b>
<b>IX.</b>	<b>EXPECTED LOSS PROVISIONS (-)</b>	<b>(5.4.7.)</b>	<b>4,573,043</b>	<b>3,240,522</b>
<b>X.</b>	<b>OTHER PROVISIONS (-)</b>	<b>(5.4.7.)</b>	<b>173,622</b>	<b>325,218</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>	<b>(5.4.8.)</b>	<b>1,698,855</b>	<b>1,342,912</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(5.4.8.)</b>	<b>3,028,664</b>	<b>2,312,022</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>		<b>4,624,823</b>	<b>2,243,556</b>
<b>XIV.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>27,947</b>	<b>20,930</b>
<b>XVI.</b>	<b>INCOME / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)</b>	<b>(5.4.9.)</b>	<b>4,652,770</b>	<b>2,264,486</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(5.4.10)</b>	<b>(1,279,103)</b>	<b>(551,618)</b>
18.1.	Current Tax Provision		2,139,603	826,371
18.2.	Deferred Tax Income Effect (+)		155,118	187,277
18.3.	Deferred Tax Expense Effect (-)		1,015,618	462,030
<b>XIX.</b>	<b>CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(5.4.11.)</b>	<b>3,373,667</b>	<b>1,712,868</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
20.1.	Income on Non-Current Assets Held For Sale		-	-
20.2.	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
20.3.	Income on Other Discontinued Operations		-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
21.1.	Expenses From Non-Current Assets Held For Sale		-	-
21.2.	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
21.3.	Expenses From Other Discontinued Operations		-	-
<b>XXII.</b>	<b>PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
23.1.	Current Tax Provision		-	-
23.2.	Deferred Tax Expense Effect (+)		-	-
23.3.	Deferred Tax Income Effect (-)		-	-
<b>XXIV.</b>	<b>CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXV.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>(5.4.12.)</b>	<b>3,373,667</b>	<b>1,712,868</b>
25.1.	Group's Income/Loss		3,355,492	1,746,138
25.2.	Minority Interest Income/Loss (-)		18,175	(33,270)
	Earnings Per Share Income/Loss		-	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**4. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>Audited Current Period 31.12.2021</b>	<b>Audited Prior Period 31.12.2020</b>
<b>I.</b>	<b>CURRENT PROFIT (LOSS)</b>	<b>3,373,667</b>	<b>1,712,868</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>95,368</b>	<b>(160,781)</b>
2.1	<b>Other Comprehensive Income Not Reclassified Through Profit Or Loss</b>	<b>(854)</b>	<b>(32,176)</b>
2.1.1	Property And Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(1,068)	(40,220)
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	214	8,044
2.2	<b>Other Comprehensive Income Reclassified Through Profit Or Loss</b>	<b>96,222</b>	<b>(128,605)</b>
2.2.1	Foreign Currency Translation Difference	637,347	260,831
2.2.2	Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	(34,489)	(249,886)
2.2.3	Cash Flow Hedge Income/Loss	-	11,514
2.2.4	Foreign Net Investment Hedge Income/Loss	(646,097)	(263,591)
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	139,461	112,527
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>3,469,035</b>	<b>1,552,087</b>

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

						Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss								
	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders'Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
<b>Prior Period (01/01/2020 – 31/12/2020)</b>																	
I. Prior Period Ending Balance		3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,472,776	(89,157)	1,117,637	6,758,475	28,461	6,786,936
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	(16,092)	-	21,283	244,442	156,304	405,937	-	405,937
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	(16,092)	-	-	16,092	-	-	-	-
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	21,283	228,350	156,304	405,937	-	405,937
III. Adjusted Beginning Balance (I+II)		3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	198,603	(185,436)	1,494,059	155,285	1,273,941	7,164,412	28,461	7,192,873
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	(32,176)	-	260,831	(199,908)	(190,344)	-	816	1,746,138	1,585,357	1,539	1,586,896
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	-	-	-	-	-	-	-	(631)	(734,514)	(6,534)	(741,679)	4	(741,675)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	1,103,377	156,750	(1,267,407)	(7,280)	-	(7,280)
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	(7,280)	(7,280)	-	(7,280)
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,102,558)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	819	156,750	(157,569)	-	-	-
<b>Balance at end of the period (III+IV+.....+X+XI)</b>	(5.2.12.)	4,595,131	24,525	1,874	-	-	(51,258)	-	486,343	(1,305)	(375,780)	1,996,805	(421,663)	1,746,138	8,000,810	30,004	8,030,814
<b>Current Period (01/01/2021 – 31/12/2021)</b>																	
I. Prior Period Ending Balance		4,595,131	24,525	1,874	-	-	(51,258)	-	486,343	(1,305)	(375,780)	1,996,805	(421,663)	1,746,138	8,000,810	30,004	8,030,814
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		4,595,131	24,525	1,874	-	-	(51,258)	-	486,343	(1,305)	(375,780)	1,996,805	(421,663)	1,746,138	8,000,810	30,004	8,030,814
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	(854)	-	637,347	(24,248)	(516,877)	-	-	3,355,492	3,450,860	6,020	3,456,880
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes (**)		-	-	-	-	-	-	-	-	-	-	1,152	-	-	1,152	(5)	1,147
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	1,413,655	332,483	(1,746,138)	-	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	1,413,655	(1,413,655)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	1,746,138	(1,746,138)	-	-	-
<b>Balances at end of the period (III+IV+.....+X+XI)</b>	(5.2.12.)	4,595,131	24,525	1,874	-	-	(52,112)	-	1,123,690	(25,553)	(892,657)	3,411,612	(89,180)	3,355,492	11,452,822	36,019	11,488,841

(\*) Neova Katılım Sigorta A.Ş., a subsidiary of the group manages the risk fund formed due to the contributions of the participants separately in accordance with Article 6 of the “regulation on participation insurance and working procedures and principles” published by the Ministry of Treasury and Finance. Accordingly, the profit/(expense) amount of the risk fund, which is due to participant contributions amounting to 12,155 TL for the current period, has been classified under other liabilities in balance sheet. (31 December 2020: TL 34,809).

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 Translation Differences
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31**  
**DECEMBER 2021**

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

**6. CONSOLIDATED STATEMENT OF CASH FLOWS**

			Audited Current Period	Audited Prior Period
	Note		01.01.2021 -31.12.2021	01.01.2020-31.12.2020
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating Profit Before Changes in Assets And Liabilities From Banking Operations</b>		<b>4,774,531</b>	<b>4,484,711</b>
1.1.1	Profit Share Income Received		10,679,121	8,626,213
1.1.2	Profit Share Expense Paid		(5,325,219)	(2,935,050)
1.1.3	Dividends Received		6,042	68
1.1.4	Fees And Commissions Received		1,261,652	917,653
1.1.5	Other Income		3,127,762	2,406,840
1.1.6	Collections From Previously Written Off Loans		855,886	374,444
1.1.7	Payments to Personnel And Service Suppliers		(1,543,997)	(1,461,738)
1.1.8	Taxes Paid		(1,100,673)	(1,111,610)
1.1.9	Others		(3,186,043)	(2,332,109)
<b>1.2</b>	<b>Changes in Assets And Liabilities From Banking Operations</b>		<b>976,943</b>	<b>(7,696,569)</b>
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(154,156)	(2,943,023)
1.2.2	Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(17,841,459)	(10,056,468)
1.2.3	Net (Increase) Decrease in Loans		(23,476,636)	(21,719,400)
1.2.4	Net (Increase) Decrease in Other Assets		5,119,157	(9,559,006)
1.2.5	Net Increase (Decrease) in Bank Deposits		876,177	645,501
1.2.6	Net Increase (Decrease) in Other Deposits		28,643,748	30,424,765
1.2.7	Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss		(149)	-
1.2.8	Net Increase (Decrease) in Funds Borrowed		(6,008,932)	3,037,543
1.2.9	Net Increase (Decrease) in Due Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities		13,819,193	2,473,519
<b>I.</b>	<b>Net Cash Provided From / (Used in) Banking Operations</b>		<b>5,751,474</b>	<b>(3,211,858)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided From / (Used in) Investing Activities</b>		<b>(6,801,211)</b>	<b>(8,613,022)</b>
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.3	Fixed Assets Purchases		(399,571)	(120,504)
2.4	Fixed Assets Sales		521,626	194,500
2.5	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(14,388,598)	(12,758,073)
2.6	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		4,792,530	6,067,423
2.7	Cash Paid For Purchase of Investment Securities		(979,285)	(1,933,750)
2.8	Cash Obtained From Sale of Investment Securities		3,774,636	-
2.9	Other		(122,549)	(62,618)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided From / (Used in) Financing Activities</b>		<b>(1,055,887)</b>	<b>966,756</b>
3.1	Cash Obtained From Funds Borrowed And Securities Issued		19,085,000	6,267,842
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued		(20,602,188)	(5,600,576)
3.3	Capital Increase		513,954	388,646
3.4	Dividends Paid		-	(7,280)
3.5	Payments For Finance Leases(*)		(52,653)	(81,876)
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents</b>	(5.5.4)	<b>27,297,784</b>	<b>5,637,262</b>
<b>V.</b>	<b>Net Increase (Decrease) in Cash And Cash Equivalents</b>		<b>25,192,160</b>	<b>(5,220,862)</b>
<b>VI.</b>	<b>Cash And Cash Equivalents at The Beginning of The Period</b>	(5.5.1)	<b>13,995,430</b>	<b>19,216,292</b>
<b>VII.</b>	<b>Cash And Cash Equivalents at The End of The Period</b>	(5.5.1)	<b>39,187,590</b>	<b>13,995,430</b>

(\*) Within the scope of IFRS 16- Leases Standard, comprise the payments related to leases that included in the financial statements

The accompanying notes are an integral part of these financial statements

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED PROFIT DISTRIBUTION TABLE OF PARENT BANK FOR THE YEAR**  
**ENDED 31 DECEMBER 2021**

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

**7. PROFIT DISTRIBUTION TABLE OF PARENT BANK**

	Current Period 01.01.2021- 31.12.2021 (*)	Prior Period 01.01.2020 - 31.12.2020 (*)
<b>I. Distribution of Current Period Profit</b>		
1.1. Current Period Profit	3,547,366	1,852,683
1.2. Taxes and Dues Payable (-)	1,045,639	452,402
1.2.1. Corporate Tax (Income Tax)	2,000,422	781,806
1.2.2. Income Tax Withholding	-	-
1.2.3. Other Taxes and Dues Payable (**)	(954,783)	(329,404)
<b>A. Net Profit for the Period (1.1-1.2)</b>	<b>2,501,727</b>	<b>1,400,281</b>
1.3. Prior year's Losses (-)	-	-
1.4. First Legal Reserves (-)	-	70,014
1.5. Other Reserves (-)	-	-
<b>B. Distributable Net Period Profit [(A-(1.3+1.4+1.5)]</b>	<b>2,501,727</b>	<b>1,330,267</b>
1.6. First Dividend to Shareholders (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Preferred Stocks	-	-
1.6.3. To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Owners of the profit and loss Sharing Certificates	-	-
1.7. Dividend to Personnel (-)	-	-
1.8. Dividend to Board of Directors (-)	-	9,132
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Preferred Stocks	-	-
1.9.3. To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Owners of the profit/loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Statutory Reserves (-)	-	-
1.12. Extraordinary Reserves	-	1,319,715
1.13. Other Reserves	-	507
1.14. Special Funds	-	-
<b>II. Distribution from Reserves</b>		
2.1. Distributed Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. The Owners of Ordinary Shares	-	-
2.3.2. The Owners of Preferred Stocks	-	-
2.3.3. The Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4. The Profit Sharing Bonds	-	-
2.3.5. The Owners of the profit/loss Sharing Certificates	-	-
2.4. Share to Personnel (-)	-	-
2.5. Share to Board of Directors (-)	-	-
<b>III. Earnings per Share</b>		
3.1. To Owners of Stocks	-	-
3.2. To Owners of Stocks (%)	-	-
3.3. To Owners of Preferred Stocks	-	-
3.4. To Owners of Preferred Stocks (%)	-	-
<b>IV. Dividend per Share</b>		
4.1. To Owners of Stocks	-	-
4.2. To Owners of Stocks (%)	-	-
4.3. To Owners of Preferred Stocks	-	-
4.4. To Owners of Preferred Stocks (%)	-	-

(\*) The profit distribution of the Bank is decided at the General Assembly meeting which is not yet held as of the date of the preparation of these financial statements.

(\*\*) Deferred tax benefit is presented under other tax and legal liabilities. Deferred tax benefit can not be included in the distributable profit, thus it is classified under extraordinary reserves.

The accompanying notes are an integral part of these financial statements

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

*(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 consolidated financial statements and related notes and explanations in accordance with the turkish accounting standards and regulation on accounting applications for banks and safeguarding of documents**

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

**Additional paragraph for convenience translation**

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

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

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

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

COVID-19 pandemic, which has 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 in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to the measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

Since it is aimed to update the most recent financial information in the year-end financial statements prepared as of December 31, 2021, 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.

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, consolidated financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29.

**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. Significant accounting errors are applied retrospectively and prior period financial statements are restated. There were no significant changes in the accounting estimates of the Group in the current year.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**1.5. TFRS 3 explanations on business combinations standard**

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

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

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

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

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

This acquisition has been evaluated as a merger of entities under common control and has been accounted for using the aggregation method (Pooling of interest). According to this method, the assets and liabilities of Neova Katılım Sigorta A.Ş. are included in the financial statements over the book values determined in accordance with TFRS at the merger date, and no goodwill has arisen in the financial statements as a result of the merger.

**1.6 Disclosures regarding TFRS 9 financial instruments**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

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

Dividends obtained from such investments are accounted in the financial statements as profit or loss unless they are evidently a part of the recoverable cost of investment. As a result of the combination of contractual cash flow characteristics and business models, the differences in the classification of financial assets are reflected in the financial statements compared to the current classification in TAS 39. During the first recognition of a financial asset into the financial statements, business model determined by the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

**Classification and measurement of financial instruments**

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

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

**Explanations on expected credit loss**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

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

As of December 31, 2021, The Group reflected the data obtained with the best estimation method to the estimates and judgements used in the calculation of expected credit losses, with the best estimation method, for the possible effects of the COVID-19 outbreak. In the light of the aforementioned data, the Group 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. Due to their nature, model updates are reflected in financial statements with a delay due to the macroeconomics effects of events that cause changes and occur at different times. For this reason, the bank establishes additional provisions for the sector or customers that are considered to have a high impact, by making sector-based valuations when deemed necessary to eliminate the timing difference. The Group maintains this approach as of December 2021. When deemed necessary, the Bank will review these assumptions according to the course of the pandemic in the future.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decisions numbered 8948 dated 17 March 2020 and numbered 8970 dated 27 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. As of September 30, 2021, it has been decided to end the implementation.

With the announcement made on September 16, 2021, it was decided to end the flexibility as of the end of September 30, 2021; however, as of 1 October 2021, the same application as previously stated will be continued by the banks for the 1st stage loans with a delay period of more than 31 days and not exceeding 90 days. As of 1 October 2021, in addition to the 1st stage loans, it has been decided to continue with the same practice for the 2nd stage loans with a delay period exceeding 91 days and not exceeding 180 days.

The forecast of expected credit losses is unbiased, probabilistic-weighted and includes supportable information about past events, current conditions and predictions of future economic conditions.

The Group 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 Parent 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.

**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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

The Parent 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.

However, based on the BRSA's decisions dated March 17, 2020 and numbered 8948 with dated March 27, 2020 and numbered 8970; due to the impediments in the economic and commercial activities which have been occurred as a result of the COVID-19 pandemic, according to the articles 4 and 5 of the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions the foreseen 90-day delay period for the non-performing loans classification was made possible to apply as 180 days; until September 30, 2021, the application of the foreseen 30-day period for the classification for Stage 2 as 90 days has been enabled.

With the announcement made on September 16, 2021, it was decided to end the flexibility as of the end of September 30, 2021; however, as of 01.10.2021, the same application as previously stated will be continued by the banks for the 1st stage loans with a delay period of more than 31 days and not exceeding 90 days. As of 01.10.2021, in addition to the 1st stage loans, it has been decided to continue with the same practice for the 2nd stage loans with a delay period exceeding 91 days and not exceeding 180 days.

**1.7 Revenue from TFRS 15 disclosures regarding the standard of revenue from customer contracts**

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

**1.8 Explanations on TFRS 16 leases standard**

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 Group reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Group measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Parent Bank. In addition, the 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 December 31, 2021, the right-of-use assets classified tangible assets gross amounting to TL 596,973 in the balance sheet of the Group and lease obligations gross amounting to TL 567,488 In the twelve-month period that ended as of the same date, financial expenses amounting to TL 53,632 and depreciation expenses amounting to TL 128,569 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 Group.

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**3. Investments in Associates and Subsidiaries**

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

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

Title	Address (City/Country)	Operation	31-Dec-21	31-Dec-20	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	% 100.00	% 100.00	Full consolidation
Nevoa Katılım Sigorta A.Ş.	İstanbul/Turkey	Financial Institution	% 100.00	% 7.00	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/ Turkey	Financial Institution	% 100.00	% 100.00	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/ Turkey	Financial Institution	% 100.00	% 100.00	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/ Turkey	Financial Institution	% 100.00	% 100.00	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/ Turkey	Financial Institution	% 75.00	% 75.00	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/ Turkey	Financial Institution	% 50.00	% 50.00	Accounted with equity pick-up
Kı Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon	İstanbul/Turkey	Investment Fund	% 100.00	-	Full consolidation

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

**Consolidation basis of subsidiaries**

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

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

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

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**4. Explanations on forward transactions and option contracts and derivative instruments**

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

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

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

The Group's cash flow hedging process has ended as of December 2021.

Benchmark Rate Reform - Stage 2, which introduces amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from January 2021, was published in December 2020 and early application of the changes is permitted. With the amendments made, certain exceptions are provided in the basis used in determining the contractual cash flows and in the hedge accounting provisions. The changes came into effect from 1 January 2021. Loans given from items indexed to benchmark interest rates in the Bank's financial statements and securities assets; Securities issued, derivative transactions and loans obtained through repo constitute liabilities. These changes do not have a significant impact on the Bank's financial position or performance. As of 31 December 2021, the Bank has no hedging transactions based on the benchmark interest rate.

**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 Group amortizes the fees included in the account of the effective profit rate over the expected life of the financial instrument. If the financial asset is impaired and classified as a non-performing loan, profit accruals and rediscount calculations for these customers within the scope of TFRS 9 Financial Instruments Standard.

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

**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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

**7. Explanations on financial assets**

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

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

**7.1 Financial assets at fair value through profit/loss**

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

**7.3 Financial assets measured at amortized cost**

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

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

**7.4 Derivative financial assets**

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

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

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

**7.5 Loans**

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

**8. Explanations on offsetting of financial assets and liabilities**

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

**9. Explanations on sale and repurchase agreements and lending of securities**

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

As of 31 December 2021, the Group has repurchased agreement amounting to TL 6,495,137 (31 December 2020: 185,225).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**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 Group has no discontinued operations.

**11. Explanations on goodwill and other intangible assets**

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

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

There is no goodwill related to associates and subsidiaries.

**12. Explanations on tangible assets**

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

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

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

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

**13. Explanations on leasing transactions**

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

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

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

**The right of the use asset**

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

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

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

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

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

The Group applies the depreciation liabilities in TAS 16 Tangible Fixed Assets while depreciating the right of use asset.

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

**Lease obligation**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

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

**14. Explanations on insurance technical provisions**

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

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

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

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

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

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

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

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

**15. Insurance technical income and expense**

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

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

**16. Explanations on provisions and contingent liabilities**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

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.

**17. Explanations on liabilities relating to employee benefits**

**17.1 Defined benefit plans**

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

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

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

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

**17.2 Defined contribution plans**

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

**17.3 Short term benefits to employees**

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

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

**18. Explanations on Taxation**

***Current Tax***

As per the terms of the provisional article 11 added to the Law No. 5520 by the Article 13 of the Law No. 7316, 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 25% over the corporation income for the tax period of the years 2021, 23% for the taxation period of 2022. (and for entities that are appointed with special accounting period, for the accounting periods beginning within the relevant year).

In this context, corporate tax will be collected at the rate of 25% for the 2021 period and 23% for the year 2022 for corporate taxpayers. In addition, in the said periods, temporary tax will be paid by the corporate taxpayers at the rate of 25% for 2021 and 23% for 2022, according to the principles specified in the Income Tax Law, to be deducted from the corporate tax of the aforementioned tax periods.

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. In accordance with the tax legislation, the temporary tax rate for 2021 will be paid at the rate of 25% for the year 2021 and 23% for the year 2022 over the tax bases formed quarterly, and the temporary taxes paid within the year are deducted from the corporate tax calculated over the annual corporate tax return of that year.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

Withholding taxes is not applied to dividends distributed to companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister's decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15<sup>th</sup> and 30<sup>th</sup> articles of the corporate tax law numbered 5520 were re-determined. In accordance with this, dividends distributed to companies other than companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey are subject to 10% 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.

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 thirtieth 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.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023

#### ***Deferred Tax***

For taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, as per the provisions of "Turkish Accounting Standard on Income Taxes" ("TAS 12"), the Group calculates deferred tax liability over all taxable temporary differences and deferred tax asset or liabilities 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. Updated tax rates in the upcoming periods will be taken into account in the calculation of deferred tax assets and liabilities.

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

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

The Group has not issued convertible bonds.

#### **20. Explanations on Share Certificates Issued**

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

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

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

**22. Explanations on Government Grants**

There are no government grants received by the Group.

**23. Explanations on Segment Reporting**

The Group conducts its activities in three separate segments: Corporate and Commercial Banking, Retail 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 14.

**24. Explanations on Other Matters**

The Group has no disclosures on other matters.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

**SECTION FOUR**

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

**1. Explanations on Consolidated Equity Items**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 December 2021 Group’s total capital has been calculated as TL 19,958,724 (31 December 2020: TL 12,705,468), capital adequacy ratio is %22.34 (31 December 2020: %19.97).

Fluctuations are experienced in the financial markets mainly as a result of the COVID-19 outbreak, in the press statement made by the BRSA on March 23, 2020. Therefore, in accordance with the BRSA's Decision No. 9795 dated 16 September 2021; In the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; To be able to use the simple arithmetic average of the Central Bank foreign exchange buying rates of the last 252 business days before the calculation date, when calculating the amounts valued in accordance with the Turkish Accounting Standards and the relevant special provision amounts for monetary assets and non-monetary assets other than items in foreign currency measured in terms of historical cost, to continue the application until a Board Decision is taken to the contrary,

In addition, in accordance with the BRSA's decision dated April 16, 2020 and numbered 8999; Within the scope of the Regulation on Measurement and Assessment of Capital Adequacy of Banks, it is enabled to apply 0% risk weight in the calculation of the amount subject to credit risk to the receivables of banks from the Central Government of the Republic of Turkey and arranged in FX.

The Parent Bank used these opportunities in its Capital Adequacy calculations as of December 31, 2021.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**1.1. Components of Consolidated Total Capital**

	<b>Current Period 31/12/2021 Amount</b>	<b>Prior Period 31/12/2020 Amount</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,600,000
Share Premium	24,525	24,525
Reserves	3,411,612	1,996,805
Other Comprehensive Income According to TAS	482,295	204,250
Profit	3,266,312	1,324,475
Current Period Profit	3,355,492	1,746,138
Prior Period Profit	(89,180)	(421,663)
Minority Shares	-	-
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	36,019	30,004
<b>Common Equity Tier I Capital Before Deductions</b>	<b>11,820,763</b>	<b>8,180,059</b>
<b>Deductions From Common Equity Tier I Capital</b>	<b>-</b>	<b>-</b>
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	-
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS	16,538	77,641
Leasehold Improvements On Operational Leases	73,968	77,771
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	347,516	260,421
Net Deferred Tax Asset/Liability	115,397	-
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	52,112	51,258
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital	4,869	4,869
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital	-	-
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital	-	-
Mortgage Servicing Rights Not Deducted	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences	-	-
Other Items To Be Defined By The BRSA	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals	-	-
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>610,400</b>	<b>471,960</b>
<b>Total Common Equity Tier I Capital</b>	<b>11,210,363</b>	<b>7,708,099</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

<b>ADDITIONAL TIER I CAPITAL BEFORE DEDUCTIONS</b>		
Capital corresponding to privileged shares not included in the core capital and the related issuance premiums	-	-
Borrowing instruments deemed appropriate by the Authority and related issuance premiums	3,317,165	1,851,633
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)	-	-
<b>Additional Capital Before Discounts</b>	<b>3,317,165</b>	<b>1,851,633</b>
<b>Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
<b>Items To Be Deducted From Tier I Capital During The Transition Period</b>		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>3,317,165</b>	<b>1,851,633</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>14,527,528</b>	<b>9,559,732</b>
<b>TIER II CAPITAL</b>		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	4,644,031	2,592,281
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)	905,540	652,104
<b>Total Deductions From Tier II Capital</b>	<b>5,549,571</b>	<b>3,244,385</b>
<b>Deductions From Tier II Capital</b>	<b>-</b>	<b>-</b>
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
<b>Total Deductions From Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>5,549,571</b>	<b>3,244,385</b>
<b>Total Equity (Total Tier I And Tier II Capital)</b>	<b>20,077,099</b>	<b>12,804,117</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

<b>Total Tier I Capital and Tier II Capital (Total Equity)</b>		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)	11,607	5,828
Other Items To Be Defined By The BRSA (-)	106,768	92,821
<b>Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period</b>		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
<b>CAPITAL</b>		
Total Capital (Total Of Tier I Capital And Tier II Capital)	19,958,724	12,705,468
Total Risk Weighted Assets	89,353,714	63,613,084
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)	12.55	12.12
Tier I Capital Ratio (%)	16.26	15.03
Capital Adequacy Ratio (%)	22.34	19.97
<b>BUFFERS</b>		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	8.05	7.62
<b>Amounts Lower Than Excesses As Per Deduction Rules</b>		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital	-	-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising From Temporary Differences	-	-
<b>Limits For Provisions Used In Tier II Capital Calculation</b>		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	6,298,549	4,652,363
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	905,540	652,104
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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

<b>Information on debt instruments to be included in equity calculation:</b>			
Issuer	KT One Company Limited	KT AT One Company Limited	KT21 T2 Company Limited
Instrument Code (CUSIP, ISIN vb.)	XS2028862998	XS2227803819	XS2384355520
Legislation to which the Instrument is subject	BRSA regulation on Shareholders' Equity	BRSA regulation on Shareholders' Equity	BRSA regulation on Shareholders' Equity
<b>Consideration In Equity Calculation</b>			
Subject to consideration application reduced by 10% from 1/1/2015	Not Being Subject	Not Being Subject	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
Instruments Type	Subordinated Sukuk (Additional Tier I Capital)	Subordinated Sukuk (Additional Tier I Capital)	Subordinated Sukuk (Tier II Capital)
Amount taken into account in equity calculation (as of last reporting date-TL million)	2,654	663	4,644
Nominal value of the Instrument (TL million))	2,654	663	4,644
The account in which the Instrument is followed accounting	3470003	3470003	3470003
Export date of the Instrument	16/07/2019	28/09/2020	16/09/2021
Maturity structure of the Instrument (demand/term))	Demand	Demand	10 Years and 3 Month Term
Initial maturity of the Instrument	5 Years (Due Date : 16/07/2024)	5 Yıl (Due Date : 28/09/2025)	5 Yıl Üç Ay (Due Date:16/12/2026)
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	16/07/2024 – Complete	28/09/2025 – Complete	16/12/2026 -Complete
Subsequent repayment option dates	16/07/2024	28/09/2025	16/12/2026
<b>Dividend payments</b>			
Fixed or variable dividend payments	Fixed Divident payments	Fixed Divident payments	Fixed Divident payments
Dividend ratio and index value for dividend ratio	9.13%	9.95%	6.13%
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
<b>Ability to convert to stock</b>			
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock	Cannot be converted into stock	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 Instruments, 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
<b>Value reduction feature</b>			
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))	Tier - 1	Tier - 1	Tier - 2
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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

*(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 Parent Bank, and to provide the availability of adequate capital in order to cover these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Parent Banks' growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Banks' risk profile and risk appetite.

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

**2. Explanations and disclosures related to consolidated credit risk**

Credit risk means the risks and damages to arise as a result of partial or complete non-fulfillment of the obligations timely by non-compliance of the counter party with the requirements of the agreement concluded with the Group.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

The credit risk which the Group is subjected to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits on the basis of countries and regions. Within this scope, the total risk which the Group had taken in the foreign country or region, the total of the credit risk taken by the banks residing abroad and/or their branches in Turkey, the total risks of the credits generated to the people residing abroad or with foreign nationally, the risk total taken over the corporate customers and/or banks to which the partners residing in Turkey but of which the principal shareholder or shareholders reside in another country, had given guarantee and in required cases, the risk total taken by the Bank in Turkey should be followed up.

The risks and limits arising of the treasury transactions and customer based commercial transactions are followed up daily. Moreover, the control of the limits allocated as based on the degrees of the correspondent banks and the maximum risk that the Group can take within its equities are also performed daily. The risk limits relevant to the transactions performed daily are determined and the risk intensity relevant to off the balance sheet transactions are being followed up.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for the Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits redefined and additional guarantees are taken and this way the prevention of the bank's loss is aimed. The account statement documents for the loan generations are taken as defined in the legislation. The guarantees are taken within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the allocation decision taken by the credit committee

Futures and option contracts and other similar contract positions are not held.

The indemnified non-cash loans are subject to the same risk weight as the unpaid credits, in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Credits and Other Receivables in Banks and the Provisions to be Forged". Renewed and restructured loans are monitored in accordance with the methods set out in the relevant legislation.

Foreign trade financing and inter-banks loan transactions are performed by a wide network of correspondents and the counter risks, limits, correspondent risks and limits are regularly evaluated within this scope.

There is no important credit risk concentration when evaluated together with the financial activities of the other financial institutes.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

The Parent Bank's top 100 and 200 cash loan customers represents 30% and 37% of the total cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 non-cash loan customers represent 31% and 41% of the total non-cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 cash and non-cash loan customers represent 27% and 34% of the total cash and non-cash loan portfolio, respectively.

<b>Risk Classifications</b>	<b>Current Period Risk Amount (*)</b>	<b>Average Risk Amount(**)</b>
Conditional and unconditional receivables from central governments or Central Banks	76,644,948	63,360,327
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	334,877	294,440
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	21,172,808	16,968,880
Conditional and unconditional receivables from corporates	39,938,304	35,654,143
Conditional and unconditional receivables from retail portfolios	19,784,497	15,067,183
Conditional and unconditional receivables secured by mortgages	25,204,771	23,111,487
Past due receivables	148,417	179,549
Receivables defined under high risk category by BRSA	316,338	205,010
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	105,266	258,611
Stock Investments	112,938	92,767
Other receivables	11,422,427	8,847,381
<b>Total</b>	<b>195,185,591</b>	<b>164,039,778</b>

(\*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(\*\*) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

<b>Risk Classifications</b>	<b>Prior Period Risk Amount (*)</b>	<b>Average Risk Amount (**)</b>
Conditional and unconditional receivables from central governments or Central Banks	52,541,435	46,059,100
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	257,348	220,804
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	10,844,546	10,548,957
Conditional and unconditional receivables from corporates	29,908,024	24,190,958
Conditional and unconditional receivables from retail portfolios	14,182,890	12,555,220
Conditional and unconditional receivables secured by mortgages	21,852,188	18,635,524
Past due receivables	243,934	264,990
Receivables defined under high risk category by BRSA	145,506	139,541
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	75,196	98,535
Stock Investments	84,991	65,478
Other receivables	6,559,826	6,447,057
<b>Total</b>	<b>136,695,884</b>	<b>119,226,164</b>

(\*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(\*\*) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**2.1. Profile of significant exposures in major regions**

Current Period (*)	Conditional and unconditional receivables from central governments of Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	76,644,948	-	10,774,374	35,219,026	18,519,722	25,006,530	148,257	308,548	105,266	-	-	166,726,672
European Union Countries	-	-	1,051,381	4,557,709	1,217,316	39,988	79	5,157	-	-	-	6,871,630
OECD Countries (**)	-	-	3,163,663	19,716	3,241	11,612	17	85	-	-	-	3,198,334
Off-Shore Regions	-	-	1,973	61,673	2,905	89,582	-	-	-	-	-	156,133
USA, Canada	-	-	5,500,448	88	1,164	1,142	-	127	-	-	-	5,502,969
Other Countries	-	334,877	680,969	80,092	40,149	55,917	64	2,421	-	-	-	1,194,488
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	112,938	-	112,938
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	11,422,427	11,422,427
<b>Total</b>	<b>76,644,948</b>	<b>334,877</b>	<b>21,172,808</b>	<b>39,938,304</b>	<b>19,784,497</b>	<b>25,204,771</b>	<b>148,417</b>	<b>316,338</b>	<b>105,266</b>	<b>112,938</b>	<b>11,422,427</b>	<b>195,185,591</b>

(\*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(\*\*) Includes OECD countries other than EU countries, USA and Canada.

(\*\*\*) Includes assets and liability items that cannot be allocated on a consistent basis.

(\*\*\*\*) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

Prior Period (*)	Conditional and unconditional receivables from central governments of Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	52,541,435	-	4,495,935	26,830,010	13,612,650	21,697,804	240,366	123,676	75,196	-	-	119,617,072
European Union Countries	-	-	685,457	2,953,148	532,512	39,700	2,998	21,830	-	-	-	4,235,645
OECD Countries (**)	-	-	1,908,656	51,038	5,118	11,835	3	-	-	-	-	1,976,650
Off-Shore Regions	-	-	5,930	10,468	181	33,605	323	-	-	-	-	50,507
USA, Canada	-	-	3,089,839	2,504	667	6,287	-	-	-	-	-	3,099,297
Other Countries	-	257,348	658,729	60,856	31,762	62,957	244	-	-	-	-	1,071,896
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	84,991	-	84,991
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	6,559,826	6,559,826
<b>Total</b>	<b>52,541,435</b>	<b>257,348</b>	<b>10,844,546</b>	<b>29,908,024</b>	<b>14,182,890</b>	<b>21,852,188</b>	<b>243,934</b>	<b>145,506</b>	<b>75,196</b>	<b>84,991</b>	<b>6,559,826</b>	<b>136,695,884</b>

(\*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(\*\*) Includes OECD countries other than EU countries, USA and Canada.

(\*\*\*) Includes assets and liability items that cannot be allocated on a consistent basis.

(\*\*\*\*) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**2.2. Risk profile by sectors or counterparties**

Current Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional receivables from retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Stock Investment	Other receivables	TL	FC	Total (*)
<b>Agriculture</b>	-	-	-	-	-	-	<b>548,818</b>	<b>393,655</b>	<b>579,950</b>	<b>1,604</b>	-	-	-	-	-	-	-	<b>1,090,509</b>	<b>433,518</b>	<b>1,524,027</b>
Farming and Stockbreeding	-	-	-	-	-	-	485,173	277,018	474,008	539	-	-	-	-	-	-	-	856,329	380,409	1,236,738
Forestry	-	-	-	-	-	-	59,601	115,524	104,369	1,065	-	-	-	-	-	-	-	227,450	53,109	280,559
Fishery	-	-	-	-	-	-	4,044	1,113	1,573	-	-	-	-	-	-	-	-	6,730	-	6,730
<b>Manufacturing</b>	-	-	-	-	-	-	<b>14,942,704</b>	<b>5,577,283</b>	<b>5,850,903</b>	<b>34,121</b>	-	-	-	-	-	-	-	<b>12,041,892</b>	<b>14,363,119</b>	<b>26,405,011</b>
Mining and Quarrying	-	-	-	-	-	-	2,367,192	945,298	941,727	862	-	-	-	-	-	-	-	2,277,535	1,977,544	4,255,079
Production	-	-	-	-	-	-	8,544,368	4,257,947	4,535,381	33,103	-	-	-	-	-	-	-	9,254,802	8,115,997	17,370,799
Electricity, Gas and Water	-	-	-	-	-	-	4,031,144	374,038	373,795	156	-	-	-	-	-	-	-	509,555	4,269,578	4,779,133
<b>Construction</b>	-	-	-	-	-	-	<b>8,431,186</b>	<b>2,002,176</b>	<b>3,588,137</b>	<b>52,893</b>	-	-	-	-	-	-	-	<b>7,179,835</b>	<b>6,894,557</b>	<b>14,074,392</b>
<b>Services</b>	<b>76,644,948</b>	-	-	<b>334,877</b>	-	<b>21,172,808</b>	<b>9,499,769</b>	<b>6,257,192</b>	<b>6,585,825</b>	<b>45,711</b>	-	-	-	-	<b>105,266</b>	<b>112,938</b>	-	<b>44,569,201</b>	<b>76,190,133</b>	<b>120,759,334</b>
Wholesale and Retail Trade	-	-	-	-	-	-	6,112,113	4,193,997	4,380,325	30,592	-	-	-	-	-	-	-	9,567,785	5,149,242	14,717,027
Accommodation and Dining	-	-	-	-	-	-	73,555	151,560	252,944	5,063	-	-	-	-	-	-	-	300,753	182,369	483,122
Transportation and Telecom.	-	-	-	-	-	-	1,497,214	1,022,960	732,934	5,310	-	-	-	-	-	-	-	1,648,568	1,609,850	3,258,418
Financial Institutions	76,644,948	-	-	334,877	-	21,172,808	1,572	6,163	54,520	-	-	-	-	-	105,266	112,938	-	30,370,743	68,062,349	98,433,092
Real Estate and Rental Services	-	-	-	-	-	-	954,653	279,514	456,951	2,407	-	-	-	-	-	-	-	1,004,410	689,115	1,693,525
Professional Services	-	-	-	-	-	-	14,605	176	65	-	-	-	-	-	-	-	-	246	14,600	14,846
Educational Services	-	-	-	-	-	-	59,327	50,169	103,802	1,676	-	-	-	-	-	-	-	163,104	51,870	214,974
Health and Social Services	-	-	-	-	-	-	786,730	552,653	604,284	663	-	-	-	-	-	-	-	1,513,592	430,738	1,944,330
<b>Others</b>	-	-	-	-	-	-	<b>6,515,827</b>	<b>5,554,191</b>	<b>8,599,956</b>	<b>14,088</b>	<b>316,338</b>	-	-	-	-	-	<b>11,422,427</b>	<b>16,406,854</b>	<b>16,015,973</b>	<b>32,422,827</b>
<b>Total</b>	<b>76,644,948</b>	-	-	<b>334,877</b>	-	<b>21,172,808</b>	<b>39,938,304</b>	<b>19,784,497</b>	<b>25,204,771</b>	<b>148,417</b>	<b>316,338</b>	-	-	-	<b>105,266</b>	<b>112,938</b>	<b>11,422,427</b>	<b>81,288,291</b>	<b>113,897,300</b>	<b>195,185,591</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(\*\*) Stands for the risk categories listed in Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Stock Investment	Other receivables	TL	FC	Total (*)
<b>Agriculture</b>	-	-	-	-	-	-	<b>456,738</b>	<b>249,476</b>	<b>498,991</b>	<b>7,699</b>	-	-	-	-	-	-	-	<b>951,636</b>	<b>261,268</b>	<b>1,212,904</b>
Farming and Stockbreeding	-	-	-	-	-	-	422,123	182,714	411,243	2,822	-	-	-	-	-	-	-	783,710	235,192	1,018,902
Forestry	-	-	-	-	-	-	33,267	64,605	87,145	4,877	-	-	-	-	-	-	-	163,829	26,065	189,894
Fishery	-	-	-	-	-	-	1,348	2,157	603	-	-	-	-	-	-	-	-	4,097	11	4,108
<b>Manufacturing</b>	-	-	-	-	-	-	<b>10,962,566</b>	<b>3,688,267</b>	<b>4,391,612</b>	<b>30,170</b>	-	-	-	-	-	-	-	<b>10,797,995</b>	<b>8,274,620</b>	<b>19,072,615</b>
Mining and Quarrying	-	-	-	-	-	-	2,206,974	634,065	714,788	4,412	-	-	-	-	-	-	-	2,169,516	1,390,723	3,560,239
Production	-	-	-	-	-	-	5,877,264	2,767,732	3,374,290	23,973	-	-	-	-	-	-	-	8,097,605	3,945,654	12,043,259
Electricity, Gas and Water	-	-	-	-	-	-	2,878,328	286,470	302,534	1,785	-	-	-	-	-	-	-	530,874	2,938,243	3,469,117
<b>Construction</b>	-	-	-	-	-	-	<b>6,537,670</b>	<b>1,384,963</b>	<b>3,074,401</b>	<b>100,690</b>	-	-	-	-	-	-	-	<b>6,173,383</b>	<b>4,924,341</b>	<b>11,097,724</b>
<b>Services</b>	<b>52,541,435</b>	-	-	<b>257,348</b>	-	<b>10,844,546</b>	<b>7,401,509</b>	<b>4,473,779</b>	<b>5,564,614</b>	<b>92,860</b>	-	-	-	-	<b>75,196</b>	<b>84,991</b>	-	<b>34,876,966</b>	<b>46,459,312</b>	<b>81,336,278</b>
Wholesale and Retail Trade	-	-	-	-	-	-	4,505,966	3,088,213	3,813,872	51,970	-	-	-	-	-	-	-	8,957,769	2,502,252	11,460,021
Accommodation and Dining	-	-	-	-	-	-	51,168	102,827	243,384	12,542	-	-	-	-	-	-	-	265,686	144,235	409,921
Transportation and Telecom.	-	-	-	-	-	-	1,323,557	617,845	443,599	11,311	-	-	-	-	-	-	-	1,388,657	1,007,655	2,396,312
Financial Institutions	52,541,435	-	-	257,348	-	10,844,546	35,327	3,348	42,780	66	-	-	-	-	75,196	84,991	-	21,888,653	41,996,384	63,885,037
Real Estate and Rental Services	-	-	-	-	-	-	707,598	182,845	389,677	3,861	-	-	-	-	-	-	-	815,435	468,546	1,283,981
Professional Services	-	-	-	-	-	-	11	3,494	86	18	-	-	-	-	-	-	-	240	3,369	3,609
Educational Services	-	-	-	-	-	-	42,025	49,127	118,851	7,139	-	-	-	-	-	-	-	159,002	58,140	217,142
Health and Social Services	-	-	-	-	-	-	735,857	426,080	512,365	5,953	-	-	-	-	-	-	-	1,401,524	278,731	1,680,255
<b>Others</b>	-	-	-	-	-	-	<b>4,549,541</b>	<b>4,386,405</b>	<b>8,322,570</b>	<b>12,515</b>	<b>145,506</b>	-	-	-	-	-	<b>6,559,826</b>	<b>15,757,893</b>	<b>8,218,470</b>	<b>23,976,363</b>
<b>Total</b>	<b>52,541,435</b>	-	-	<b>257,348</b>	-	<b>10,844,546</b>	<b>29,908,024</b>	<b>14,182,890</b>	<b>21,852,188</b>	<b>243,934</b>	<b>145,506</b>	-	-	-	<b>75,196</b>	<b>84,991</b>	<b>6,559,826</b>	<b>68,557,873</b>	<b>68,138,011</b>	<b>136,695,884</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(\*\*) Stands for the risk categories listed in Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**2.3. Analysis of maturity-bearing exposures according to remaining maturities:**

Risk Categories (*) – Current Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	15,722,410	-	-	315,286	19,656,442
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	334,877
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,590,072	320,980	5,151,695	151,918	491,253
Conditional and unconditional receivables from corporates	3,473,418	2,993,443	12,018,425	4,413,148	16,989,706
Conditional and unconditional receivables from retail portfolios	2,474,528	2,243,669	3,294,199	3,095,794	8,388,977
Conditional and unconditional receivables secured by mortgages	1,527,158	1,533,238	1,930,398	3,778,266	16,435,710
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	217,482	4,567	-	2,042	92,247
Collateralized securities	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	1,099	3,067	103	491	100,506
Stock Investments	-	-	-	-	112,938
Other Receivables	-	-	-	-	-
<b>Total</b>	<b>26,006,167</b>	<b>7,098,964</b>	<b>22,394,820</b>	<b>11,756,945</b>	<b>62,602,656</b>

(\*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(\*\*) Stands for the risk categories listed in Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.

Risk Categories (*) – Prior Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	4,938,677	-	-	778,383	19,108,807
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	257,348
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	5,294,479	482,334	11,721	63,165	326,989
Conditional and unconditional receivables from corporates	5,414,730	1,195,651	5,333,584	3,947,355	13,984,082
Conditional and unconditional receivables from retail portfolios	2,135,905	987,609	2,245,923	1,934,120	6,717,234
Conditional and unconditional receivables secured by mortgages	1,202,800	767,140	1,693,683	2,476,893	15,711,672
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	145,506	-	-	-	-
Collateralized securities	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	20,921	15,645	7,180	-	31,450
Stock Investments	-	-	-	-	84,991
Other Receivables	-	-	-	-	-
<b>Total</b>	<b>19,153,018</b>	<b>3,448,379</b>	<b>9,292,091</b>	<b>9,199,916</b>	<b>56,222,573</b>

(\*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(\*\*) Stands for the risk categories listed in Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**2.4 Exposure Categories**

In compliance with the 7<sup>th</sup> Article of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks, determination of the risk weights in calculation of the risk weighted sums is performed based on the credit ratings provided by the rating companies.

The ratings of an international credit rating agency are used for the Banks and Corporate Receivables asset class, which is limited to the receivables that are resident abroad. Receivables from banks are analyzed in two separate receivable classes according to their original maturity. If the original maturity is 3 months or less, they are assigned to “Short Term Receivables from Banks and Intermediary Institutions”, if it is more than 3 months it is assigned to “Receivables from Banks and Intermediary Institutions”. The banks and institutions established within the country are evaluated as unrated.

The ratings given by the international credit rating agency are used to determine the risk weighted asset class. The ratings of the credit rating agency are being used for Banks and Corporate Receivables asset class limited to the counterparties which are resident abroad.

Exposure Categories					
Credit Quality Grade	Fitch Rating Risk	Exposures from Banks and Brokerage Houses			Exposures to Corporates
		Exposures to Central Governments or Central Banks	Receivables With Original Maturity Less Than 3 Months	Receivables with Original Maturity greater than 3 Months	
1	AAA AA+ AA AA-	%0	%20	%20	%20
2	A+ A A-	%20	%20	%50	%50
3	BBB+ BBB BBB-	%50	%20	%50	%100
4	BB+ BB BB-	%100	%50	%100	%100
5	B+ B B-	%100	%50	%100	%150
6	CCC+ CCC CCC- CC C D	%150	%150	%150	%150
Unrated	Unrated	%100	%20 (*)	%50 (*)	%100

(\*) This is used under the condition of not being less than the implemented one in the centralized management of the Parent Bank's located country.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**2.5 Credit risk using the standard approach**

**2.5.1. Credit risk exposed and credit risk mitigation effects**

		CCF and CRM		CCF and CRM		RWA and RWA density	
		Receivable before		Receivable post			
	Risk Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Receivables from central governments and Central Banks	71,423,660	-	75,608,995	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	334,877	-	334,877	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	19,396,042	2,799,611	19,396,042	399,825	6,166,233	31
7	Receivables from corporate	36,436,335	7,059,657	32,603,584	3,407,363	35,131,430	98
8	Retail receivables	16,894,133	8,595,982	16,749,676	2,857,929	14,151,347	72
9	Receivables secured by residential property	10,657,780	776,693	10,611,657	383,704	3,801,491	35
10	Receivables secured by commercial property	12,999,048	2,370,794	12,861,012	1,144,236	9,308,342	66
11	Non-performing receivables	148,417	-	124,451	-	57,099	46
12	Receivables in high-risk categories	316,338	-	316,338	-	464,836	147
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	105,266	-	105,266	-	19,479	19
16	Other receivables	11,422,427	-	11,422,427	-	2,570,603	23
17	Stock investments	112,938	-	112,938	-	112,938	100
18	Total	180,247,261	21,602,737	180,247,263	8,193,057	71,783,798	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**2.5.2. Exposures by asset classes and risk weights**

Risk Classes / Risk Weights (Current Period)		0%	10%	20%	50%	75%	100%	150%	200%	Others*	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	75,608,995	-	-	-	-	-	-	-	-	75,608,995
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	334,877	-	-	-	-	-	-	-	-	334,877
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	10,508	-	13,208,157	6,105,200	-	472,002	-	-	-	19,795,867
7	Receivables from corporate	490,782	-	485,918	-	-	35,034,247	-	-	-	36,010,947
8	Retail receivables	423,918	-	459,819	-	18,657,937	65,931	-	-	-	19,607,605
9	Receivables secured by residential property	82,853	-	119,246	-	-	-	-	-	10,793,262	10,995,361
10	Receivables secured by commercial property	174,229	-	182,733	8,752,980	-	4,895,306	-	-	-	14,005,248
11	Non-performing receivables	12,761	-	383	108,569	-	2,738	-	-	-	124,451
12	Receivables in high-risk categories	4,870	-	1,820	-	-	-	309,648	-	-	316,338
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	82,130	-	4,189	612	-	18,335	-	-	-	105,266
16	Stock investments	-	-	-	-	-	112,938	-	-	-	112,938
17	Other receivables	8,828,137	-	29,609	-	-	2,564,681	-	-	-	11,422,427
18	<b>Total</b>	<b>86,054,060</b>	<b>-</b>	<b>14,491,874</b>	<b>14,967,361</b>	<b>18,657,937</b>	<b>43,166,178</b>	<b>309,648</b>	<b>-</b>	<b>10,793,262</b>	<b>188,440,320</b>

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

Risk Classes / Risk Weights (Prior Period)		0%	10%	20%	50%	75%	100%	150%	200%	Others*	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	57,700,165	-	-	-	-	-	-	-	-	57,700,165
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	257,348	-	-	-	-	-	-	-	-	257,348
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	16,923	-	9,032,433	695,436	-	483,839	-	-	-	10,228,631
7	Receivables from corporate	318,136	-	340,426	-	-	25,773,717	-	-	-	26,432,279
8	Retail receivables	281,308	-	256,042	-	12,285,557	-	-	-	-	12,822,907
9	Receivables secured by residential property	57,575	-	73,308	-	-	-	-	-	9,708,965	9,839,848
10	Receivables secured by commercial property	82,410	-	110,029	6,944,903	-	4,074,145	-	-	-	11,211,487
11	Non-performing receivables	861	-	412	172,644	-	7,600	-	-	-	181,517
12	Receivables in high-risk categories	19	-	-	-	-	-	145,487	-	-	145,506
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	22,731	-	36,610	9,444	-	6,411	-	-	-	75,196
16	Stock investments	-	-	-	-	-	84,991	-	-	-	84,991
17	Other receivables	3,777,505	-	1,591	-	-	2,780,730	-	-	-	6,559,826
18	<b>Total</b>	<b>62,514,981</b>	<b>-</b>	<b>9,850,851</b>	<b>7,822,427</b>	<b>12,285,557</b>	<b>33,211,433</b>	<b>145,487</b>	<b>-</b>	<b>9,708,965</b>	<b>135,539,701</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**2.6. Risk amounts according to risk weights**

Current Period	%0	%10	%20	%25	%35	%50	%75	%100	%150	%200	Other Risk Classes	Deductions from Equity
Risk Weights												
Exposures before Credit Risk Mitigation	80,679,312	-	13,241,955	-	11,041,484	15,314,386	19,678,584	48,168,258	316,338	-	-	499,381
Exposures after Credit Risk Mitigation	86,054,060	-	14,491,874	-	10,793,262	14,967,361	18,657,937	43,166,175	309,648	-	-	499,381

Prior Period	%0	%10	%20	%25	%35	%50	%75	%100	%150	%200	Other Risk Classes	Deductions from Equity
Risk Weights												
Exposures before Credit Risk Mitigation	56,159,234	-	9,070,634	-	10,098,454	8,349,267	14,165,097	37,551,509	145,506	-	-	487,996
Exposures after Credit Risk Mitigation	62,514,981	-	9,850,851	-	9,708,966	7,822,427	12,285,557	33,211,433	145,487	-	-	487,996

**2.7. Information by major sectors and type of counterparties**

Impaired Loans; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness according to TFRS 9 Financial Instruments. For such credits, “specific provisions” are allocated as TFRS 9 suggests.

Past Due Loans; are the credits that overdue up to 90 days but not impaired. For such credits, “general provisions” are allocated within the scope of TFRS 9.

	Loans	Provisions
	Impaired Loans	
Current Period (**)	Significant Increase in Credit Risk (Stage II)	Default (Stage III)
		Expected Credit Loss Provisions (*)
<b>Agriculture</b>	<b>245,611</b>	<b>33,900</b>
Farming and Stockbreeding	231,260	14,129
Forestry	13,065	19,771
Fishery	1,286	-
<b>Manufacturing</b>	<b>2,338,746</b>	<b>561,557</b>
Mining and Quarrying	631,093	155,218
Production	1,533,057	396,355
Electricity, Gas and Water	174,596	9,984
<b>Construction</b>	<b>2,526,686</b>	<b>1,187,755</b>
<b>Services</b>	<b>3,276,685</b>	<b>1,150,166</b>
Wholesale and Retail Trade	1,618,844	699,548
Accommodation and Dining	225,960	147,909
Transportation and Telecommunication	450,777	95,547
Financial Institutions	33,439	5,529
Real Estate and Rental Services.	623,331	48,889
Professional Services	9	-
Educational Services	76,365	113,883
Health and Social Services	247,960	38,861
<b>Others</b>	<b>1,049,410</b>	<b>149,137</b>
<b>Total</b>	<b>9,437,138</b>	<b>3,082,515</b>
		<b>6,295,668</b>

(\*) Provisions for expected credit loss include Stage II and Stage III provisions.

(\*\*) Leasing receivables are not included.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

	Loans		Provisions
	Impaired Loans		
Prior Period (**)	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	Expected Credit Loss Provisions (*)
<b>Agriculture</b>	<b>254,002</b>	<b>50,399</b>	<b>95,534</b>
Farming and Stockbreeding	233,481	28,780	75,984
Forestry	19,499	18,341	15,872
Fishery	1,022	3,278	3,678
<b>Manufacturing</b>	<b>2,121,591</b>	<b>453,590</b>	<b>900,336</b>
Mining and Quarrying	490,170	62,382	181,608
Production	1,505,834	356,249	667,459
Electricity, Gas and Water	125,587	34,959	51,269
<b>Construction</b>	<b>1,480,599</b>	<b>1,288,690</b>	<b>1,551,475</b>
<b>Services</b>	<b>2,874,720</b>	<b>1,028,716</b>	<b>1,526,464</b>
Wholesale and Retail Trade	1,572,153	656,152	904,496
Accommodation and Dining	204,438	106,068	160,115
Transportation and Telecommunication	249,028	96,309	131,261
Financial Institutions	7,820	3,939	4,012
Real Estate and Rental Services.	457,523	38,410	165,592
Professional Services	5,207	183	799
Educational Services	64,574	67,631	77,756
Health and Social Services	313,977	60,024	82,433
<b>Others</b>	<b>824,376</b>	<b>148,859</b>	<b>195,101</b>
<b>Total</b>	<b>7,555,288</b>	<b>2,970,254</b>	<b>4,268,910</b>

(\*) Provisions for expected credit loss include Stage II and Stage III provisions.

(\*\*) Leasing receivables are not included.

**2.8. Movements in value adjustments and provisions**

Current Period (*****)	Opening Balance (After TFRS9)	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	2,524,317	1,282,918	610,807	408,047	2,788,381
Stage 1&2 Provisions (**)	2,924,384	3,290,124	395,527	-	5,818,981

Prior Period (*****)	Opening Balance (After TFRS9)	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	1,557,589	1,702,008	331,486	403,794	2,524,317
Stage 1&2 Provisions (**)	1,485,484	1,538,514	99,614	-	2,924,384

(\*) Represents Stage III expected loss provision.

(\*\*) Represents Stage I and Stage II expected loss provision.

(\*\*\*) Includes provision reversals and exchange rate differences.

(\*\*\*\*) Represents loans written off from assets.

(\*\*\*\*\*) It does not include provisions for non-cash loans.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**2.9. Risk involved in counter cyclical capital buffer calculation**

**Current Period**

Country	RWAs of Banking Book for Private Sector Lending	RWA of calculated within Trading Accounts	Total
Turkey	57,304,734	-	57,304,734
Germany	5,724,699	-	5,724,699
Marshall Islands	107,017	-	107,017
Albania	51,878	-	51,878
Malta	34,672	-	34,672
England	24,936	-	24,936
Iraq	23,554	-	23,554
Italy	21,535	-	21,535
Saudi Arabia	7,107	-	7,107
Russia	4,992	-	4,992
Other	42,048	-	42,048

**Prior Period**

Country	RWAs of Banking Book for Private Sector Lending	RWA of calculated within Trading Accounts	Total
Turkey	42,914,258	-	42,914,258
Germany	6,389,664	-	6,389,664
England	56,079	-	56,079
Albania	43,248	-	43,248
Iraq	20,621	-	20,621
Marshall Islands	20,368	-	20,368
Italy	13,187	-	13,187
Saudi Arabia	11,373	-	11,373
Qatar	4,772	-	4,772
Hungary	2,979	-	2,979
Other	18,021	-	18,021

**2.10. Information of cash and noncash loans according to parent bank risk rating system**

The Bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings are shown the table below as of 31 December 2021.

	Cash Loans	Non-Cash Loans	Total
High Quality	%48.04	%66.87	%50.36
Medium Quality	%35.78	%23.61	%34.28
Average	%12.17	%7.19	%11.55
Below Average	%4.01	%2.33	%3.81

Note: All portfolio is rated.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**3. Explanations on consolidated currency risk**

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. The "standard method" and the "value at risk method" used in legal reporting are used to measure the exchange rate risk of the Group. 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 Parent Bank monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross-exchange rate risk within the position. As a tool of foreign currency risk management, foreign currency forward transactions are used when necessary to mitigate the risk.

As of 31 December 2021, the Group carries a net foreign currency long position of TL 584,272 (31 December 2020 – TL 21,796,612 short position) comprising of TL 304,773 balance sheet short position (31 December 2020 - TL 21,889,484 long position) and TL 279,499 off balance sheet long position (31 December 2020 – TL 102,872 long position).

The announced current foreign exchange buying rates of the Parent Bank as of 31 December 2021 and the previous five working days are as follows (full TL):

	24/12/2021	27/12/2021	28/12/2021	29/12/2021	30/12/2021	Balance Sheet Valuation Rate
<b>USD</b>	11.59337	11.33396	11.78151	12.26809	12.95715	13.26866
<b>EUR</b>	13.14634	12.82523	13.34247	13.85752	14.66517	15.02175
<b>GBP</b>	15.55061	15.19147	15.83407	16.47226	17.46344	17.91170
<b>CHF</b>	12.64138	12.32887	12.84602	13.35944	14.13843	14.52923
<b>JPY</b>	0.10140	0.09891	0.10257	0.10672	0.11254	0.11527

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

	Monthly average FC purchase rate
USD	13.62454
EUR	15.40218
GBP	18.12620
CHF	14.79793
JPY	0.11968

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**Consolidated Currency risk of the Group**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>Other FC (***)</b>	<b>Total</b>
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	21,391,407	22,758,220	17,440,402	61,590,029
Banks (****)	2,741,048	2,718,123	9,849,138	15,308,309
Financial assets at fair value through profit and loss	-	1,706,211	10,364,898	12,071,109
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	6,095,764	9,781,981	-	15,877,745
Loans and finance lease receivables (*)	32,988,306	34,563,359	27,396	67,579,061
Subsidiaries, associates and joint ventures	-	-	-	-
Financial assets at amortized cost	528,903	5,044,810	-	5,573,713
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	65,286	1,571	-	66,857
Intangible assets	108,915	14	-	108,929
Other assets	2,397,962	74,348	7,043	2,479,353
<b>Total Assets</b>	<b>66,317,591</b>	<b>76,648,637</b>	<b>37,688,877</b>	<b>180,655,105</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	1,276,766	174,127	480,066	1,930,959
Current and profit sharing accounts FC	32,940,029	79,236,601	50,586,358	162,762,988
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	549,849	10,970,475	-	11,520,324
Marketable securities issued	-	-	-	-
Miscellaneous payables	935,363	1,220,786	25,053	2,181,202
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	433,285	1,175,635	66,440	1,675,360
<b>Total Liabilities</b>	<b>36,135,292</b>	<b>92,777,624</b>	<b>51,157,917</b>	<b>180,070,833</b>
Net balance sheet position	30,182,299	(16,128,987)	(13,469,040)	584,272
Net off-balance sheet position	(31,148,919)	17,466,057	13,528,864	(153,998)
Financial derivative assets	461,079	22,428,894	14,352,732	37,242,705
Financial derivative liabilities	31,609,998	4,962,837	823,868	37,396,703
Non-cash loans (**)	3,261,176	4,935,753	274,986	8,471,915
<b>Prior Period</b>				
Total assets	37,591,207	31,661,053	16,225,780	85,478,040
Total liabilities	18,020,699	51,448,283	37,805,670	107,274,652
Net balance sheet position	19,570,508	(19,787,230)	(21,579,890)	(21,796,612)
Net off-balance sheet position	(19,869,202)	20,187,707	21,580,979	21,899,484
Financial derivative assets	730,800	25,033,494	21,919,119	47,683,413
Financial derivative liabilities	20,600,002	4,845,787	338,140	25,783,929
Non-cash loans (**)	1,840,536	2,349,832	205,654	4,396,022

- (\*) Includes foreign currency indexed loans amounting to TL 2,009,070 (31 December 2020 – TL 1,740,355) followed as TL on the balance sheet and expected credit loss amounting to TL 3,664,484
- (\*\*) Does not have any effect to the net off-balance sheet position.
- (\*\*\*) Precious metals are included in “Other FC” column. Includes the expected loss provisions amounting to TL 192 in the balance sheet.
- (\*\*\*\*) Other liabilities at fair value through TL 4,764 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 178,870
- (\*\*\*\*\*) Includes provisions for expected losses amounting to TL 2,165 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 592,855 (31 December 2020 – TL 333,060)
- Prepaid expenses: TL 1,303 (31 December 2020 – 693 TL)
- Derivative financial liabilities held for trading: TL 64,866 (31 December 2020 – TL 286,320)
- Marketable securities of FC revaluation reverse: TL 65,917 (31 December 2020 - TL (94,206))
- Derivative financial liabilities held for hedging: None (31 December 2020 - None)

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions and forward precious metal purchases that are amounting to;

- Forward foreign currency purchase transactions TL 1,788,778 (31 December 2020 – TL 1,121,892)
- Forward foreign currency sale transactions: TL 3,018,472 (31 December 2020 – TL 1,177,606)
- Precious metal purchase transactions: TL 13,177,082 (31 December 2020 – TL 20,984,650)
- Precious metal sale transactions: TL 52,347 (31 December 2020 – TL 30,525)

**Currency risk sensitivity**

The Group is mainly exposed to foreign currency risk in EURO, USD and GOLD.

The following table shows the Group's sensitivity to 10% change in both USD, EURO and GOLD exchange rate.

	% changes on foreign currency	Effects on Profit / Loss		Effects on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	%10	123,774	40,048	194,489	31,035
EUR	%10	(101,898)	(29,869)	(97,959)	(29,901)
GOLD	%10	16,064	11,870	16,064	11,870

**4. Explanations related to stock position risk**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

<b>Curent Period</b>		<b>Comparison</b>	
<b>Equity Securities Investments</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Securities at Fair Value Through Other Comprehensive Income</b>	<b>84,074</b>	<b>-</b>	<b>84,074</b>
Quoted Securities	-	-	-
<b>Investments in Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>
Quoted Securities	-	-	-
<b>Investment in Subsidiaries</b>	<b>23,680</b>	<b>-</b>	<b>-</b>
Quoted Securities	-	-	-
<b>Other</b>	<b>89,258</b>	<b>-</b>	<b>-</b>
Quoted Securities	-	-	-
<b>Prior Period</b>			
<b>Equity Securities Investments</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Securities Available-for-Sale</b>	<b>49,146</b>	<b>-</b>	<b>49,146</b>
Quoted Securities	-	-	-
<b>Investments in Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>
Quoted Securities	-	-	-
<b>Investment in Subsidiaries</b>	<b>23,680</b>	<b>-</b>	<b>-</b>
Quoted Securities	-	-	-
<b>Other</b>	<b>61,311</b>	<b>-</b>	<b>-</b>
Quoted Securities	-	-	-

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

None.

**5. Consolidated liquidity risk management and liquidity coverage ratio**

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

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

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

Liquidity risk is managed by the Asset and Liability Committee (ALCO) and relevant 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 implemented are determined, taking into account normal economic and stress conditions. The Bank defines the liquidity risk, measures, monitors and periodically presents the risks with liquidity risk measurement methods in accordance with international standards. Liquidity risk stress tests are carried out on a monthly basis. Emergency Funding Plan (Liquidity Contingency Plan) was created to regulate the procedures and principles for the bank to ensure and maintain sufficient liquidity level under stress conditions.

The ratios of the bank regarding the liquidity risk are well above the legal limits. The Bank keeps the liquidity buffer at high levels, taking into account the periods when liquidity risk may increase. Due to this approach, it was evaluated that the negative effects of the global COVID-19 epidemic did not have a significant effect on the liquidity need of the Bank.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

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

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

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

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

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

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

**5.5. Information on liquidity risk mitigation techniques**

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

**5.6. Information on the use of stress tests**

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

**5.7. General information about the contingency funding plan**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**5.8 Analysis of financial liabilities by remaining contractual maturities**

The following table is prepared before the Group's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that are mentioned are included the maturity analysis however they are not included in the balance sheet value of financial liabilities at the balance sheet.

	Up to 1 month	1-3 month	3-12 months	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
<b>31 December 2021</b>								
Funds Collected	198,990,478	12,844,375	8,754,151	1,363,777	5,101	221,957,882	-	221,957,882
Other Fundings	145,384	1,021,332	1,096,848	7,617,647	5,355,148	15,236,359	(3,511,881)	11,724,478
Debts from lease transaction	15,461	26,669	106,080	351,803	81,153	581,166	(171,713)	409,453
Securities issued	2,209,487	1,489,930	-	-	-	3,699,417	(67,243)	3,632,174
Funds from repo transaction	6,505,472	-	-	-	-	6,505,472	(10,335)	6,495,137
<b>Total</b>	<b>207,866,282</b>	<b>15,382,306</b>	<b>9,957,079</b>	<b>9,333,227</b>	<b>5,441,402</b>	<b>247,980,296</b>	<b>(3,761,172)</b>	<b>244,219,124</b>
<b>31 December 2020</b>								
Funds Collected(*)	114,170,245	6,715,547	4,946,413	848,336	14,020	126,694,561	-	126,694,561
Other Fundings	1,610,468	146,860	2,709,958	4,548,423	2,694,681	11,710,390	(1,915,804)	9,794,586
Debts from lease transaction	14,440	24,612	98,136	183,852	28,254	349,294	-	349,294
Securities issued	1,141,578	881,784	3,796,075	-	-	5,819,437	(660,164)	5,159,273
Funds from repo transaction	185,613	-	-	-	-	185,613	(388)	185,225
<b>Total</b>	<b>117,122,344</b>	<b>7,768,803</b>	<b>11,550,582</b>	<b>5,580,611</b>	<b>2,736,955</b>	<b>144,759,295</b>	<b>(2,576,356)</b>	<b>142,182,939</b>

**Maturity analysis for guarantees and contingencies**

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Unallocated	Total
<b>31 December 2021</b>								
Letters of Guarantee	5,943,716	150,932	753,786	3,141,516	1,741,609	107,255	-	11,838,814
Bills of Exchange and Bank Acceptances	11,063	28,513	43,712	30,395	-	-	-	113,683
Letters of Credit	1,312,914	483,662	1,094,602	1,409,737	220,205	-	-	4,521,120
Other guarantees	868,813	-	4,908	32,646	5,890	-	-	912,257
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8,136,506</b>	<b>663,107</b>	<b>1,897,008</b>	<b>4,614,294</b>	<b>1,967,704</b>	<b>107,255</b>	<b>-</b>	<b>17,385,874</b>
<b>31 December 2020</b>								
Letters of Guarantee	4,637,690	132,884	594,287	2,651,575	1,509,732	62,465	-	9,588,633
Bills of Exchange and Bank Acceptances	2,088	15,514	21,830	1,564	-	-	-	40,996
Letters of Credit	468,566	246,461	476,051	427,027	66,917	-	-	1,685,022
Other guarantees	464,044	1,820	1,984	65,962	8,336	4,536	-	546,682
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,572,388</b>	<b>396,679</b>	<b>1,094,152</b>	<b>3,146,128</b>	<b>1,584,985</b>	<b>67,001</b>	<b>-</b>	<b>11,861,333</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**Contractual maturity analysis of derivative instruments**

<b>31 December 2021</b>						
	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Total</b>
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	21,499,096	11,714,093	2,172,566	1,507,265	-	36,893,020
Exit	21,133,880	11,666,551	2,028,973	887,348	-	35,716,752
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
<b>Total Cash Inflow</b>	<b>21,499,096</b>	<b>11,714,093</b>	<b>2,172,566</b>	<b>1,507,265</b>	<b>-</b>	<b>36,893,020</b>
<b>Total Cash Outflow</b>	<b>21,133,880</b>	<b>11,666,551</b>	<b>2,028,973</b>	<b>887,348</b>	<b>-</b>	<b>35,716,752</b>
<b>31 December 2020</b>						
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	19,446,342	26,065,934	845,511	990,716	-	47,348,503
Exit	20,158,833	27,145,532	790,854	905,607	-	49,000,826
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives	-	-	-	-	-	-
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
<b>Total Cash Inflow</b>	<b>19,446,342</b>	<b>26,065,934</b>	<b>845,511</b>	<b>990,716</b>	<b>-</b>	<b>47,348,503</b>
<b>Total Cash Outflow</b>	<b>20,158,833</b>	<b>27,145,532</b>	<b>790,854</b>	<b>905,607</b>	<b>-</b>	<b>49,000,826</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**5.9 Liquidity coverage ratio**

<i>Current Period</i>		<b>Total Unweighted Value (Average) (*)</b>		<b>Total Weighted Value (Average) (*)</b>	
		<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH-QUALITY LIQUID ASSETS</b>					
1	Total high-quality liquid assets (HQLA)	64,936,772	52,416,818	62,919,223	50,399,269
<b>CASH OUTFLOWS</b>			-	-	-
2	Retail deposits and deposits from small business customers, of which:	68,880,158	15,157,013	6,612,422	1,647,541
3	Stable deposits	15,782,818	-	857,744	-
4	Less stable deposits	53,097,340	15,157,013	5,754,678	1,647,541
5	Unsecured wholesale funding, of which:	42,839,618	33,599,404	26,050,311	20,955,633
6	Operational deposits	-	-	-	-
7	Non-operational deposits	30,292,008	22,666,483	13,502,701	10,022,712
8	Unsecured funding	12,547,610	10,932,921	12,547,610	10,932,921
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	29,307,494	27,424,727	29,307,494	27,424,727
11	Outflows related to derivative exposures and other collateral requirements	29,225,451	27,424,727	29,225,451	27,424,727
12	Outflows related to restructured financial Instruments	82,043	-	82,043	-
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	20,634,803	6,315,493	2,008,144	371,179
16	<b>TOTAL CASH OUTFLOWS</b>	-	-	63,978,371	50,399,080
<b>CASH INFLOWS</b>			-	-	-
17	Secured receivables	-	-	-	-
18	Unsecured receivables	31,030,251	18,570,377	23,653,369	16,915,639
19	Other cash inflows	30,032,712	26,177,091	30,032,712	26,177,091
20	<b>TOTAL CASH INFLOWS</b>	<b>61,062,963</b>	<b>44,747,468</b>	<b>53,686,081</b>	<b>43,092,730</b>
				<b>Upper Limit Applied Value</b>	
21	<b>TOTAL HQLA</b>			62,919,223	50,399,269
22	<b>TOTAL NET CASH OUTFLOWS</b>			15,994,593	12,599,770
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			393.38	400.00

(\*) 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 last 3 months of 2021:

	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>	<b>Average</b>
TL+FC	465.04	07/10/2021	348.31	07/12/2021	398.48
FC	470.80	07/07/2021	292.07	07/09/2021	402.87

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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

<i>Prior Period</i>		<b>Total Unweighted Value (Average) <sup>(*)</sup></b>		<b>Total Weighted Value (Average) <sup>(*)</sup></b>	
		<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH-QUALITY LIQUID ASSETS</b>					
1	Total high-quality liquid assets (HQLA)	39,648,579	25,901,529	38,662,197	24,915,147
<b>CASH OUTFLOWS</b>		-	-	-	-
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	55,219,940	16,267,567	4,911,996	1,626,757
4	Less stable deposits	12,199,949	-	609,997	-
5	Unsecured wholesale funding, of which:	43,019,991	16,267,567	4,301,999	1,626,757
6	Operational deposits	26,153,465	19,781,632	15,278,159	11,939,524
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	19,089,094	13,698,769	8,157,205	5,800,167
9	Secured wholesale funding	7,064,371	6,082,863	7,120,954	6,139,357
10	Other cash outflows of which:				
11	Outflows related to derivative exposures and other collateral requirements	26,571,971	16,568,126	26,565,022	16,566,735
12	Outflows related to restructured financial Instruments	26,566,415	16,568,126	26,565,022	16,566,735
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,556	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	<b>TOTAL CASH OUTFLOWS</b>	17,403,730	4,719,856	1,534,567	239,311
17	<b>CASH INFLOWS</b>	-	-	-	-
18	Secured receivables	-	-	-	-
19	Unsecured receivables	20,624,936	12,432,686	16,488,161	11,906,245
20	Other cash inflows	26,782,067	26,152,418	26,779,564	26,149,915
21	<b>TOTAL CASH INFLOWS</b>	47,407,003	38,585,104	43,267,725	38,056,160
				<b>Upper Limit Applied Value</b>	
22	<b>TOTAL HQLA</b>			38,662,197	24,915,147
23	<b>TOTAL NET CASH OUTFLOWS</b>			12,072,436	7,593,082
24	<b>LIQUIDITY COVERAGE RATIO (%)</b>			320.25	328.13

(\*) 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 the last 3 months of 2020:

**Prior Period**

	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>	<b>Average</b>
TL+FC	366.55	31/12/2020	298.64	21/11/2020	323.32
FC	399.18	31/12/2020	301.60	14/11/2020	332.10

The liquidity coverage ratio is calculated by the ratio of the high quality liquid assets of the parent 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

(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
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	30,768,750	36,205,529	-	-	-	-	(3,015)	66,971,264
Banks (*)	15,354,846	-	719,577	26,930	-	-	-	16,101,353
Financial assets at fair value through profit and loss	-	94,360	977,846	617,933	11,000,080	-	249,882	12,940,101
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	6,792,401	3,580,549	3,600,071	17,927,254	-	171,487	32,071,762
Loans (**)	-	10,611,006	17,669,587	44,625,413	49,634,157	6,111,676	(5,528,316)	123,123,523
Loans measured at amortised cost	-	-	4,537,512	204,090	597,524	596,423	(621)	5,934,928
Other assets (***)	2,716,875	1,167,673	4,215	-	1,882,944	-	4,379,556	10,151,263
<b>Total assets</b>	<b>48,840,471</b>	<b>54,870,969</b>	<b>27,489,286</b>	<b>49,074,437</b>	<b>81,041,959</b>	<b>6,708,099</b>	<b>(731,027)</b>	<b>267,294,194</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	1,978,942	23	-	-	-	-	-	1,978,965
Current and profit sharing accounts	132,023,986	64,987,527	12,844,375	8,754,151	1,363,777	5,101	-	219,978,917
Funds provided from other financial institutions	-	23,699	1,794,476	650,887	4,599,053	4,656,363	-	11,724,478
Money market borrowings	-	6,495,137	-	-	-	-	-	6,495,137
Marketable securities issued	-	2,193,429	1,438,745	-	-	-	-	3,632,174
Miscellaneous payables	2,458,969	244,814	-	-	-	-	-	2,703,783
Other Liabilities (****)	-	2,358,400	1,362,066	135,380	198,459	29,415	16,697,020	20,780,740
<b>Total Liabilities</b>	<b>136,461,897</b>	<b>76,303,029</b>	<b>17,439,662</b>	<b>9,540,418</b>	<b>6,161,289</b>	<b>4,690,879</b>	<b>16,697,020</b>	<b>267,294,194</b>
Net liquidity gap	(87,621,426)	(21,432,060)	10,049,624	39,534,019	74,880,670	2,017,220	(17,428,047)	-
<b>Prior period</b>								
Total assets	20,556,136	30,061,101	19,722,362	29,894,129	52,673,745	4,907,794	381,846	158,197,113
Total liabilities	75,029,738	44,542,867	12,108,080	10,641,824	4,078,713	42,275	11,753,616	158,197,113
Net liquidity gap	(54,473,602)	(14,481,766)	7,614,282	19,252,305	48,595,032	4,865,519	(11,371,770)	-

(\*) Expected losses are netted off with provision.

(\*\*) 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 consist of equity and provisions balances.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**6. Explanations on consolidated leverage ratio**

**6.1 Disclosure of leverage ratio template**

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

	<b>On-balance sheet assets (*)</b>	<b>Current Period</b>	<b>Prior Period</b>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	242,597,555	160,626,497
2	(Assets deducted in determining Tier I Capital)	(592,935)	(478,778)
3	Total on-balance sheet risks (sum of lines 1 and 2)	242,004,620	160,147,719
	<b>Derivative financial instruments and credit derivatives</b>		
4	Replacement cost associated with all derivative instruments and credit derivatives	1,374,232	629,764
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	624,826	482,894
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,999,058	1,112,658
	<b>Securities or commodity financing transactions (SCFT)</b>		
7	Risks from SCFT assets (excluding on-balance sheet)	2,231,136	2,119,201
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	2,231,136	2,119,201
	<b>Other off-balance sheet transactions</b>		
10	Gross notional amounts of off-balance sheet transactions	80,445,071	69,537,344
11	(Adjustments for conversion to credit equivalent amounts)	(44,108,586)	(42,998,895)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	36,336,485	26,538,449
	<b>Capital and total risks</b>		
13	Tier I Capital	13,397,322	9,567,064
14	Total risks (sum of lines 3, 6, 9 and 12)	282,571,299	189,918,027
	<b>Leverage ratio</b>		
15	Leverage ratio	4.76	5.04

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Group’s consolidated balance sheet date was 4.76% (31 December 2020 – 5.04%). 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 40% due to the profit for the period, balance-sheet risks increased by 51%, and off-balance sheet items increased by 37%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 28 basis points.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**7. Explanations on consolidated fair values of financial assets and liabilities**

The table summarizes the book value and fair value of the financial assets and liabilities that were not accounted by the values in Group's financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial assets</b>				
Banks	16,104,368	7,370,553	16,104,368	7,370,553
Financial Assets at Fair Value Through Other Comprehensive Income	32,071,762	20,723,085	32,071,762	20,723,085
Financial Assets Aalued at Amortised Cost	5,935,549	6,499,810	5,932,941	6,512,551
Loans and Lease Receivables	128,644,734	80,077,369	127,500,496	78,598,461
<b>Financial liabilities</b>				
Current account and funds collected from banks via participation accounts.	1,978,965	843,686	1,978,965	843,686
Other current and profit sharing accounts	219,978,917	125,850,875	219,978,917	125,850,875
Money market borrowings	6,495,137	185,225	6,488,859	185,000
Funds provided from other financial institutions	11,724,478	9,794,586	11,528,956	10,728,442
Issued securities	3,632,174	5,159,273	3,554,920	5,222,499
Other Liabilities	4,839,114	2,193,882	4,839,114	2,193,882
Leasing payables	409,453	349,294	409,453	349,294

The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, available for sales financial assets and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

**8. Explanations on the activities carried out on behalf and account of other persons**

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

**9. Explanations on hedge accounting practices**

None (31 December 2020 – None).

**10. Explanations on consolidated risk management**

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee ("ALCO") and the Risk Management Department ("RMD") which has been composed in order to manage systemic risks that the Parent Bank is exposed. The Board of Directors is the owner of the Parent Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Parent Bank's Risk Management System is to identify, measure, monitor and control the risks that the 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

**10.1. Explanations on Risk Management and Risk Weighted Amounts**

**10.1.1. GBA – Bank’s risk management approach**

What kind of an interaction does the Parent Bank’s risk profile has with the management board’s risk appetite and how does the business model determine the Parent Bank’s risk profile and how it interacts with it (i.e. Key risks regarding the business model and each one of these risks’ effect on the explanations);

Kuveyt Türk’s business model fundamentally consisted of two main operating areas. These main areas are current accounts in accordance with the non-interest banking rules, collecting funds through profit/loss participation accounts and providing the usage of funds to its clients through these funds and equity. The business model of the Bank occurs an exposure of some significant risks. These significant risks are evaluated and identified by the Parent Bank’s Internal Capital Competence Evaluation Process. Parent Bank’s risk strategy for all significant risks is formed in writing. Parent Banks are required to form a structure which is composed of the policies and processes regarding determining the risk appetite and following it’s units’ compliance because of the regulation regarding the Parent Banks Internal Systems and Internal Capital Competence Evaluation Process, numbered 29057 and published by the Official Gazette on 11 July 2014. In order to comply with this regulation Risk Appetite Policy is published by the Risk Management Leadership and approved by the Board of Directors. In accordance with the Parent Bank’s Risk Appetite Policy, risk levels and risk limits of each kind of risks which appeared important are collectively determined to achieve the Parent Bank’s goals and to actualize the Parent Bank’s strategies by taking the risk capacity of the Parent Bank into consideration. Bank’s risk strategy and risk limits are determined by the Board of Directors.

The units which perform the risk measurement and management are carrying out their businesses independently from execution units. Fundamentally, control and management activities devoted to credit, market, liquidity, operational and other significant risk types are occurred. Due to the business model, Risk Management Leadership strategically contribute to the Parent Bank to identify, follow, measure and manage all risks which the Parent Bank may expose. Credit Risk Management and Modelling unit which is one of the units which constitutes the Risk Management Leadership, carries out the risk measurement and management works regarding the credit risks. Market Risk, Operational Risk, Risk and Capital Planning Department which is another unit which carries out its businesses under the Risk Management Leadership, coordinates the Parent Bank’s capital planning works and manage risks regarding the market, operations, liquidity and other important risk types.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

Parent Bank has a credit predominant active structure due to its main business model. Reflecting the Bank's business model, total actives, predominantly consisted of dues regarding receivables from leasing and cash loans. The Parent Bank predominantly aims to grow sustainably by funding the real sector's financing and increasing the credit amount by taking the risk-return balance into the consideration. Within the frame of its business model, the main risk type which the Parent Bank exposed/predicts to be exposed damage is credit risk. The significant risks within the scope of Parent Bank's credit risks are as follows;

- Credit Risk states the possibility of loan loss which the Parent Bank may expose due to the the partial or total nonpayment of its credit client on time in accordance with the contract made between the credit client and the Bank.
- Counterparty credit risk refers to the default risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings on obligation to both sides.
- Concentration risk covers risks arising from concentration between different types of risk or on an individual risk basis which may result in large losses that could threaten the Parent Bank's ability to maintain its core operations or its financial structure or which could cause significant changes in the Bank's risk profile.

The parent bank is exposed to market risk due to its treasury transactions and other financial operations. However, correspondingly with the risk appetite, the bank takes care to ensure that its market risk-generating assets have high credit rating and liquidity, and it does not carry a speculative foreign exchange position in order to hedge foreign exchange risk.

The parent bank is exposed to operational risk due to its operations, processes carried out, human resources, systems and external resources. Operational risks in the bank are managed under the supervision of the Board of Directors within the framework of identifying, evaluating, monitoring and reducing/controlling the risks. The current risk management is considered to be in line with the size of the bank, taking into account the level and importance of the risk.

Explanations on risk reporting processes provided to the board of directors and senior management, in particular the scope and main content of the reporting,

Timely and comprehensive reporting of risks exposed within the scope of Risk management activities and risks arising from transactions carried out with the risk group of the Parent Bank is carried out by the head of Risk Management. The Parent Bank produces regular reports from the risk measurement models it uses and analyzes the reports. Risk measurement and risk monitoring results are reported to the Board of directors or to the Risk Committee and senior management regularly and on time by the Risk Management Presidency.

The reports prepared include the level and development of significant risks and their effects on capital needs, the compliance of assumptions used in risk measurement and evaluation systems, the adequacy of the level of capital that the parent bank should hold for all important risks, its compliance with legal and internal capital targets and ratios, the need for future capital and changes to be made in, business continuity plans, etc. includes information.

The parent bank organizes a report on risk measurement, capital and liquidity planning and risk management capabilities under the scope of ICAAP at least once a year and in any case as of the end of the year.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**10.1.2. Overview of risk weighted amounts**

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2021	Prior Period 31/12/2020	Current Period 31/12/2021
1	Credit risk (excluding counterparty credit risk) (CCR)	71,764,319	51,904,896	5,741,146
2	Standardised approach (SA)	71,783,798	51,923,351	5,742,704
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	659,413	244,931	52,753
5	Standardised approach for counterparty credit risk (SA-CCR)	659,413	244,931	52,753
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal model's equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	19,479	18,455	1,558
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	5,574,076	3,838,461	445,926
17	Standardised approach (SA)	5,574,076	3,838,461	445,926
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	11,336,427	7,606,341	906,914
20	Basic indicator approach	11,336,427	7,606,341	906,914
21	Standardised approach			
22	Advanced measurement approach			
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)			
24	Floor adjustment			
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>89,353,714</b>	<b>63,613,084</b>	<b>7,148,297</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**10.1.3. Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation**

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards					
		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securization Positions	Market Risk	No subject to capital requirements or subject to deduction from capital
<b>Asset</b>							
Cash and Balances with Central Bank of Turkey	66,974,279	66,974,279	66,974,279	-	-	-	-
Banks	16,104,368	16,104,368	16,104,368	-	-	-	-
Receivables From Money Markets	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	12,940,101	12,940,101	-	-	-	12,940,101	-
Financial Assets at Fair Value Through OCI	32,071,762	32,071,762	32,071,762	-	-	-	-
Financial Assets Measured at Amortised Cost	5,935,549	5,935,549	5,935,549	-	-	-	-
Derivative Financial Assets	1,398,784	1,398,784	-	1,398,784	-	-	-
Expected Loss Provisions (-)	8,610,377	8,610,377	2,788,381	-	-	-	5,821,996
Loans	119,801,314	119,801,314	120,021,246	-	-	-	-
Lease Receivables	11,925,935	11,925,935	11,925,935	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	240,891	240,891	240,891	-	-	-	-
Subsidiaries	23,680	23,680	23,680	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	89,258	89,258	89,258	-	-	-	-
Tangible Assets (Net)	1,084,542	1,084,542	1,084,542	-	-	-	73,968
Intangible Assets (Net)	362,184	362,184	362,184	-	-	-	347,516
Investment Properties (Net)	63,598	63,598	63,598	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-
Deferred Tax Asset	1,882,944	1,882,944	1,882,944	-	-	-	-
Other Assets	5,005,382	5,005,382	5,005,382	-	-	-	-
<b>Total Assets</b>	<b>267,294,194</b>	<b>267,294,194</b>	<b>258,997,237</b>	<b>1,398,784</b>	<b>-</b>	<b>12,940,101</b>	<b>(5,400,512)</b>
<b>Liabilities</b>							
Funds Collected	221,957,882	221,957,882	-	-	-	-	221,957,882
Borrowings	3,623,982	3,623,982	-	-	-	-	3,623,982
Debt to money markets	6,495,137	6,495,137	-	6,495,137	-	-	-
Securities Issued (Net)	3,632,174	3,632,174	-	-	-	-	3,632,174
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	257,764	257,764	-	-	-	-	257,764
Lease Payables	409,453	409,453	-	-	-	-	409,453
Provisions	5,207,331	5,207,331	-	-	-	-	5,207,331
Current Tax Liabilities	1,282,020	1,282,020	-	-	-	-	1,282,020
Deferred Tax Liabilities	-	-	-	-	-	-	-
Subordinated Debt Instruments	8,100,496	8,100,496	-	-	-	-	8,100,496
Other Liabilities	4,839,114	4,839,114	-	-	-	-	4,839,114
Equity	11,488,841	11,488,841	-	-	-	-	11,488,841
<b>Total Liabilities</b>	<b>267,294,194</b>	<b>267,294,194</b>	<b>-</b>	<b>6,495,137</b>	<b>-</b>	<b>-</b>	<b>260,799,057</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**10.1.4 Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1- Carrying Value of Assets in Accordance with TAS (as in template 1B)	267,294,194	258,997,237	-	1,398,784	12,940,101
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	6,495,137	-
3- Total net amount	267,294,194	258,997,237	-	7,893,921	12,940,101
4- Off-balance sheet amounts	156,945,618	7,600,941	-	1,525,759	72,401,233
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	(78,157,861)	-	-	-
<b>9-Risk Amounts</b>	<b>424,239,812</b>	<b>188,440,317</b>	<b>-</b>	<b>9,419,680</b>	<b>85,341,334</b>

**10.2. General qualitative information on credit risk**

**10.2.1. How the business model translates into the components of the group's credit risk profile**

The business model of the Group basically consists of two main business fields: collecting funds by means of current accounts and profit/loss participation accounts subject to the interest-free banking rules and using those funds and equity funds to make funds available to customers. Because of these main business fields, the group's assets have a credit-weighted structure. Reflecting this business model, its total assets are cash credit-weighted and financial leasing receivable-weighted. The group lends funds to finance the real sector in general and increases its volume of credits by taking into account its risk-return balance to achieve sustainable growth.

The risk profile of the Group indicates the types of risks to which it is exposed or expects to be exposed, and its risk level by type of risk. The largest type of risk to which the Group is exposed or expects to be exposed within its current and target business model is the credit risk. Since the risk of concentration is one of the most important components of the credit risk, concentration limits were set by sector for the concentration risk. Internal limits are set for cash, non-cash and total credits for each of 20 different sectors. Limits were set for monitoring Defaulted Credit Exposures in mentioned sectors and for taking corrective measures. With regard to concentration of the credit risk, internal limits were set for the top 10, 20, 30, 40, 50 and 100 debtor/credit risk groups. Furthermore, country limits were set to avoid concentration in countries selected as part of the sovereign risk process.

**10.2.2. Criteria and approach used for defining credit risk policy and for setting credit risk limits**

The main purpose of the credit risk policy are to measure the counterparty risk undertaken as part of a credit transaction, to monitor the risk against the legal limits and the Bank's internal limits, to research new techniques and applications for measuring and controlling the risk, to monitor overdue receivables, to analyze the reason of overdue, and to take measures to prevent such reasons from repeating. The term 'credit risk' refers to the potential loss the Bank might be exposed to because of credit borrowers' partial or full default of the credit agreements they signed with the bank. This term also includes the loss of market value because of the breakdown of the counterparty's financial position. This term includes both on-balance sheet and off-balance sheet transactions.

Risk limits are set by openly relating it with the Bank's volume on consolidated and non-consolidated basis within the financial system as part of its risk appetite structure. In this context the appetite for risk approved by the Board of Directors are divided between and allocated to other levels considered necessary by type of risk. The uses of the limits are closely monitored, and overdrafts are reported to the executive management for ensuring the necessary measures to be taken.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

**10.3. Structure and organization of the credit risk management and control function**

Risk Control and Compliance Group works under the Risk Committee reporting to the Board of Directors. Risk Control and Compliance Group Manager and Risk Management Department Manager working under the former are in charge of and responsible for the strategies and policies approved by the Board of Directors and for performing the other tasks assigned by the Risk Committee. Credit Risk Management and Modeling Unit is one of the units comprising the Risk Management Department performs the risk measurement and management tasks concerning the credit risk.

**10.4. Relations between the credit risk management, risk control, compliance and internal audit functions**

The units within the scope of internal systems have been established within the organizational structure of the Parent Bank depending on the Board of Directors. The Board of Directors has transferred its duties and responsibilities related to risk management, internal control and compliance to the Risk Committee consisting of three members of the board of directors. The Risk Management Department, the Internal Control Department and the Compliance Department carry out their activities under the supervision and coordination of the Risk Committee. The Board of Directors carries out its duties and responsibilities related to internal audit through the Audit Committee, which consists of three members of the Board of Directors. The Chairman of the Board of Inspectors performs internal audit activities under the supervision and coordination of the Audit Committee.

The internal control function of the Parent Bank is performed by the Internal Control Department. Internal Control System has been founded in such a manner to be capable and efficient to mitigate, manage, monitor and control the exposure risks of the Parent Bank in accordance with the Parent Bank's organizational structure and business fields as well as changing circumstances, and covers all domestic and international branches, head office, consolidated subsidiaries and all business activities of the Parent Bank. The internal control system and internal control activities of the Parent Bank are designed by the Internal Control Department in cooperation with the relevant management executives and are performed at a sufficient and efficient extent.

Compliance Department is in charge of managing the Parent Bank's compliance risk and taking it under control in an efficient way, forecasting and preventing the risk in question, and ensuring the Parent Bank's activities to comply with the applicable laws and regulations.

Risk Management Department performs the tasks of determining, measuring and managing the exposure risks of the Parent Bank. An efficient risk management system infrastructure has been established for credit risk management tasks, credit policy, and risk management activities falling within the credit risk policy. The internal credit risk limits set by the Board of Directors are measured and reported at regular intervals to the Risk Committee.

Audit Department is in charge of assuring the Board of Directors and the executive management that the Parent Bank's business activities are performed in accordance with the Banking Law, other applicable laws and regulations and the internal strategies, policies, principles and targets of the bank, and that the internal control and risk management systems are efficient and sufficient.

**10.5. Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the Board of Directors**

Risk Management Report for the Executive Management, which is the basic report presented to the Board of Directors and the executive management, is prepared quarterly. The report in question contains the basic subjects described below.

Quality of the assets are analyzed in accordance with the classification specified in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside and the assets are compared with those of the previous fiscal period to monitor the sustainability of the asset quality. The report describes the credit risk limits and the figures realized in the relevant fiscal period. Credits lent in 20 different economic sectors are monitored by cash, non-cash and total credits.

Credit shares and development trends of the economic sectors are monitored. The risk limits set in accordance with the Parent Bank's appetite for risk and the figures realized are explained. Observed key risk indicators include the ratio of credit risk-weighted items over the total assets, the ratio of the total gross amount of defaulted credits over the total financing (cash credits) portfolio and their distribution by sector, distribution of guarantees by guarantee group, the ratio of the top 10/20/30/40/50/100 risks over the total financing (cash and non-cash credits) portfolio, and the ratio of write-off.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

Distribution of cash credits by maturity term is monitored. Detailed information is given about the top 10 customers against whom internal or legal proceedings were filed, their limits, risks, guarantees and provisions, description of their sectors and their state are described. The trend of restructured credits is monitored. Also, loans to risk group of the Parent Bank are reported.

Sovereign ratings, limits and used limits are monitored and compared with the previous fiscal year.

The Parent Bank creates credit portfolios in accordance with its internal segment structure. These segments are divided into sub-segments. Risks realized for cash, non-cash and total credits are monitored by each of these portfolios.

Real estate price indexes are analyzed to monitor whether the values of the real estates received as guarantees for the funds lent have increased or decreased. These real estates are also monitored by subcategory in accordance with the classification of regions published by the Turkish Central Bank. They are also compared with the House Price Index of Turkey published by the Turkish Central Bank.

**Credit quality of assets**

Current Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	3,082,515	129,014,884	2,788,381	129,309,018
2	Debt securities	-	38,298,950	291,639	38,007,311
3	Off-balance sheet exposures (*)	527,586	30,379,913	522,426	30,385,073
4	<b>Total</b>	<b>3,610,101</b>	<b>197,693,747</b>	<b>3,602,446</b>	<b>197,701,402</b>

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

Prior Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	2,970,254	80,077,369	2,524,317	80,523,306
2	Debt securities	-	27,433,847	210,952	27,222,895
3	Off-balance sheet exposures (*)	451,980	19,952,357	439,754	19,964,583
4	<b>Total</b>	<b>3,422,234</b>	<b>127,463,573</b>	<b>3,175,023</b>	<b>127,710,784</b>

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

**Changes in stock of defaulted loans and debt securities**

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	2,970,254	2,109,681
2	Loans and debt securities that have been defaulted since the last reporting period	1,376,194	1,638,811
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	408,047	403,794
5	Other changes	(855,886)	(374,444)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)(*)</b>	<b>3,082,515</b>	<b>2,970,254</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

**10.6. Qualitative disclosures related to the credit quality of assets**

**10.6.1 Scope and definitions of “overdue” and “provision allocated” receivables for accounting purposes and the differences of definitions between “overdue” and “provision allocated”, if any**

Overdue receivables: Overdue receivables and provision allocated receivables are determined according to the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves. Provision for receivables: All financial instruments other than those covered by TFRS 9 and whose fair value is reflected in the profit / loss.

**10.6.2. The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application**

All loans that have completed the delay process determined in accordance with the legal regulations within the relevant month in the Parent Bank are automatically taken into follow-up accounts and are subject to special provision. In very exceptional cases and due to a court decision, the delay process is stopped, and the Bank's loan amount in this context is insignificant as of December 31, 2021.

**10.6.3. Definitions of the methods used when determining the provision amount**

TFRS 9 requires a 12-month expected credit loss provision for all financial assets in Stage 1 and the expected credit loss for all other financial assets. 12-month expected credit loss represents the portion of the expected credit loss from probable default events within 12 months after the reporting date. Lifetime losses are losses from all possible default events during the expected life of the financial instrument after the reporting date. Lifetime refers to the maturity of the financial instrument. In non-maturity financial instruments, the bank calculates the behavioral maturity and uses this to calculate the expected loan loss. The ECLs are calculated at each instrument level by taking into account the projected cash flows, the PD (Probability of default), the LGD (Loss given default), the CCR (Credit Conversion Rate) and the discount rate. In small, very unimportant and unrated portfolios, the ECL can be estimated on a collective basis.

**10.6.4. Definition of restructured receivables**

The financial terms in existing financial difficulties may be amended to facilitate payment of the debt, and the original loan terms that were previously signed can be changed according to the borrower's new financing power and structure when the loan cannot be repaid or a potential non-repayment is encountered. In order for a loan to be considered as restructured, the debtor must be in financial difficulty and the debtor must be provided with the concession requirements for changing the loan conditions.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**10.6.5. Breakdown of exposures by geographical areas, industry and ageing**

Distribution of cash receivables by sectors is as follows

<b>Sector</b>	<b>Current Period – Cash Loan Amount</b>	<b>Prior Period – Cash Loan Amount</b>
Individual	14,874,360	14,531,103
Other Services	8,771,465	4,853,895
Education	419,228	341,301
Real Estate and Brokerage	1,133,739	789,411
Financial Services	10,938,898	3,796,867
Food, Beverage, Tobacco	4,254,884	2,309,211
Government	1,915,895	1,658,117
Production	6,363,595	4,017,691
Construction (Commitment)	15,743,711	9,152,145
Construction (Build-and-sell)	5,110,897	4,227,056
Public Services (Electricity, Water & Gas)	9,207,506	4,714,626
Mining & Chemistry	7,440,687	4,213,394
Machinery Equipment	1,645,501	663,178
Automotive	4,152,816	2,754,410
Oil, Gas and Oil Products	481,438	1,288,244
Health	2,080,281	1,449,528
Agriculture	776,903	494,186
Textile	10,747,052	5,637,005
Wholesale & Retail	21,442,487	13,813,184
Tourism	592,941	416,342
Transportation & Warehouse	3,632,965	1,926,729
<b>Total</b>	<b>131,727,249</b>	<b>83,047,623</b>

The distribution of cash receivables by geographical regions is as follows.

<b>Region</b>	<b>Current Period – Cash Loan Amount</b>	<b>Prior Period – Cash Loan Amount</b>
Akdeniz Region	8,885,628	5,664,298
Dogu Anadolu Region	1,992,872	1,580,628
Ege Region	5,796,850	5,077,225
Güneydogu Anadolu Region	7,766,209	4,585,283
İç Anadolu Region	20,384,485	13,978,808
Karadeniz Region	3,334,466	2,581,377
Marmara Region	66,450,397	44,981,832
Foreign	17,116,342	4,598,172
<b>Total</b>	<b>131,727,249</b>	<b>83,047,623</b>

The maturity distribution of cash receivables is as follows.

<b>Maturity Distribution</b>	<b>Current Period – Cash Loan Amount</b>	<b>Prior Period – Cash Loan Amount</b>
1-3 years	59,544,343	30,628,127
3-5 years	35,736,437	25,110,861
5 years and more	20,970,367	13,461,570
Up to 1 year	14,413,860	12,460,525
Defaulted	1,062,242	1,386,540
<b>Total</b>	<b>131,727,249</b>	<b>83,047,623</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**10.6.6. Provisions based on geographical and sectoral concentration and written off amounts**

Current Period - Sector	Non-Performing Loans	Specific Provisions	Write-Offs (*)
<b>Agriculture</b>	<b>33,900</b>	<b>30,204</b>	<b>16,621</b>
Farming and Stockbreeding	14,129	12,827	13,796
Forestry	19,771	17,377	2
Fishery	-	-	2,823
<b>Manufacturing</b>	<b>561,557</b>	<b>490,917</b>	<b>103,295</b>
Mining and Quarrying	155,218	140,135	15,618
Production	396,355	341,057	86,202
Electricity, Gas and Water	9,984	9,725	1,475
<b>Construction</b>	<b>1,187,755</b>	<b>1,107,079</b>	<b>112,898</b>
<b>Services</b>	<b>1,150,166</b>	<b>1,034,267</b>	<b>155,568</b>
Wholesale and Retail Trade	699,548	621,122	110,210
Accommodation and Dining	147,909	137,120	2,386
Transportation and Telecommunication	95,547	85,323	33,408
Financial Institutions	5,529	5,503	-
Real Estate and Rental Services	48,889	44,636	902
Professional Services	-	-	-
Educational Services	113,883	106,375	1,148
Health and Social Services	38,861	34,188	7,514
<b>Other</b>	<b>149,137</b>	<b>125,914</b>	<b>19,665</b>
<b>TOTAL</b>	<b>3,082,515</b>	<b>2,788,381</b>	<b>408,047</b>

Prior Period - Sector	Non-Performing Loans	Specific Provisions	Write-Offs
<b>Agriculture</b>	<b>50,399</b>	<b>38,958</b>	<b>18,921</b>
Farming and Stockbreeding	28,780	23,340	2,283
Forestry	18,341	12,340	16,638
Fishery	3,278	3,278	-
<b>Manufacturing</b>	<b>453,590</b>	<b>390,889</b>	<b>45,388</b>
Mining and Quarrying	62,382	53,334	6,621
Production	356,249	306,499	38,320
Electricity, Gas and Water	34,959	31,056	447
<b>Construction</b>	<b>1,288,690</b>	<b>1,135,664</b>	<b>86,652</b>
<b>Services</b>	<b>1,028,716</b>	<b>853,605</b>	<b>229,493</b>
Wholesale and Retail Trade	656,152	552,266	66,467
Accommodation and Dining	106,068	88,081	919
Transportation and Telecommunication	96,309	77,281	157,404
Financial Institutions	3,939	3,865	-
Real Estate and Rental Services	38,410	32,504	1,084
Professional Services	183	146	-
Educational Services	67,631	52,426	416
Health and Social Services	60,024	47,036	3,203
<b>Other</b>	<b>148,859</b>	<b>105,201</b>	<b>23,340</b>
<b>TOTAL</b>	<b>2,970,254</b>	<b>2,524,317</b>	<b>403,794</b>

(\*) Refers to the loans worth TL 153,338 that were deleted in 2020, one hundred percent provisioned from non-performing loans and sold to an asset management company.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

Current Period - Geographic Region	Non-performing loans	Provisions	Write-Offs
Marmara Region	1,667,765	1,478,442	278,636
Güneydogu Anadolu Region	137,832	132,291	15,193
İç Anadolu Region	824,963	768,159	38,553
Akdeniz Region	175,919	162,414	22,065
Ege Region	165,289	154,071	23,998
Dogu Anadolu Region	69,691	61,411	15,132
Karadeniz Region	33,950	31,107	4,209
Foreign	7,106	486	10,261
<b>Total</b>	<b>3,082,515</b>	<b>2,788,381</b>	<b>408,047</b>

Prior Period - Geographic Region	Non-performing loans	Provisions	Write-Offs (*)
Marmara Region	1,563,800	1,307,313	174,219
Güneydogu Anadolu Region	227,320	187,949	15,544
İç Anadolu Region	755,803	683,200	23,859
Akdeniz Region	125,209	111,948	125,413
Ege Region	189,331	162,867	14,773
Dogu Anadolu Region	38,755	35,916	3,520
Karadeniz Region	34,373	28,682	3,481
Foreign	35,663	6,442	42,985
<b>Total</b>	<b>2,970,254</b>	<b>2,524,317</b>	<b>403,794</b>

(\*) Includes loans deleted from assets in 2020 and the amount of TL 110,353 that has been reserved for 100% of non-performing loans and sold to an asset management company

**10.6.7. Aging analysis for non-performing loans**

Current period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	258,271	264,114	2,135,269	229,408	89,846
Retail Loans	5,054	7,683	21,322	42,272	4,852
Credit cards	10,422	6,119	5,890	1,705	289
Other	-	-	-	-	-
<b>Total</b>	<b>273,747</b>	<b>277,916</b>	<b>2,162,481</b>	<b>273,385</b>	<b>94,987</b>

Prior Period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	739,545	560,048	1,427,721	115,934	38,185
Retail Loans	5,039	15,922	41,077	7,062	1,322
Credit cards	2,567	6,888	7,820	855	269
Other	-	-	-	-	-
<b>Total</b>	<b>747,151</b>	<b>582,858</b>	<b>1,476,618</b>	<b>123,851</b>	<b>39,776</b>

**10.6.8. Breakdown of Restructured receivables according to their provisions**

Restruction Status	Current Period - Risk	Prior Period - Risk
Performing	3,257,703	2,624,343
Non-Performing	662,378	264,327
<b>Total</b>	<b>3,920,081</b>	<b>2,888,670</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**10.7. Credit Risk Mitigation**

**10.7.1 Qualitative information on Credit Risk Mitigation Techniques**

Within the framework of the credit transactions carried out by the parent bank, all the collateral documents received in the presence of the branch personnel are checked by the branch operations staff and forwarded to the collateral follow-up Directorate through the main banking application. The systematic entries of the guarantees are completed by the personnel of the guarantee follow-up directorate where signature compliance, authorization checks and validity examinations are performed.

**10.7.2 Credit risk mitigation techniques**

	<b>Current Period</b>	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	86,871,005	35,189,340	3,119,489	7,248,673	5,915,414	-	-
2	Debt securities	38,007,311	-	-	-	-	-	-
3	<b>Total</b>	<b>124,878,316</b>	<b>35,189,340</b>	<b>3,119,489</b>	<b>7,248,673</b>	<b>5,915,414</b>	-	-
4	Overdue	81,507	168,958	13,189	43,669	27,132	-	-

	<b>Prior Period</b>	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	52,894,387	20,064,424	1,520,553	7,564,495	5,961,858	-	-
2	Debt securities	27,222,895	-	-	-	-	-	-
3	<b>Total</b>	<b>80,117,282</b>	<b>20,064,424</b>	<b>1,520,553</b>	<b>7,564,495</b>	<b>5,961,858</b>	-	-
4	Overdue	112,344	231,779	1,322	101,814	62,382	-	-

**10.8. Explanations on Counterparty Credit Risk (CCR)**

**10.8.1. Risk management objectives and policies for CCR**

Determination of the creditworthiness of financial counterparties has been made in addition to the Credit Policy of the Parent Bank in accordance with the regulations published by BRSA and the international practices in order to limit the exposure to be suffered by the Parent Bank in case of financial counterparty default. This annex describes allocation of limit to financial counterparties and continuous monitoring activities. In this respect, the creditworthiness assessments of the financial and non-financial entities for CCRs especially including sovereign assessments and limits are finally decided by the committees specified under the Policy.

**10.8.2. The method used to allocate the operational limits defined in terms of internal capital for CCR and central counterparty risks**

Internal model method is not used for calculating the capital requirements for counterparty credit risk and central counterparty risks.

**10.8.3. Policies relating to guarantees and other risk mitigation and assessments concerning counterparty credit risk, including central counterparty risk**

All of the Parent Bank's counterparty credit risk and central counterparty limits are non-committed limits and they include cash and non-cash limits. In case of any transactions involving non-cash risk exposure, the reinsurance of the organizations such as International Development Banks is used. If required, cash collateral is sought in order to minimize the exposure. In case of transactions involving cash risk exposure, the risk exposure is mitigated by obtaining shares and bills (sukuk) as security.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**10.8.4. Rules with respect to wrong-way risk**

Internal model is not used for CCR; and as such, no calculation is made with respect to the wrong-way risk.

**10.8.5. The impact in terms of the amount of collateral that the bank is required to provide in case of a credit rating downgrade**

In case of a decrease in the credit rating, there is no additional collateral amount that our parent bank has to provide.

**10.8.6. Counterparty credit risk (CCR) approach analysis**

	Current Period	Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	Risk amount after credit risk mitigation	Risk weighted amounts
1	Standardised Approach CCR (for derivatives) (*)	1,042,314	483,445		1.4	1,525,759	640,761
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	<b>Total</b>						<b>640,761</b>

	Prior Period	Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	Risk amount after credit risk mitigation	Risk weighted amounts
1	Standardised Approach CCR (for derivatives) (*)	391,901	580,188		1.4	972,089	212,000
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	<b>Total</b>						<b>212,000</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**10.8.7. Capital requirement for credit valuation adjustment (CVA)**

		Current Period		Prior Period	
		Risk amount (after using credit risk mitigation techniques)	Risk weighted amounts	Risk amount (after using credit risk mitigation techniques)	Risk weighted amounts
Total portfolios subject to the Advanced CVA capital obligation					
1	(i) VaR component (including the 3×multiplier)				
2	(ii) Stressed VaR component (including the 3×multiplier)				
3	All portfolios subject to the Standardised CVA capital obligation	1,525,759	18,652	972,089	32,931
4	<b>Total subject to the CVA capital obligation</b>	<b>1,525,759</b>	<b>18,652</b>	<b>972,089</b>	<b>32,931</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**10.8.8.CCR exposures by risk class and risk weights**

Curent Period - Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	5,221,288	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	603,026	773,915	-	-	-	-	-	507,563
7	Receivables from corporate	-	-	-	-	-	94,604	-	-	-	94,604
8	Retail receivables	-	-	-	-	32,436	-	-	-	-	24,327
9	Other receivables	-	-	-	3,984	-	10,259	-	-	5,760	14,267
10	<b>Total</b>	<b>5,221,288</b>	<b>-</b>	<b>603,026</b>	<b>777,899</b>	<b>32,436</b>	<b>104,863</b>	<b>-</b>	<b>-</b>	<b>5,760</b>	<b>640,761</b>

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

(\*\*) Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

(\*\*\*) 35% Risk Weight is classified in Others.

Prior Period - Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	456,708	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	576,986	38,929	-	-	-	-	-	134,862
7	Receivables from corporate	-	-	-	-	-	59,147	-	-	-	59,147
8	Retail receivables	-	-	-	-	17,793	-	-	-	-	13,345
9	Other receivables	-	-	-	507	-	3,465	-	-	2,648	4,646
10	<b>Total</b>	<b>456,708</b>	<b>-</b>	<b>576,986</b>	<b>39,436</b>	<b>17,793</b>	<b>62,612</b>	<b>-</b>	<b>-</b>	<b>2,648</b>	<b>212,000</b>

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

(\*\*) Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

(\*\*\*) 35% Risk Weight is classified in Others.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

**11. Securitization positions**

None.

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

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

**13. Qualitative explanations on market risk**

**13.1. Group's processes and strategies**

Procedures for the identification, measurement, monitoring and control of the market risk of the group, as well as processes for risk protection and strategies/processes for monitoring of the continuity of the hedging effectiveness, as well as the strategic objectives for the group's trading activities.

Risk management activities are consisting of the measurement, monitoring, control and reporting of the risks, arising from risks incurred on the consolidated and solo basis and transactions carried out with the risk group that the Bank is involved in. These activities are carried out by the Parent Bank's Risk Management Department.

The definition of the market risk is made by legislation within the scope of the Pillar 1 risks. The components of the market risk that do not fall within the scope of Pillar 1 risks are assessed internally. This process is carried out by the Risk Management Department with the consultation to other relevant departments.

Measurement of the market risk is carried out by the Risk Management Department. Market risk is measured by the standard method as specified in the third part of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy. The Risk Management Department adopts international standardized methods and advanced statistical methods, which are included in the legislation, in the measurement of risks falling within the scope of the Pillar 2. Developed models as well as the stress tests and scenario analysis are used in the measurement and monitoring of the market risk.

The primary purpose of market risk is for the bank's risk exposure to be within the limits specified by the legislation and to be in accordance with the Bank's risk appetite. In this context, market risk is periodically measured, monitored and reported.

Risk limits related to market risk are established in accordance with the Group's Risk Appetite Policy. Aforementioned risk limits are determined by the Board of Directors and reviewed at least once a year. Limit usages are closely monitored.

Risk mitigation techniques have been applied in line with the size and complexity of the undertaking market risk and the controls are implemented in order to ensure their effectiveness.

Treasury Group Department monitors foreign currency positions and cash flows on behalf of the Parent Bank.

Moreover, new products and projects are examined in terms of market risk management and appropriate internal controls are implemented in case of necessity.

The ParentBank's strategic objectives for trading activities are given below.

- Ensure that the parent bank's lease certificate portfolio is managed at the optimum level within the risk-return balance limits
- Implement transaction by taking into account the future prospects of market developments/movements and the framework of trading opportunities in the current market prices
- Invest in Sukuk (lease certificates) as an alternative investment tool to manage the liquidity profitably

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**13.2. The organization and structure of the market risk management function**

Definition of the market risk management structure established for the implementation of the Parent Bank's strategies and processes and the communication mechanism and relationship between the different parties involved in market risk management, as described in paragraph 1 of 12.1.

The market risk service operates under the Deputy Head responsible from the Market Risk, Operational Risk and Capital Planning within Risk Management Department. This service directly reports to the Board of Directors through the Risk Committee. The results of risk measurement and risk monitoring are shared with other related units. The activities coordinated within the Internal Capital Adequacy Assessment Process are carried out together with other relevant departments of the Parent Bank.

**13.3. Structure and scope of risk reporting and/or measurement systems**

Within the scope of risk management system, the Group established a reporting system which ensures effective analysis and evaluation for market risks. The risk measurement and risk monitoring results is reported to the Risk Committee on a timely manner.

There is a risk measurement system which covers the scope and complexity of significant market risk components including transactions and operations exposed to market risk. This system is being audited regularly.

The details of the market risk calculated as of 31 December 2020 and 31 December 2021 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

**13.4. Market risk under standardised approach**

		Risk Weighted Amounts	
		Current Period	Prior Period
	<b>Outright products</b>	<b>5,574,076</b>	<b>3,847,896</b>
1	Profit share risk (general and specific)	3,348,235	2,509,715
2	Equity risk (general and specific)	66,214	-
3	Foreign exchange risk	615,471	149,230
4	Commodity risk	1,544,156	1,188,951
	<b>Options</b>	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	<b>Securitisation</b>	-	-
9	<b>Total</b>	<b>5,574,076</b>	<b>3,847,896</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**13.5. Explanations on Operational Risk:**

"Basic Indicator Method" is used in operational risk calculation of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years 2020, 2019 and 2018 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Goup published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the parent bank, subsidiary of the parent bank or subsidiary of the shareholder of the parent bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 363,564 corresponding to the 8% of TL 17,044,547 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 363,564 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2018 Amount	31/12/2019 Amount	31/12/2020 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	4,018,300	5,375,818	8,744,165	6,046,094	15	906,914
Value at Operational Risk (Total*12.5)						11,336,427

Prior Period	31/12/2017 Amount	31/12/2018 Amount	31/12/2019 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	2,776,027	4,018,300	5,375,818	4,056,715	15	608,507
Value at Operational Risk (Total*12.5)						7,606,341

**13.6. Profit-share rate risk related to banking book**

**13.6.1. Economic value differences arising from fluctuations in profit share rates in accordance with the regulation on measurement and evaluation of profit share rates derived from banking accounts with standard shock method**

Current Period	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's Equity-Losses/shareholder's Equity
1	TRY	(+) 500bp	(521,604)	(%2.73)
2	TRY	(-) 400bp	486,326	%2.55
3	USD	(+) 200bp	748,776	%3.92
4	USD	(-) 200bp	(792,981)	(%4.15)
5	EURO	(+) 200bp	162,645	%0.85
6	EURO	(-) 200bp	(158,010)	(%0.83)
	<b>Total (For Negative Shocks)</b>		(464,665)	(%2.43)
	<b>Total (For Positive Shocks)</b>		389,817	%2.04

\* Parent Bank

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

Prior Period	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's Equity-Losses/shareholder's Equity
1	TRY	(+) 500bp	(1,930,380)	(%15.27)
2	TRY	(-) 400bp	1,815,712	%14.36
3	USD	(+) 200bp	471,594	%3.73
4	USD	(-) 200bp	(514,239)	(%4.07)
5	EURO	(+) 200bp	371,746	%2.94
6	EURO	(-) 200bp	(385,722)	(%3.05)
	<b>Total (For Negative Shocks)</b>		915,751	%7.24
	<b>Total (For Positive Shocks)</b>		(1,087,040)	(%8.60)

\*Parent Bank

### 13.7. Risk management objectives and policies

In accordance with Group's strategies, risk policies and vision, the analysis that RMS presents to Risk Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance with market trends, economic conduct and the Parent Bank's strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey is presented to Risk Committee and Board of Directors by RMS. These analyses contribute to Parent Bank Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

In addition, Risk Management Service verifies its own coordination to be ready proactively in business availability of Kuveyt Türk and situations connected with it.

Risk Management Service continues risk monitoring and analyzing operations in accordance with Board of Director's Parent Bank's mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modeling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being monitorized.

#### **Hierarchy of valuation techniques which establishes basis for fair value calculation of financial assets and liabilities**

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Financial instruments valued by applying methods that are based on observable market prices, directly or indirectly, on data that has significant effect on the fair value reflected in the inputs

Level 3: Financial instruments valued by applying methods that are not based on observable market prices, directly or indirectly, on data that has significant effect on the fair value reflected in the inputs.

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of 31 December 2021 and 31 December 2020 are given in the table below:

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	11,035,607	3,303,278	-	14,338,885
Forward transactions	-	358,296	-	358,296
Swap transactions	-	1,040,488	-	1,040,488
Government debt securities	11,035,607	-	-	11,035,607
Other marketable securities	-	1,904,494	-	1,904,494
Financial assets at fair value through other comprehensive income	31,790,271	281,491	-	32,071,762
Equity securities	84,074	-	-	84,074
Government debt securities	31,706,197	-	-	31,706,197
Other marketable securities	-	281,491	-	281,491
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	257,764	-	257,764
Forward transactions	-	132,843	-	132,843
Swap transactions	-	124,921	-	124,921
Financial liabilities for hedging purposes	-	-	-	-
Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	7,050,998	1,173,807	-	8,224,805
Forward transactions	-	52,326	-	52,326
Swap transactions	-	409,280	-	409,280
Government debt securities	7,050,998	-	-	7,050,998
Other marketable securities	-	712,201	-	712,201
Financial assets at fair value through other comprehensive income	20,538,784	184,301	-	20,723,085
Equity securities	49,146	-	-	49,146
Government debt securities	20,489,638	-	-	20,489,638
Other marketable securities	-	184,301	-	184,301
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	1,676,806	-	1,676,806
Forward transactions	-	26,008	-	26,008
Swap transactions	-	1,650,798	-	1,650,798
Financial liabilities for hedging purposes	-	-	-	-

No transfers have taken place between Level 1 and Level 2 in the current year.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

**14. Explanations on consolidated business segments**

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

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

Retail 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 Treasury and 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**Selected balance sheet and income statement items according to segments**

<b>Current Period</b> <b>1 January 2021-31 December 2021</b>	<b>Retail</b> <b>Banking</b>	<b>Corporate and</b> <b>Commercial</b> <b>Banking</b>	<b>Treasury and</b> <b>international</b> <b>Banking</b>	<b>Unallocated</b>	<b>Group's total</b> <b>operation</b>
Operating income	7,445,351	10,049,459	2,563,644	-	20,058,454
Operating expenses (-)	7,168,940	2,527,008	1,439,541	4,298,142	15,433,631
Transfers between segments	3,536,129	(3,394,812)	(141,317)	-	-
<b>Net operating income(loss)</b>	<b>3,812,540</b>	<b>4,127,639</b>	<b>982,786</b>	<b>(4,298,142)</b>	<b>4,624,823</b>
Income from associates	-	-	-	27,947	27,947
<b>Income (loss) before tax</b>	<b>3,812,540</b>	<b>4,127,639</b>	<b>982,786</b>	<b>(4,270,195)</b>	<b>4,652,770</b>
Provision for taxation (-)	-	-	-	1,279,103	1,279,103
<b>Net income for the period</b>	<b>3,812,540</b>	<b>4,127,639</b>	<b>982,786</b>	<b>(5,549,298)</b>	<b>3,373,667</b>
<b>Current Period</b> <b>31 December 2021</b>					
Segment assets	37,357,906	77,548,111	143,876,590	-	258,782,607
Associates, subsidiaries and joint ventures	-	-	-	112,938	112,938
Undistributed assets	-	-	-	8,398,649	8,398,649
<b>Total assets</b>	<b>37,357,906</b>	<b>77,548,111</b>	<b>143,876,590</b>	<b>8,511,587</b>	<b>267,294,194</b>
Segment liabilities	191,641,197	36,811,822	16,023,869	-	244,476,888
Undistributed liabilities	-	-	-	11,328,465	11,328,465
Shareholders' equity	-	-	-	11,488,841	11,488,841
<b>Total liabilities</b>	<b>191,641,197</b>	<b>36,811,822</b>	<b>16,023,869</b>	<b>22,817,306</b>	<b>267,294,194</b>
<b>Prior Period</b> <b>1 January 2020 – 31 December 2020</b>					
Operating income	3,100,377	8,515,534	1,234,829	-	12,850,740
Operating expenses (-)	4,462,239	2,098,580	711,817	3,334,548	10,607,184
Transfers between segments	2,372,885	(479,349)	(1,893,536)	-	-
<b>Net operating income(loss)</b>	<b>1,011,023</b>	<b>5,937,605</b>	<b>(1,370,524)</b>	<b>(3,334,548)</b>	<b>2,243,556</b>
Income from associates	-	-	-	20,930	20,930
<b>Income (loss) before tax</b>	<b>1,011,023</b>	<b>5,937,605</b>	<b>(1,370,524)</b>	<b>(3,313,618)</b>	<b>2,264,486</b>
Provision for taxation (-)	-	-	-	551,618	551,618
<b>Net income for the period</b>	<b>1,011,023</b>	<b>5,937,605</b>	<b>(1,370,524)</b>	<b>(3,865,236)</b>	<b>1,712,868</b>
<b>Prior Period</b> <b>31 December 2020</b>					
Segment assets	29,924,797	43,516,111	72,523,747	-	145,964,655
Associates, subsidiaries and joint ventures	-	-	-	84,991	84,991
Undistributed assets	-	-	-	12,147,467	12,147,467
<b>Total assets</b>	<b>29,924,797</b>	<b>43,516,111</b>	<b>72,523,747</b>	<b>12,232,458</b>	<b>158,197,113</b>
<b>Prior Period</b> <b>31 December 2020</b>					
Segment liabilities	105,235,906	21,636,217	16,987,622	-	143,859,745
Undistributed liabilities	-	-	-	6,306,554	6,306,554
Shareholders' equity	-	-	-	8,030,814	8,030,814
<b>Total liabilities</b>	<b>105,235,906</b>	<b>21,636,217</b>	<b>16,987,622</b>	<b>14,337,368</b>	<b>158,197,113</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**SECTION FIVE**

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

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

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	734,131	6,849,096	630,548	3,011,244
The Central Bank of Republic of Turkey	4,620,318	47,690,909	512,354	19,967,199
Other (*)	29,609	7,050,216	1,525	988,100
<b>Total</b>	<b>5,384,058</b>	<b>61,590,221</b>	<b>1,144,427</b>	<b>23,966,543</b>

(\*) As of 31 December 2021, precious metal account amounting to TL 7,050,216 (31 December 2020 - TL 988,021 and money in transit amounting to TL 29,609 (31 December 2020 – TL 1,604) 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	4,540,821	11,485,380	499,584	1,493,876
Restricted time deposit	-	-	-	-
Unrestricted time deposit	79,497	36,205,529	12,770	18,473,323
<b>Total</b>	<b>4,620,318</b>	<b>47,690,909</b>	<b>512,354</b>	<b>19,967,199</b>

According to the CBRT's Communiqué on Required Reserves No. 2005/1, banks operating in Turkey; Required reserve ratios for Turkish lira and foreign currency liabilities are determined between 3% and 26% by differentiating according to the maturity of liabilities, and these rates are applied by banks as of the date of the report.

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

As of 31 December 2021, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2020 – None).

Positive differences related to marketable derivative financial assets:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	356,312	1,984	49,633	2,693
Swap transactions	449,617	590,871	78,913	330,367
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>805,929</b>	<b>592,855</b>	<b>128,546</b>	<b>333,060</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

(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
<b>Banks</b>	<b>793,894</b>	<b>15,310,474</b>	<b>1,114,456</b>	<b>6,256,097</b>
Domestic	793,894	2,723,863	1,113,965	113,981
Foreign (*)	-	12,586,611	491	6,142,116
Headquarters and branches abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
<b>Total</b>	<b>793,894</b>	<b>15,310,474</b>	<b>1,114,456</b>	<b>6,256,097</b>

(\*) As a result of the changes in the Uniform Chart of Accounts implemented by the BRSA as of January 1, 2021, the foreign currency collaterals given for the derivative transactions made by the Bank with foreign banks, which were monitored in the other assets account in the bank balance sheet in the previous periods, started to be monitored in the banks account as of the current period. As of 31 December 2021, the relevant amount is 308,849 TL.

**1.3.2 Information on foreign banks account**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	3,947,681	1,649,966	-	-
USA and Canada	7,919,998	3,842,631	-	-
OECD Countries (*)	81,785	34,493	-	-
Off-shore Banking Regions	2,810	1,535	-	-
Other	634,337	613,982	-	-
<b>Total</b>	<b>12,586,611</b>	<b>6,142,607</b>	<b>-</b>	<b>-</b>

(\*) EU countries, OECD countries other than the US and Canada

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

	Current period	Prior Period
<b>Debt Securities</b>	<b>32,249,966</b>	<b>20,852,757</b>
Quoted on stock exchange	32,249,966	20,852,757
Not quoted on stock exchange	-	-
<b>Share certificates/Investment Funds</b>	<b>130,255</b>	<b>90,887</b>
Quoted on stock exchange	106,190	75,105
Not quoted on stock exchange	24,065	15,782
<b>Impairment provision (-)</b>	<b>308,459</b>	<b>220,559</b>
<b>Total</b>	<b>32,071,762</b>	<b>20,723,085</b>

**1.4.1 Information on financial assets given as collateral or blocked at fair value reflected in other comprehensive income**

As of the balance sheet date, there are financial assets given TL 11,410,139 (31 December 2020: TL 8,480,912) as collateral whose fair value difference is reflected to other comprehensive income.

**1.4.2 Information on financial assets whose fair value difference subject to repo transaction is reflected to other comprehensive income**

As of the balance sheet date, there are financial assets subject to sale transactions with the promise of repurchase, of which TL 6,495,137 (31 December 2020 – 179,750) is reflected to other comprehensive income.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**1.5 Explanations on financial assets measured at amortized cost:**

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans granted to shareholders</b>	<b>6,955</b>	<b>21,246</b>	<b>4,695</b>	<b>6,709</b>
Corporate shareholders	-	21,228	-	6,677
Real person shareholders	6,955	18	4,695	32
<b>Indirect loans granted to shareholders</b>	<b>64,316</b>	<b>2,297</b>	<b>54,992</b>	<b>6,632</b>
<b>Loans granted to employees</b>	<b>40,564</b>	<b>1,320</b>	<b>27,605</b>	<b>541</b>
<b>Total</b>	<b>111,835</b>	<b>24,863</b>	<b>87,292</b>	<b>13,882</b>

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

Current Period - Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Not Subject to Restructuring	Restructured Loans	
			Revised Contract Terms	Refinance
<b>Loans</b>	<b>107,281,320</b>	<b>6,178,454</b>	<b>3,257,703</b>	-
Export Loans	10,658,321	167,651	-	-
Import Loans	4,064,392	238,568	-	-
Corporation Loans	49,455,992	3,419,753	3,176,331	-
Consumer Loans	14,385,713	356,836	17,082	-
Credit Cards	2,369,729	226,046	21,267	-
Loans given to financial sector	9,179,662	-	-	-
Other	17,167,511	1,769,600	43,023	-
<b>Other Receivables</b>	<b>339</b>	<b>983</b>	-	-
<b>Total</b>	<b>107,281,659</b>	<b>6,179,437</b>	<b>3,257,703</b>	-

Prior Period - Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Not Subject to Restructuring	Restructured Loans	
			Revised Contract Terms	Refinance
<b>Loans</b>	<b>67,420,988</b>	<b>4,813,370</b>	<b>2,615,066</b>	-
Export Loans	4,967,766	230,900	-	-
Import Loans	1,971,303	87,512	-	-
Corporation Loans	33,990,065	3,495,756	2,533,424	-
Consumer Loans	12,754,463	298,219	62,118	-
Credit Cards	1,237,324	130,190	19,524	-
Loans given to financial sector	3,238,490	-	-	-
Other	9,261,577	570,793	-	-
<b>Other Receivables</b>	<b>8,295</b>	<b>117,575</b>	<b>9,277</b>	-
<b>Total</b>	<b>67,429,283</b>	<b>4,930,945</b>	<b>2,624,343</b>	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
	Current Period	Current Period	Prior Period	Prior Period
12 Month Expected Credit Losses (*)	2,311,693	-	1,179,791	-
Significant Increase in Credit Risk	-	3,507,288	-	1,744,593
<b>Total</b>	<b>2,311,693</b>	<b>3,507,288</b>	<b>1,179,791</b>	<b>1,744,593</b>

(\*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 621 (31 December 2020: 1,094 TL).

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

Current Period	Standard Loans	Loans Under Close Monitoring	
		Not Subject to Restructuring	Restructured
Short Term Loans	36,108,221	1,445,164	92,192
Medium- and Long-Term Loans	71,173,438	4,734,273	3,165,511
<b>Total</b>	<b>107,281,659</b>	<b>6,179,437</b>	<b>3,257,703</b>

Prior Period	Standard Loans	Loans Under Close Monitoring	
		Not Subject to Restructuring	Restructured
Short Term Loans	18,132,548	1,028,543	59,885
Medium- and Long-Term Loans	49,296,735	3,902,402	2,564,458
<b>Total</b>	<b>67,429,283</b>	<b>4,930,945</b>	<b>2,624,343</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**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
<b>Consumer Loans-TL</b>	<b>132,770</b>	<b>12,927,445</b>	<b>13,060,215</b>
Housing Loans	32,641	10,534,935	10,567,576
Vehicle Loans	42,993	1,845,143	1,888,136
Consumer Loans	32,401	235,966	268,367
Other	24,735	311,401	336,136
<b>Consumer Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>88</b>	<b>1,658,257</b>	<b>1,658,345</b>
Housing Loans	-	1,563,957	1,563,957
Vehicle Loans	88	93,909	93,997
Consumer Loans	-	391	391
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>936,138</b>	<b>70</b>	<b>936,208</b>
With Installment	247,995	70	248,065
Without Installment	688,143	-	688,143
<b>Retail Credit Cards-FC</b>	<b>6,916</b>	-	<b>6,916</b>
With Installment	-	-	-
Without Installment	6,916	-	6,916
<b>Personnel Loans-TL</b>	<b>2,100</b>	<b>38,971</b>	<b>41,071</b>
Housing Loans	49	3,730	3,779
Vehicle Loans	724	18,725	19,449
Consumer Loans	1,327	16,516	17,843
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>24,701</b>	<b>21</b>	<b>24,722</b>
With Installment	10,286	21	10,307
Without Installment	14,415	-	14,415
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>1,102,713</b>	<b>14,624,764</b>	<b>15,727,477</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

Prior Period	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>74,023</b>	<b>12,698,649</b>	<b>12,772,672</b>
Housing Loans	17,783	10,717,815	10,735,598
Vehicle Loans	31,924	1,574,270	1,606,194
Consumer Loans	21,382	215,488	236,870
Other	2,934	191,076	194,010
<b>Consumer Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>172</b>	<b>314,708</b>	<b>314,880</b>
Housing Loans	-	246,690	246,690
Vehicle Loans	172	41,060	41,232
Consumer Loans	-	26,958	26,958
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>545,977</b>	<b>70</b>	<b>546,047</b>
With Installment	120,545	70	120,615
Without Installment	425,432	-	425,432
<b>Retail Credit Cards-FC</b>	<b>3,340</b>	-	<b>3,340</b>
With Installment	-	-	-
Without Installment	3,340	-	3,340
<b>Personnel Loans-TL</b>	<b>1,985</b>	<b>25,263</b>	<b>27,248</b>
Housing Loans	-	2,401	2,401
Vehicle Loans	466	15,844	16,310
Consumer Loans	1,519	7,018	8,537
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>13,761</b>	<b>21</b>	<b>13,782</b>
With Installment	5,696	21	5,717
Without Installment	8,065	-	8,065
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>639,258</b>	<b>13,038,711</b>	<b>13,677,969</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>994,450</b>	<b>11,754,294</b>	<b>12,748,744</b>
Business Loans	32,149	1,793,796	1,825,945
Vehicle Loans	788,312	6,813,277	7,601,589
Consumer Loans	173,989	3,147,221	3,321,210
Other	-	-	-
<b>Commercial Installment Loans-FC Indexed</b>	<b>8,187</b>	<b>515,770</b>	<b>523,957</b>
Business Loans	8,187	17,567	25,754
Vehicle Loans	-	1,028	1,028
Consumer Loans	-	497,175	497,175
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>1,315,908</b>	<b>6,703,940</b>	<b>8,019,848</b>
Business Loans	-	741,402	741,402
Vehicle Loans	3,602	847,628	851,230
Consumer Loans	-	19,917	19,917
Other	1,312,306	5,094,993	6,407,299
<b>Corporate Credit Cards-TL</b>	<b>1,625,478</b>	<b>-</b>	<b>1,625,478</b>
With Installment	681,084	-	681,084
Without Installment	944,394	-	944,394
<b>Corporate Credit Cards-FC</b>	<b>23,717</b>	<b>-</b>	<b>23,717</b>
With Installment	-	-	-
Without Installment	23,717	-	23,717
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,967,740</b>	<b>18,974,004</b>	<b>22,941,744</b>

<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>497,383</b>	<b>9,234,322</b>	<b>9,731,705</b>
Business Loans	6,008	1,995,773	2,001,781
Vehicle Loans	405,890	4,705,779	5,111,669
Consumer Loans	85,485	2,532,770	2,618,255
Other	-	-	-
<b>Commercial Installment Loans-FC Indexed</b>	<b>11,254</b>	<b>505,184</b>	<b>516,438</b>
Business Loans	11,254	57,668	68,922
Vehicle Loans	-	11,001	11,001
Consumer Loans	-	436,515	436,515
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>453,371</b>	<b>3,565,574</b>	<b>4,018,945</b>
Business Loans	-	490,181	490,181
Vehicle Loans	2,194	112,901	115,095
Consumer Loans	-	-	-
Other	451,177	2,962,492	3,413,669
<b>Corporate Credit Cards-TL</b>	<b>816,278</b>	<b>-</b>	<b>816,278</b>
With Installment	307,667	-	307,667
Without Installment	508,611	-	508,611
<b>Corporate Credit Cards-FC</b>	<b>7,591</b>	<b>-</b>	<b>7,591</b>
With Installment	-	-	-
Without Installment	7,591	-	7,591
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,785,877</b>	<b>13,305,080</b>	<b>15,090,957</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**1.5.6. Allocation of loans by customers**

	Current period	Prior period
Public	833,335	396,326
Private	115,885,464	74,588,245
<b>Total</b>	<b>116,718,799</b>	<b>74,984,571</b>

**1.5.7 Breakdown of domestic and foreign loans**

	Current period	Prior period
Domestic loans	106,647,337	69,932,474
Foreign loans	10,071,462	5,052,097
<b>Total</b>	<b>116,718,799</b>	<b>74,984,571</b>

**1.5.8 Loans granted to subsidiaries and associates**

	Current period	Prior period
Loans granted directly to subsidiaries and associates	193	169
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>193</b>	<b>169</b>

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

	Current period	Prior period
Loans and receivables with limited collectability	145,268	473,916
Loans and receivables with doubtful collectability	99,920	5,172
Uncollectible loans and receivables	2,543,193	2,045,229
<b>Total</b>	<b>2,788,381</b>	<b>2,524,317</b>

**1.5.10 Information on non-performing loans (Net)**

**1.5.10.1 Information on loans and other receivables included in loans under follow-up account, which are restructured or rescheduled**

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross Amount Before Specific Provisions)	45,215	216	616,947
Restructured Loans and Receivables	45,215	216	616,947
<b>Prior Period</b>			
(Gross Amount Before Specific Provisions)	-	1,577	262,750
Restructured Loans and Receivables	-	1,577	262,750

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
<b>Current Period</b>	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Ending balance of prior period 31.12.2020</b>	<b>550,571</b>	<b>11,192</b>	<b>2,408,491</b>
Additions in the current period (+)	248,891	177,048	950,255
Transfers from other categories of non-performing loans (+)	2	534,984	542,619
Transfers to other categories of non-performing loans (-)	534,984	542,619	2
Collections in the current period (-)	60,392	20,395	775,099
Write offs (-)(**)	-	8,818	399,229
<b>Sold Portfolio (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>204,088</b>	<b>151,392</b>	<b>2,727,035</b>
Specific provisions (-)	145,267	99,920	2,543,193
<b>Net balances on balance sheet</b>	<b>58,821</b>	<b>51,472</b>	<b>183,842</b>

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
<b>Prior Period</b>	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Ending balance of prior period 31.12.2019</b>	<b>250,407</b>	<b>318,133</b>	<b>1,541,141</b>
Additions in the current period (+)	542,258	10,412	1,086,141
Transfers from other categories of non-performing loans (+)	-	197,258	471,969
Transfers to other categories of non-performing loans (-)	197,197	471,975	55
Collections in the current period (-)	44,897	42,636	286,911
Write offs (-)	-	-	250,456
<b>Sold Portfolio (-)</b>	<b>-</b>	<b>-</b>	<b>153,338</b>
Corporate and commercial loans	-	-	153,338
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>550,571</b>	<b>11,192</b>	<b>2,408,491</b>
Specific provisions (-)	473,916	5,172	2,045,229
<b>Net balance at the balance sheet</b>	<b>76,655</b>	<b>6,020</b>	<b>363,262</b>

(\*) The Group, sold its risk amounting to TL 153,338 which was provided 100% provision from its non-performing loans, to the asset management company for TL 50,000

(\*\*) With the decision of the top management of the Bank, it has been decided to include the project/loan of the customers in the cancellation accounts. The effect of these transactions on the NPL ratio is 31 basis points.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

	Group III	Group IV	Group V
<b>Current Period</b>			
Ending balance of the current period	4,131	77,730	486,606
Provision amount (-)	2,711	42,863	444,856
<b>Net balance at the balance sheet</b>	<b>1,420</b>	<b>34,867</b>	<b>41,750</b>
<b>Prior Period</b>			
Ending balance of the current period	532,560	1	312,782
Provision amount (-)	458,800	-	253,025
<b>Net balance at the balance sheet</b>	<b>73,760</b>	<b>1</b>	<b>59,757</b>

**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
<b>Current period (Net)</b>	<b>58,821</b>	<b>51,472</b>	<b>183,842</b>
Loans granted to real persons and legal entities (Gross)	204,088	151,392	2,727,035
Specific provision (-)	145,267	99,920	2,543,193
<b>Loans to real persons and legal entities (Net)</b>	<b>58,821</b>	<b>51,472</b>	<b>183,842</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (net) 31.12.2020</b>			
Loans to real persons and legal entities (Gross)	<b>76,655</b>	<b>6,020</b>	<b>363,262</b>
Specific provision (-)	550,571	11,192	2,408,491
<b>Loans to real persons and legal entities (Net)</b>	<b>473,916</b>	<b>5,172</b>	<b>2,045,229</b>
Banks (Gross)	<b>76,655</b>	<b>6,020</b>	<b>363,262</b>
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**1.5.10.5. Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:**

<b>Current Period</b>	<b>Less than 30 days</b>	<b>31-60 days</b>	<b>61-90 Days (*)</b>	<b>Total</b>
Loans and Receivables				
Corporate Loans	6,547,648	283,769	384,863	7,216,280
Retail Loans	240,182	85,012	43,806	369,000
Credit Cards	201,862	13,673	18,002	233,537
<b>Total</b>	<b>6,989,692</b>	<b>382,454</b>	<b>446,671</b>	<b>7,818,817</b>

(\*) Based on the BRSA's decisions dated 17 March 2020 and numbered 8948 and dated 27 March 2020 and numbered 8970, the risks in the number of delay days of 90-180 days are presented in this line.

<b>Prior Period</b>	<b>Less than 30 days</b>	<b>31-60 days</b>	<b>61-90 Days(*)</b>	<b>Total</b>
Loans and Receivables				
Corporate Loans	5,734,223	123,369	703,172	6,560,764
Retail Loans	259,740	36,192	58,781	354,713
Credit Cards	128,633	7,255	13,699	149,587
<b>Total</b>	<b>6,122,596</b>	<b>166,816</b>	<b>775,652</b>	<b>7,065,064</b>

(\*) Based on the BRSA's decisions dated 17 March 2020 and numbered 8948 and dated 27 March 2020 and numbered 8970, the risks in the number of delay days of 90-180 days are presented in this line.

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
<b>The Parent Bank</b>	<b>Loans with Limited Collectibility</b>	<b>Loans with Doubtful Collectibility</b>	<b>Uncollectible Loans</b>
<b>Current Period (Net)</b>	<b>5,926</b>	<b>5,709</b>	<b>19,648</b>
Profit share accruals, rediscount and valuation differences	42,160	15,327	377,087
Provision (-)	36,234	9,618	357,439

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
<b>The Parent Bank</b>	<b>Loans with Limited Collectibility</b>	<b>Loans with Doubtful Collectibility</b>	<b>Uncollectible Loans</b>
<b>Prior Period (Net)</b>	<b>371</b>	<b>460</b>	<b>51,485</b>
Profit share accruals, rediscount and valuation differences	4,485	865	319,370
Provision (-)	4,114	405	267,885

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

Loans and other receivables, which were deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written off as per the decision of the Bank top management. Within 2021, non-performing loans amounting to TL 397,786 have been written-off (31 December 2020 – TL 250,456).

**1.5.11 Information on the write-off policy**

The Bank's write off policy is to write-off the loan receivables that have been already transferred to legal follow-up and fully provided for and for which there is no possibility of collection through legal process and for which there is no collateral. Such loans are written off as per the decision of top management.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

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

	Current Period	Prior Period
<b>Debt Securities</b>	<b>5,935,549</b>	<b>6,499,810</b>
Quoted on a Stock Exchange	5,395,037	6,203,203
Not Quoted	540,512	296,607
<b>Expected Loss Provision (-)</b>	<b>621</b>	<b>1,094</b>
<b>Total</b>	<b>5,934,928</b>	<b>6,498,716</b>

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

	Current Period	Prior Period
Opening Balance	6,499,810	3,212,924
Foreign Exchange Gain/Loss	2,231,090	1,353,136
Purchases During the Year	979,285	1,933,750
Disposals Through Sales and Redemptions	3,774,636	-
<b>Expected Loss Provision (-)</b>	<b>621</b>	<b>1,094</b>
<b>Total</b>	<b>5,934,928</b>	<b>6,498,716</b>

**1.7 Information on investment in associates (Net)**

**1.7.1** The Parent Bank used a 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2020 – TL 7,659), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 277 (31 December 2020 – TL 33), and, Swift shares amounting to TL 3,567 (31 December 2020 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2020 – TL 15) and %2.86 ownership of the shares of JCR Avrasya Derecelendirme A.Ş amounting to TL 2,755 (31 December 2020 – 2,755 ), VISA INC. shares amounting to TL 12,555 (December 31, 2020 – TL 7,008) 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 2020 – None).

**1.7.3** Information related to consolidated associates: None (31 December 2020 – 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 and Architech Bilişim Sistemleri ve Pazarlama 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**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	78.15
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
8	KT Portföy Yönetimi A.Ş.	İstanbul/Türkiye	100.00	100.00
9	Neova Katılım Sigorta A.Ş.	İstanbul/Türkiye	100.00	100.00

(\*) As of 31 December 2021, 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.

**1.8.2 Information on subsidiaries**

Information on subsidiaries in the order presented in the above table

	Total Assets	Equity	Total Fixed assets	Profit Share Income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair Value
1	59,726	52,565	5,955	-	-	8,642	13,859	-
2	185,110	144,075	64,830	-	-	24,080	6,155	-
3	684	673	-	-	-	24	11	-
4	4,591,921	359	-	-	-	49	17	-
5	12,972,775	1,638,867	174,201	-	-	16,990	7	-
6	103,497	89,998	12,347	167	4,164	37,153	32,887	-
8	39,503	31,386	4,957	-	-	10,285	10,169	-
9	4,300,166	816,508	30,980	-	-	234,369	166,389	-

Movement regarding the subsidiaries

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

Sectoral information on consolidated subsidiaries and the related carrying amounts

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

(\*) The Bank has obtained the necessary legal permissions as of 5 May 2020, Neova Katılım Sigorta A.Ş. completed the share transfer transactions and concluded the purchase. Neova Katılım 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.

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	-	-
<b>Total</b>	<b>53,418</b>	<b>53,418</b>

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

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of December 31, 2021 is EUR 110,197,621 and the capital adequacy ratio are %21.6.

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*)	%50	6,127,196	173,160	33,805	55,894	166,389

**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	4,988,502	4,126,747	2,249,517	1,783,178
1 to 4 years	7,038,160	6,705,970	2,829,259	2,631,776
More than 4 years	1,125,718	1,093,218	622,145	596,042
<b>Total</b>	<b>13,152,380</b>	<b>11,925,935</b>	<b>5,700,921</b>	<b>5,010,996</b>

**1.10.2 Net investments in finance leases**

	Current Period	Prior Period
Gross receivable from finance leases	13,152,380	5,700,921
Unearned finance lease income (-)	1,226,445	689,925
Unearned finance lease income (-)	-	-
<b>Net receivable from finance leases</b>	<b>11,925,935</b>	<b>5,010,996</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**1.10.3 Information on finance lease contracts**

The Parent Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 45,706 are included in the non-performing loans in the balance sheet (31 December 2020 – TL 52,668).

**1.11 Information on derivative financial assets for hedging purposes**

None. (31 December 2020 – None).

**1.12. Explanations on Tangible Assets**

Current Period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>Cost</b>					
Opening balance, 1 January 2021	212,412	655,804	110,655	580,106	1,558,977
Additions	41,323	211,021	60,513	126,477	439,334
Disposals	(6)	(82,490)	(915)	(189,816)	(273,227)
Transfers	4,756	(4,756)	-	(17)	(17)
Impairment / cancellation	-	-	-	-	-
Ending balance, 31 December 2021	258,485	779,579	170,253	516,750	1,725,067
<b>Accumulated Depreciation (-)</b>					
Opening balance, 1 January 2021	37,825	262,759	30,836	303,475	634,895
Amortisation cost	7,947	149,950	29,900	74,505	262,302
Disposals	(5)	(71,598)	(704)	(184,349)	(256,656)
Transfers	2	(2)	-	(16)	(16)
Ending balance, 31 December 2021	45,769	341,109	60,032	193,615	640,525
<b>Cost at the end of period</b>	<b>258,485</b>	<b>779,579</b>	<b>170,253</b>	<b>516,750</b>	<b>1,725,067</b>
<b>Accumulated depreciation at the end of period (-)</b>	<b>45,769</b>	<b>341,109</b>	<b>60,032</b>	<b>193,615</b>	<b>640,525</b>
<b>Closing net book value</b>	<b>212,716</b>	<b>438,470</b>	<b>110,221</b>	<b>323,135</b>	<b>1,084,542</b>

Prior Period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>Cost</b>					
Opening balance, 1 January 2020	241,596	512,677	61,862	486,064	1,302,199
Additions	2,520	162,272	48,987	121,112	334,891
Disposals	(31,700)	(49,532)	(193)	(27,077)	(108,502)
Transfers	(4)	(3)	-	7	-
Impairment / cancellation	-	30,390	-	-	30,390
Ending balance, 31 December 2020	212,412	655,804	110,656	580,106	1,558,978
<b>Accumulated Depreciation (-)</b>					
Opening balance, 1 January 2020	30,003	162,826	12,616	250,411	455,856
Amortisation cost	7,981	127,897	18,475	57,742	212,095
Disposals	(159)	(27,961)	(254)	(4,681)	(33,055)
Transfers	-	(3)	-	3	-
Ending balance, 31 December 2020	37,825	262,759	30,837	303,475	634,896
<b>Cost at the end of period</b>	<b>212,412</b>	<b>655,804</b>	<b>110,656</b>	<b>580,106</b>	<b>1,558,978</b>
<b>Accumulated depreciation at the end of period (-)</b>	<b>37,825</b>	<b>262,759</b>	<b>30,837</b>	<b>303,475</b>	<b>634,896</b>
<b>Closing net book value</b>	<b>174,587</b>	<b>393,045</b>	<b>79,819</b>	<b>276,631</b>	<b>924,082</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**1.13. Explanations on Intangible Assets**

**1.13.1.** Gross carrying value and accumulated amortization balances at the beginning and at the end of the period

	<b>Current Period</b>	<b>Prior Period</b>
Cost	593,816	396,455
Accumulated Amortization	(231,632)	(123,310)
<b>Total (net)</b>	<b>362,184</b>	<b>273,145</b>

**1.13.2.** Movements of intangible assets between the beginning and the end of the period

	<b>Current Period</b>	<b>Prior Period</b>
Opening balance	273,145	201,999
Additions	206,399	176,494
Disposals (-), net	46,128	23,193
Depreciation amount (-)	71,232	82,155
<b>Closing net book value</b>	<b>362,184</b>	<b>273,145</b>

Intangible assets include computer software and program licenses which are purchased for banking systems.

**1.14. Explanations on investment property**

	<b>Current Period</b>	<b>Prior Period</b>
Opening balance	77,457	37,646
Additions	11,128	39,970
Disposals (-), net	24,987	-
Depreciation amount (-)	-	159
<b>Closing net book value</b>	<b>63,598</b>	<b>77,457</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**1.15 Information on deferred tax asset**

As of 31 December 2021, deferred tax is offset as TL 1,882,944 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 December 2021 is TL 2,283,664 (31 December 2020 – TL 932,455) and deferred tax liability is TL 400,720 (31 December 2020 – TL 96,933 TL).

	Current period	Prior period
Employee Benefits Liability	80,393	48,263
Retirement Pay Liability	46,001	37,460
Deferred Income	103,388	73,122
Impairment Provision for Subsidiaries, Fixed Assets and Assets Held for Sale	79	1,281
Rediscounts for Derivative Instruments Held for Trading (Net)	58,624	243,384
TFRS 9 Provisions	781,020	427,891
Precious Metals Valuation Difference	1,034,507	-
Carry Forward Financial Loss	115,397	73,642
Securities Valuation Difference	26,545	812
Other	37,710	26,600
<b>Deferred Tax Asset</b>	<b>2,283,664</b>	<b>932,455</b>
Derivative Transactions Valuation Differences	(298,868)	-
Tangible Assets Valuation Differences	(16,375)	(12,842)
Financial Assets Valuation Differences	(55,030)	(48,114)
Precious Metal Valuation Difference	(1,877)	(23,908)
Other	(28,570)	(12,069)
<b>Deferred Tax Liability</b>	<b>(400,720)</b>	<b>(96,933)</b>
<b>Deferred Tax Asset (Net)</b>	<b>1,882,944</b>	<b>835,522</b>

Table of deferred tax asset movement

	Current period	Prior period
As of January, 1	835,522	416,853
Deferred Tax (Expense) / Income	860,500	274,753
Deferred Tax Accounted Under Other Comprehensive Income	139,675	120,571
Other	47,247	23,345
<b>Deferred Tax Asset</b>	<b>1,882,944</b>	<b>835,522</b>

**1.16. Assets held for sale and assets of discontinued operations**

	Current Period	Prior Period
Opening balance	519,087	473,326
Additions	61,085	172,426
Transfer from tangible assets	-	-
Disposals (-), net	339,281	126,665
Transfer to tangible assets	-	-
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	-
<b>Closing net book value</b>	<b>240,891</b>	<b>519,087</b>

**1.17 Information on other assets**

As of balance sheet date, the Group's other assets amount to TL 5,005,382 (31 December 2020 – TL 10,037,261). 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**SECTION FIVE**

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

**2.1 Information on funds collected**

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

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated and profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>20,546,940</b>	-	-	-	-	-	-	-	<b>20,546,940</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>10,745,047</b>	<b>12,876,588</b>	<b>762,988</b>	-	<b>731,611</b>	<b>784,511</b>	<b>19,753</b>	<b>25,920,498</b>
<b>III. Other current accounts-TL</b>	<b>8,099,967</b>	-	-	-	-	-	-	-	<b>8,099,967</b>
Public sector	266,234	-	-	-	-	-	-	-	266,234
Commercial sector	7,705,471	-	-	-	-	-	-	-	7,705,471
Other institutions	80,279	-	-	-	-	-	-	-	80,279
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	<b>47,983</b>	-	-	-	-	-	-	-	<b>47,983</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	47,619	-	-	-	-	-	-	-	47,619
Participation banks	364	-	-	-	-	-	-	-	364
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>789,508</b>	<b>1,142,169</b>	<b>41,733</b>	-	<b>592,682</b>	<b>130,431</b>	<b>7</b>	<b>2,696,530</b>
Public sector	-	213	987	746	-	24,979	-	-	26,925
Commercial sector	-	669,267	941,873	15,144	-	552,592	129,951	7	2,308,834
Other institutions	-	119,807	199,286	25,843	-	14,993	452	-	360,381
Commercial and other institutions	-	221	-	-	-	118	28	-	367
Banks and participation banks	-	-	23	-	-	-	-	-	23
<b>V. Real persons current accounts-FC</b>	<b>46,298,760</b>	-	-	-	-	-	-	-	<b>46,298,760</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>14,008,297</b>	<b>17,538,758</b>	<b>1,949,138</b>	-	<b>3,496,048</b>	<b>379,765</b>	<b>12,095</b>	<b>41,384,101</b>
<b>VII. Other current accounts-FC</b>	<b>22,674,121</b>	-	-	-	-	-	-	-	<b>22,674,121</b>
Commercial residents in Turkey	16,871,245	-	-	-	-	-	-	-	16,871,245
Commercial residents in Abroad	4,329,204	-	-	-	-	-	-	-	4,329,204
Banks and participation banks	<b>1,473,672</b>	-	-	-	-	-	-	-	<b>1,473,672</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	1,471,529	-	-	-	-	-	-	-	1,471,529
Participation banks	2,143	-	-	-	-	-	-	-	2,143
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>1,398,089</b>	<b>2,698,807</b>	<b>386,232</b>	-	<b>496,198</b>	<b>186,346</b>	-	<b>5,165,672</b>
Public sector	-	54	-	-	-	-	-	-	54
Commercial sector	-	1,295,745	2,182,976	99,152	-	73,526	73,564	-	3,724,963
Other institutions	-	46,632	232,733	287,060	-	422,672	<b>112,782</b>	-	1,101,879
Commercial and other institutions	-	55,658	283,098	20	-	-	-	-	338,776
Banks and participation banks	-	-	-	-	-	-	-	-	-
<b>IX. Precious metal funds</b>	<b>36,383,140</b>	<b>7,765,461</b>	<b>3,919,840</b>	<b>667,511</b>	-	<b>419,769</b>	<b>15,572</b>	-	<b>49,171,293</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>134,002,928</b>	<b>34,706,402</b>	<b>38,176,162</b>	<b>3,807,602</b>	-	<b>5,736,308</b>	<b>496,625</b>	<b>31,855</b>	<b>221,957,882</b>

There are no 7 days notification accounts of the Group.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

(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	year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>9,214,591</b>	-	-	-	-	-	-	-	<b>9,214,591</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>6,461,888</b>	<b>8,497,859</b>	<b>508,942</b>	-	<b>729,392</b>	<b>956,849</b>	<b>22,604</b>	<b>17,177,534</b>
<b>III. Other current accounts-TL</b>	<b>5,029,690</b>	-	-	-	-	-	-	-	<b>5,029,690</b>
Public sector	194,879	-	-	-	-	-	-	-	194,879
Commercial sector	4,783,318	-	-	-	-	-	-	-	4,783,318
Other institutions	39,576	-	-	-	-	-	-	-	39,576
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	<b>11,917</b>	-	-	-	-	-	-	-	<b>11,917</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	11,614	-	-	-	-	-	-	-	11,614
Participation banks	303	-	-	-	-	-	-	-	303
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>602,957</b>	<b>989,697</b>	<b>42,390</b>	-	<b>312,745</b>	<b>109,333</b>	<b>2</b>	<b>2,057,124</b>
Public sector	-	322	602	645	-	11,465	-	-	13,034
Commercial sector	-	530,069	841,232	33,935	-	287,086	108,842	2	1,801,166
Other institutions	-	72,504	147,843	7,810	-	14,186	491	-	242,834
Commercial and other institutions	-	62	-	-	-	8	-	-	70
Banks and participation banks	-	-	20	-	-	-	-	-	20
<b>V. Real persons current accounts-FC</b>	<b>21,358,154</b>	-	-	-	-	-	-	-	<b>21,358,154</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>6,979,266</b>	<b>8,866,523</b>	<b>1,111,289</b>	-	<b>2,284,117</b>	<b>2,464,048</b>	<b>4,205</b>	<b>21,709,448</b>
<b>VII. Other current accounts-FC</b>	<b>10,739,481</b>	-	-	-	-	-	-	-	<b>10,739,481</b>
Commercial residents in Turkey	8,823,743	-	-	-	-	-	-	-	8,823,743
Commercial residents in Abroad	1,282,174	-	-	-	-	-	-	-	1,282,174
Banks and participation banks	<b>633,564</b>	-	-	-	-	-	-	-	<b>633,564</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	628,905	-	-	-	-	-	-	-	628,905
Participation banks	4,659	-	-	-	-	-	-	-	4,659
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>745,772</b>	<b>1,656,288</b>	<b>107,516</b>	-	<b>177,058</b>	<b>123,297</b>	-	<b>2,809,931</b>
Public sector	-	3	-	-	-	-	-	-	3
Commercial sector	-	670,072	1,404,349	34,838	-	30,766	58,728	-	2,198,753
Other institutions	-	32,466	91,760	72,666	-	145,794	<b>64,569</b>	-	407,255
Commercial and other institutions	-	43,231	160,179	12	-	498	-	-	203,920
Banks and participation banks	-	-	-	-	-	-	-	-	-
<b>IX. Precious metal funds</b>	<b>28,025,054</b>	<b>5,342,933</b>	<b>2,559,094</b>	<b>379,540</b>	-	<b>281,184</b>	<b>10,713</b>	<b>90</b>	<b>36,598,608</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>74,366,970</b>	<b>20,132,816</b>	<b>22,569,461</b>	<b>2,149,677</b>	-	<b>3,784,496</b>	<b>3,664,240</b>	<b>26,901</b>	<b>126,694,561</b>

There are no 7 days notification accounts of the Group.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

(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 saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	24,964,865	15,907,330	21,500,880	10,483,445
FC accounts	39,675,693	33,522,314	86,313,956	40,073,387
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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

The headquarters of the Parent Bank is in Turkey.

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

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

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	12,955	11,651
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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

(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	130,125	2,718	23,081	2,927
Swap transactions	62,773	62,148	1,367,405	283,393
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>192,898</b>	<b>64,866</b>	<b>1,390,486</b>	<b>286,320</b>

**2.3. Information on funds borrowed**

**2.3.1 Information on banks and other financial institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	194,154	132,958	129,343	38,870
From Foreign Banks, Institutions and Funds	10,000	3,286,870	45,929	4,990,179
<b>Total</b>	<b>204,154</b>	<b>3,419,828</b>	<b>175,272</b>	<b>5,029,049</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	150,142	1,386,472	175,272	3,914,835
Medium and Long-Term	54,012	2,033,356	-	1,114,214
<b>Total</b>	<b>204,154</b>	<b>3,419,828</b>	<b>175,272</b>	<b>5,029,049</b>

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

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

**2.4. Information on securities issued**

None

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

As of 31 December 2021, other liabilities amount to TL 2,135,331 (31 December 2020 – TL 1,410,151), miscellaneous payable amount to TL 2,703,783 (31 December 2020 - TL 783,731), both of them do not exceed 10% of the balance sheet total.

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	22,595	21,162	147,042	137,379
1 to 4 years	102,929	96,326	253,354	165,644
More than 4 years	451,837	291,965	127,183	46,271
<b>Total</b>	<b>577,361</b>	<b>409,453</b>	<b>527,579</b>	<b>349,294</b>

The Parent 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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

None (31 December 2020 – None).

**2.6.1.1. Information on Financial Lease Obligations**

None (31 December 2020 – None).

**2.6.1.2 Information on Operational Leases**

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

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

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

**2.7 Information on hedging derivative financial liabilities**

None (31 December 2020 – None).

**2.8 Information on provisions**

**2.8.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans:** As of 31 December 2021, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 50 (31 December 2020 – TL 3) and TL 7 for leasing receivables (31 December 2020 – TL 87) is offset against loans and receivables accounts.

**2.8.2 Information on other provisions**

	Current Period	Prior Period
Non-Cash loans that are not converted into cash	522,425	440,411
Special Provisions for non-cash loans	486,379	165,538
General Provisions for non-cash loans	678,145	447,552
Provision for Profits will be Allocated to Participation Accounts	957	3,237
Other (*)	206,380	109,796
<b>Total</b>	<b>1,894,286</b>	<b>1,166,534</b>

(\*) The other part of the main period amounting to TL 101,360 (December 31, 2020 - TL 35,525) is TL 9,395 (31 December 2020 - TL 100) for the expense of TL 63,404 (31 December 2020 - TL 56,211) is the amount for impairment loss. Provision for collected delay penalties 32,221 (December 31, 2020 – TL 3,385) which may be refunded is the amount related to other provision.

**2.8.3 Information on provisions for employee benefits**

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 228,869 (31 December 2020 – TL 189,033), vacation pay liability amounting to TL 3,575 (31 December 2020 – TL 2,714), performance premium amounting to TL 213,920 (31 December 2020 – TL 145,178), retirement bonuses on payment of TL 130,241 (31 December 2020 – TL 86,659), committee fee amounting to TL 17,256 (31 December 2020 – TL 12,321) and other fees amounting to TL 4,554 (31 December 2020 – TL 243).

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

The amount payable consists of one month's salary limited to a maximum of TL 8,284.51 (full amount) (31 December 2020 – TL 6,730.15 (full amount)) for each year of service. The liability is not funded, as there is no funding requirement.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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.

	<b>Current Period</b>	<b>Prior Period</b>
Discount rate (%)	19.10	12.10
Inflation rate (%)	15.80	8.00

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

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period	189,033	122,748
Provisions recognized during the period	49,512	30,769
Paid during the period	(10,744)	(4,704)
Actuarial loss / gain	1,068	40,220
<b>Balances at the end of the period</b>	<b>228,869</b>	<b>189,033</b>

## **2.9 Explanations on tax liability**

### **2.9.1 Explanations on current tax liability**

#### **2.9.1.1 Information on tax provisions: TL 1,282,020 (31 December 2020 - TL 389,870)**

#### **2.9.1.2 Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Taxation of marketable securities	30,189	26,382
Taxation of immovable property	2,347	969
Banking Insurance Transaction Tax (BITT)	54,819	30,458
Foreign Exchange Transaction Tax	103,722	23,676
Value Added Tax Payable	9,482	2,792
Income tax deducted from wages	17,938	15,010
Other	2,078	1,679
<b>Total</b>	<b>220,575</b>	<b>100,966</b>

#### **2.9.1.3 Information on premiums (\*):**

	<b>Current Period</b>	<b>Prior Period</b>
Social Insurance Premiums-Employee	10,527	8,626
Social Insurance Premiums-Employer	11,333	9,270
Unemployment insurance-Employee	751	617
Unemployment insurance-Employer	1,628	1,484
Other	-	-
<b>Total</b>	<b>24,239</b>	<b>19,997</b>

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

#### **2.9.1.4 Information on deferred tax liability:**

None (31 December 2020 - None).

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

None (31 December 2020 - None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**2.11 Information on subordinated loans**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	8,100,496	-	4,590,265
<b>Total</b>	<b>-</b>	<b>8,100,496</b>	<b>-</b>	<b>4,590,265</b>

**2.12 Information on shareholders' equity**

**2.12.1 Presentation of paid-in capital**

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

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

**2.12.2 Amount of Paid-in Capital, Disclosure on whether the parent 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**

None

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

None

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

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

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

None. (31 December 2020- None)

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	57,132	(65,917)	(81,130)	94,206
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>57,132</b>	<b>(65,917)</b>	<b>(81,130)</b>	<b>94,206</b>

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

**2.13 Information on minority shares**

31 December 2021 – 36,019 TL. (31 December 2020; 30,004 TL)

**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 31 December 2021 amounts to TL 5,336,868 (31 December 2020 – TL 3,503,366); payment commitments for cheque books amounts to TL 1,750,116 (31 December 2020 – TL 1,372,786).

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

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

As of 31 December 2021, the Group has guarantees and surety ships constituting of TL 11,838,814 (31 December 2020 – TL 9,588,633) of letters of guarantee; TL 113,683 (31 December 2020 – TL 40,996) of acceptances and TL 4,521,120 (31 December 2020 – TL 1,685,022) of letters of credit. Also, banks has other acceptances amounting to TL 912,257 (31 December 2020 – TL 546,682).

**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	74,766	33,229
With original maturity of 1 year or less	74,766	33,229
With original maturity of more than 1 year	-	-
Other non-cash loans	17,311,108	11,828,104
<b>Total</b>	<b>17,385,874</b>	<b>11,861,333</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**3.1.4. Sectorial risk concentration of non-cash loans:**

	Current Period			
	TL	%	FC	%
<b>Agriculture</b>	<b>133,738</b>	<b>1.50</b>	<b>70,364</b>	<b>0.83</b>
Farming and stockbreeding	37,343	0.42	53,692	0.63
Forestry	95,089	1.07	16,672	0.20
Fishery	1,306	0.01	-	0.00
<b>Manufacturing</b>	<b>1,832,447</b>	<b>20.55</b>	<b>3,094,034</b>	<b>36.53</b>
Mining and quarrying	493,168	5.53	638,387	7.54
Production	1,093,192	12.26	2,333,739	27.55
Electricity, Gas, Water	246,087	2.76	121,908	1.44
<b>Construction</b>	<b>3,568,096</b>	<b>40.03</b>	<b>1,089,374</b>	<b>12.86</b>
<b>Services</b>	<b>2,813,633</b>	<b>31.56</b>	<b>3,116,270</b>	<b>36.78</b>
Wholesale and Retail Trade	1,710,046	19.18	2,014,153	23.77
Hotel, Food and Beverage Services	93,430	1.05	31,128	0.37
Transportation and Telecom.	481,137	5.40	503,573	5.94
Financial Institutions	18,929	0.21	344,148	4.06
Real Estate and Renting Services	71,475	0.80	8,078	0.10
Self-Employment Type Services	232	0.00	-	0.00
Educational Services	25,953	0.29	1,327	0.02
Health and Social Services	412,431	4.63	213,863	2.52
<b>Other</b>	<b>566,045</b>	<b>6.36</b>	<b>1,101,873</b>	<b>13.00</b>
<b>Total</b>	<b>8,913,959</b>	<b>100.00</b>	<b>8,471,915</b>	<b>100.00</b>

	Prior Period			
	TL	%	FC	%
<b>Agriculture</b>	<b>75,932</b>	<b>1.02</b>	<b>29,596</b>	<b>0.67</b>
Farming and stockbreeding	38,954	0.52	21,670	0.49
Forestry	36,978	0.5	7,926	0.18
Fishery	-	0	-	0
<b>Manufacturing</b>	<b>1,426,416</b>	<b>19.11</b>	<b>1,467,734</b>	<b>33.39</b>
Mining and quarrying	338,206	4.53	421,851	9.6
Production	774,486	10.37	1,006,187	22.89
Electricity, Gas, Water	313,724	4.2	39,696	0.9
<b>Construction</b>	<b>3,036,920</b>	<b>40.68</b>	<b>603,648</b>	<b>13.73</b>
<b>Services</b>	<b>2,346,149</b>	<b>31.43</b>	<b>1,466,554</b>	<b>33.36</b>
Wholesale and Retail Trade	1,314,073	17.6	729,169	16.59
Hotel, Food and Beverage Services	103,682	1.39	22,615	0.51
Transportation and Telecom.	475,975	6.38	363,945	8.28
Financial Institutions	18,502	0.25	226,343	5.15
Real Estate and Renting Services	52,713	0.71	27,995	0.64
Self-Employment Type Services	272	0	-	0
Educational Services	19,695	0.26	1,237	0.03
Health and Social Services	361,237	4.84	95,250	2.17
<b>Other</b>	<b>579,894</b>	<b>7.77</b>	<b>828,490</b>	<b>18.85</b>
<b>Total</b>	<b>7,465,311</b>	<b>100</b>	<b>4,396,022</b>	<b>100</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**3.1.5. Non-cash loans classified under Group I and II**

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee (*)	7,566,294	3,376,955	252,197	167,699
Bills of Exchange and Bank Acceptances	1,044	112,639	-	-
Letters of Credit	10,875	4,380,274	3,067	126,904
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Securities (*)	827,674	70,962	13,600	-
<b>Total</b>	<b>8,405,887</b>	<b>7,940,830</b>	<b>268,864</b>	<b>294,603</b>

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee (*)	6,724,723	2,551,225	268,049	44,636
Bills of Exchange and Bank Acceptances	4,503	34,535	1,000	958
Letters of Credit	14,424	1,649,067	-	21,531
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Securities (*)	409,241	94,070	43,371	-
<b>Total</b>	<b>7,152,891</b>	<b>4,328,897</b>	<b>312,420</b>	<b>67,125</b>

(\*) As of 31 December 2021, there are 3. stage Letters of Guarantee amounting to TL 475,669 (December 31, 2020 – TL 402,572) and Other Guarantees and Bails amounting to TL 21 (31 December 2020 - TL 2).

**3.2. Financial derivative instruments**

	Trading Derivatives	
	Current Period	Prior Period
<b>Foreign currency related derivative</b>		
<b>Foreign Currency Related Derivative</b>		
<b>Transactions (I):</b>	<b>72,522,170</b>	<b>84,075,081</b>
Currency Forwards-Purchases, sales	4,662,241	2,735,214
Currency Swaps-Purchases, sales	67,859,929	81,339,867
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Interest rate related derivative transactions (II):</b>	<b>-</b>	<b>-</b>
Interest rates forwards-Purchase, sales	-	-
Interest rates swaps-Purchases, sales	-	-
Interest rates options-Purchases, sales	-	-
Interest rates futures-Purchases, sales	-	-
<b>Other trading derivatives (III)</b>	<b>87,602</b>	<b>12,274,248</b>
<b>A. Total trading derivatives (I+II+III)</b>	<b>72,609,772</b>	<b>96,349,329</b>
<b>Hedging Derivatives</b>	<b>-</b>	<b>-</b>
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Total Derivatives Transactions (A+B)</b>	<b>72,609,772</b>	<b>96,349,329</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

The Group enters into short-term swap transactions based on its market expectations and cash flow. These transactions are generally short-term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2021, in the contracts the Group has entered in TL, US Dollars, Euros, British Pounds, Saudi Arabian Riyal, Russian Ruble, Silver and Gold currencies, the Bank has commitments to buy TL 1,439,007,000 USD 1,581,289,000, EUR 26,982,000, GBP 43,797,000, CHF 7,285,000 in return of selling commitments of TL 1,338,947,000 USD 264,511,000, EUR 2,051,366,000, GBP 63,000. (As of 31 December 2020 in the contracts the Group has entered in TL, US Dollars, Euros, British Pounds and Malaysian Ringite currencies, the Bank has commitments to buy TL 786,085, USD 3,290,068,000, EUR 71,021,000, GBP 44,126,000, SAR 56,279,000 and RUB 54,078,000 in return of selling commitments of TL 24,397,571 USD 530,027,000, EUR 2,268,647,000, GBP 29,000 and RUB 38,805,000).

**3.3. Credit derivatives and risk exposures on credit derivatives**

None.

**3.4. Contingent liabilities and assets:**

In accordance with decision of the Bank's Board of Directors numbered 1117 and dated 21 June 2011, recoverable foreign currency loan granting commitments to real and legal persons and who do not have the unconditional right to utilize these commitment has been translated into Turkish Lira and no longer followed as foreign currency commitments.

**3.5. Explanations on custodian and intermediary services:**

None.

**3.6. Summary Information on the Parent Bank's Rating by the International Rating Institutions**

<b>Fitch Rating's October, 2020</b>	<b>Notes</b>
Long-Term Issuer Default Rating	B+
Short-Term Issuer Default Rating	B
Local Currency Long-Term Issuer Default Rating	BB-
Local Currency Short-Term Issuer Default Rating	B
Financial Capacity Ratio	b+
Support Rating	4

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

**4.1 Information on profit share income**

**4.1.1 Information on profit share received from loans**

	<b>Current period</b>		<b>Prior period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Profit share on loans</b>	<b>7,095,760</b>	<b>1,627,919</b>	<b>5,250,272</b>	<b>1,033,495</b>
Short term loans	2,244,092	388,760	1,117,394	200,101
Medium and long-term loans	4,539,776	1,170,754	4,085,874	831,630
Profit share on non-performing loans	311,892	68,405	47,004	1,764
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>7,095,760</b>	<b>1,627,919</b>	<b>5,250,272</b>	<b>1,033,495</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**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	230,553	-	37,473	-
Domestic Banks	111,982	9,009	102,242	98
Foreign Banks	5,578	95,829	60,698	66,551
Branches and head office abroad	-	-	-	342
<b>Total</b>	<b>348,113</b>	<b>104,838</b>	<b>200,413</b>	<b>66,991</b>

**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	62,206	202,865	114,454	228,084
Financial Assets at Fair Value Reflected in Other Comprehensive Income	2,573,437	510,314	1,772,260	349,355
Financial Assets Valued Over Amortized Cost	121,909	133,495	51,580	186,632
<b>Total</b>	<b>2,757,552</b>	<b>846,674</b>	<b>1,938,294</b>	<b>764,071</b>

**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	182	180

**4.2 Information on profit share expenses**

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

	Current period		Prior period	
	TL	FC	TL	FC
Banks	<b>258,360</b>	<b>150,096</b>	<b>61,421</b>	<b>35,557</b>
The Central Bank of the Republic of Turkey	230,553	-	37,473	-
Domestic banks	23,751	3,464	22,052	4,506
Foreign banks	4,056	146,632	1,896	31,051
Branches and head office abroad	-	-	-	-
Other Institutions	-	355,772	-	337,447
<b>Total</b>	<b>258,360</b>	<b>505,868</b>	<b>61,421</b>	<b>373,004</b>

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

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,079	1,034

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

31 December 2021; 884,948 TL (1 January – 31 December 2020: 365,387 TL).

**4.3 Information on dividend income**

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Other	6,042	68
<b>Total</b>	<b>6,042</b>	<b>68</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

(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							
	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	
Account name									
Turkish Lira									
Collected funds from banks through current and profit share accounts	-	2	-	-	-	-	-	2	
Real person’s non-trading profit sharing account	1,226,974	1,402,886	67,492	-	76,345	98,608	2,438	2,874,743	
Public sector profit sharing account	36	120	99	-	94	-	-	349	
Commercial sector profit sharing account	85,602	122,762	2,230	-	2,081	1,430	-	214,105	
Other institutions profit sharing account	16,142	24,530	2,528	-	517	67	-	43,784	
Total	1,328,754	1,550,300	72,349	-	79,037	100,105	2,438	3,132,983	
Foreign currency									
Banks	-	-	-	-	-	-	-	-	
Real person’s non-trading profit sharing account	64,389	103,445	8,458	-	14,783	18,359	87	209,521	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	5,899	11,199	387	-	209	52	-	17,746	
Other institutions profit sharing account	451	1,905	6	-	7	-	-	2,369	
Precious metal accounts	8,379	4,156	629	-	520	-	-	13,684	
Total	79,118	120,705	9,480	-	15,519	18,411	87	243,320	
Grand Total	1,407,872	1,671,005	81,829	-	94,556	118,516	2,525	3,376,303	

Prior period		Profit Sharing Accounts							
	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	
Account name									
Turkish Lira									
Collected funds from banks through current and profit share accounts	-	1	-	-	-	-	-	1	
Real person’s non-trading profit sharing account	552,292	816,805	51,283	-	61,964	93,576	1,358	1,577,278	
Public sector profit sharing account	25	27	54	-	39	-	-	145	
Commercial sector profit sharing account	47,506	91,317	4,310	-	1,795	1,324	-	146,252	
Other institutions profit sharing account	5,484	12,324	967	-	440	115	-	19,330	
Total	605,307	920,474	56,614	-	64,238	95,015	1,358	1,743,006	
Foreign currency									
Banks	15	559	27	-	-	-	-	601	
Real person’s non-trading profit sharing account	42,018	81,687	9,074	-	10,000	14,125	25	156,929	
Public sector profit sharing account.	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	3,869	11,087	384	-	410	53	-	15,803	
Other institutions profit sharing account	387	1,395	111	-	63	-	-	1,956	
Precious metal accounts	8,614	6,313	845	-	791	-	-	16,563	
Total	54,903	101,041	10,441	-	11,264	14,178	25	191,852	
Grand Total	660,210	1,021,515	67,055	-	75,502	109,193	1,383	1,934,858	

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

	<b>Current period</b>	<b>Prior period</b>
<b>Net</b>	<b>3,056,725</b>	<b>847,844</b>
<b>Income</b>	<b>140,437,301</b>	<b>61,984,441</b>
Gain on capital market transactions	87,941	74,885
Gain on derivative financial instruments	9,062,386	5,905,668
Foreign exchange profit	131,286,974	56,003,888
<b>Losses (-)</b>	<b>(137,380,576)</b>	<b>(61,136,597)</b>
Losses on capital market transactions	(31,305)	(29,857)
Losses on derivative financial instruments	(7,755,588)	(8,116,336)
Foreign exchange losses	(129,593,683)	(52,990,404)

**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.

	<b>Current Period</b>	<b>Prior Period</b>
Reversal of prior period provisions	1,391,226	1,688,050
Income from sale of assets	40,443	-
Revenues from real estates sold under the lease certificate.	209,867	69,847
Income from the real estate sales' gains by rent certificates	5,656	8,052
Other Income	813,207	53,408
<b>Total</b>	<b>2,460,399</b>	<b>1,819,357</b>

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

	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
<b>Expected Credit Loss</b>	<b>4,573,043</b>	<b>3,240,522</b>
12 month expected credit loss (Stage 1)	1,249,261	731,099
Significant increase in credit risk (Stage 2)	2,040,864	807,415
Non-performing loans (Stage 3)	1,282,918	1,702,008
<b>Marketable Securities Impairment Expense</b>	<b>15,264</b>	<b>22,488</b>
Financial Assets at Fair Value through Profit or Loss	15,264	22,488
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
<b>Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other (**)</b>	<b>158,358</b>	<b>302,730</b>
<b>Total</b>	<b>4,746,665</b>	<b>3,565,740</b>

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**4.8 Information on other operating expenses**

	Current Period	Prior Period
Provision for retirement pay liability (*)	38,768	26,065
Impairment expenses of tangible assets	-	1,095
Depreciation expenses of tangible assets	262,302	212,095
Impairment expenses of intangible assets	-	-
Depreciation expenses of intangible assets	71,232	82,155
Depreciation expenses of assets held for sale	-	-
Other operating expenses	606,886	493,978
Maintenance expenses	111,139	92,209
Advertisement expenses	79,303	46,007
Communication expenses	79,083	64,681
Stationery expense	43,817	10,437
Heating, electricity and water expenses	31,501	26,048
Vehicle expenses	14,137	9,328
Cleaning expenses	10,180	8,688
Leasing Expenses Related to TFRS 16 Exceptions	4,475	14,204
Other expenses	233,251	222,376
Losses on sales of assets	4,967	344
Deposit insurance fund expenses	429,377	320,386
Other	1,615,132	1,201,969
<b>Total</b>	<b>3,028,664</b>	<b>2,338,087</b>

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

According to the decision of POA dated March 26, 2021, the fee information for the reporting period for services received from the independent auditor or audit organization is given in the following table. These fees also include the audit fees of the Bank's subsidiaries. The fee information given in the table is excluding VAT.

Current Period	Independent audit services provided by the group auditor	Independent audit services provided by other Independent Audit companies
Independent audit fee for the reporting period (*)	6,846	225
Fees for tax consulting services	-	-
The cost of other assurance services	1,274	-
Fees for services other than independent auditing	-	-
<b>Total</b>	<b>8,120</b>	<b>225</b>

Prior Period	Independent audit services provided by the group auditor	Independent audit services provided by other Independent Audit companies
Independent audit fee for the reporting period (*)	3,834	343
Fees for tax consulting services	-	-
The cost of other assurance services	944	-
Fees for services other than independent auditing	-	-
<b>Total</b>	<b>4,778</b>	<b>343</b>

(\*) The Bank's foreign currency exchange purchase valuation rates were used for foreign currency independent audit fees at the end of the period 31 December 2021 / 31 December 2020.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

Income before tax amounting to TL 4,652,770 increased by 105,47% as compared to the prior period (1 January - 31 December 2020 – TL 2,264,486). Income before tax includes TL 8,067,748 (1 January - 31 December 2020 – TL 6,535,122) net profit share income and TL 508,093 (1 January - 31 December 2020 – TL 261,839) net fees and commission income. Other operating expense amount is TL 3,028,664 (1 January - 31 December 2020 – TL 2,312,022).

**4.10 Information on tax provision for continued and discontinued operations**

Current period tax provision for the period amounting to TL 2,139,603 (1 January-31 December 2020 - TL 826,371), deferred tax income of TL 155,118 (1 January-31 December 2020 - TL 187,277) and TL 1,015,618 (1 January-31 December 2020 - TL 462,030) deferred tax income is recognized.

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

There is no income or loss for discontinued operation in net operating income after tax.

**4.12 Information on net income/loss**

**4.12.1** The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 31 December 2021, net profit share income is TL 8,067,748 (1 January-31 December 2020 – TL 6,535,122), net fees and commission income is TL 508,093 (1 January-31 December 2020 – TL 261,839).

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

None (1 January – 31 December 2020 – None).

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

	<b>Current Period</b>	<b>Prior Period</b>
Profit/(Loss) attributable to minority interest	18,175	(33,270)



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

(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 31 December 2021, other fees and commissions received is TL 1,115,473 (1 January - 31 December 2020 – TL 725,542), TL 312,322 of this amount is related with credit card fees and commissions (1 January – 31 December 2020 – TL 147,028) and TL 198,049 of this amount is related with POS machine commissions (1 January – 31 December 2020 -118,516 TL).

As of 31 December 2021, other fees and commissions given is TL 748,678 (1 January – 31 December 2020 – TL 588,668), TL 242,607 (1 January – 31 December 2020 – TL 111,537) of this amount is related with POS clearing commissions and installation expenses, TL 76,380 (1 January – 31 December 2020 – TL 38,445) of this amount is related with fees and commissions paid for credit cards

**5. Explanations and Disclosures Related to Statement of Consolidated Equity**

- 5.1** There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements. Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.
- 5.2** In the current year, the Parent Bank made dividend payments amounting to TL 9,132 to members of Board of Directors. In the Ordinary General Assembly meeting held in 25 March 2021 it has been decided that TL 70,927 would be transferred to legal reserves, TL 1,319,715 would be transferred to extraordinary reserve, TL 507 would be transferred to other reserves.

**6. Explanations and Disclosures Related to Statement of Cash Flows**

**6.1. Information on consolidated cash and cash equivalents:**

- 6.1.1.** Components of cash and cash equivalents and accounting policy applied in their determination:

“Cash” is defined as cash in vault and foreign currency cash, cash in transit, checks purchased, unrestricted amount in the Central Bank and demand deposits in Banks. “Cash equivalents” is defined as money market placements, investments in securities and time deposits in banks with original maturity less than three months.

- 6.1.1.1.** Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
<b>Cash</b>	<b>13,995,430</b>	<b>19,216,292</b>
Cash in TL/foreign currency, others	6,624,877	10,784,364
Demand deposits at banks (Up to 3 months)	7,370,553	8,431,928
<b>Cash Equivalents</b>	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalent</b>	<b>13,995,430</b>	<b>19,216,292</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

6.1.1.2. Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
<b>Cash</b>	<b>39,187,590</b>	<b>13,995,430</b>
Cash in TL/foreign currency, others	23,083,222	6,624,877
Demand deposits at banks (Up to 3 months)	16,104,368	7,370,553
<b>Cash Equivalents</b>	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalent</b>	<b>39,187,590</b>	<b>13,995,430</b>

6.2. **Cash and cash equivalent items which are restricted for the usage of the Parent Bank by legal or other limitations**

None (31 December 2020 – None).

6.3. **Explanations on other items in the cash flow statement**

“Other items” amounting to TL (3,186,043) (1 January-31 December 2020: TL (2,332,109)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 13,819,193 (1 January-31 December 2020: TL 2,473,519) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL (5,119,157) (1 January-31 December 2020: TL (9,559,006)) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

6.4. **Effects of the change in foreign currency rates on cash and cash equivalents**

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 27,297,784 as of 31 December 2021 (31 December 2020 – TL 5,637,262). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

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

Current period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and other receivables</b>						
Balance at beginning of period	169	16,291	4,695	6,709	54,992	6,632
Balance at end of period	193	28,603	6,955	21,246	64,315	2,297
Profit share and commission income	-	182	526	145	4,361	-

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

Prior period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and other receivables</b>						
Balance at beginning of period	182	18,827	1,868	7,206	780,512	723
Balance at end of period	169	16,291	4,695	6,709	54,992	6,632
Profit share and commission income	-	180	258	85	5,263	-

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

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

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
<b>Current and profit sharing accounts</b>						
Balance at beginning of period	24,405	54,178	58,677	151,321	203,570	137,061
Balance at end of period	28,489	24,405	104,748	58,677	348,052	203,570
Profit share expense	1,079	1,034	980	852	265	271

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

**7.1.2 Forward and option agreements and other similar agreements with the risk group of the Parent Bank**

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Transactions at Fair Value through Profit or Loss</b>						
Balance at beginning of period	-	-	716,065	607,498	-	-
Balance at end of period	-	-	1,992,498	716,065	-	-
Total Profit / Loss	-	-	(2,476)	(13,619)	-	-
<b>Hedging Transactions</b>						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**7.1.3 Information on loans received from the Parent Bank's risk group**

Risk group of the Group	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Borrowings						
Balance at beginning of period	-	-	1,481,347	68,696	-	-
Balance at end of period	-	-	270,055	1,481,347	-	-
Profit share expense	-	-	4,641	41	-	-

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

**7.1.4 Information on subordinated loans used by the Parent Bank from the risk group**

Subordinated additional capital (Tier-I) sukuks amounting to USD 200,000,000 (full amount) executed by the Parent Bank on July 16, 2019 and USD 50,000,000 (full amount) executed by the Parent Bank on 28/09/2020 are provided by Kuwait Finance House. Kuwait Finance House owns USD 35,000,000 (full amount) of the subordinated additional capital (Tier-II) sukuk amounting to USD 350,000,000 (full amount) executed by the Parent Bank on September 16, 2021.

**7.2 Information on remunerations provided to top management**

As of 1 January - 31 December 2021, the Group has paid TL 107,497 to top management (1 January - 31 December 2020 TL 85,244).

**8. Domestic, foreign and off-shore branches or equity investments and foreign representative offices**

**8.1. Domestic and foreign branches and representative offices**

	Number of Branches	Number of Employees			
Domestic branches (*)	442	4,098			
			Country		
Foreign representative offices			-	Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign bank	5	117	Germany	12,973	45,982,036
Off-shore branches	1	3	Bahrain	13,807	-
Foreign branches	-	-	-	-	-

(\*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number.

(\*\*) Bahrain Branch is controlled by the Central Bank of Bahrain and the total of Assets is 13,807,219 Turkish lira as of 31 December 2021.

**8.2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure**

In 2021, 7 new domestic branches (2020 - 4 branches) were opened. The Group does not have any domestic or foreign branches that were closed in 2021 (2020- None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

---

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

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 05, 2022 with a nominal value of TL 100,000 and a maturity of 77 days with a cost of 17.51%.

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 5, 2022 with a nominal value of TL 300,000 and a maturity of 77 days with a cost of 17.26%.

Parent Bank KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 12, 2022 with a nominal value of TL 600,000 and a maturity of 84 days with a cost of 17.75%.

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 13, 2022 with a nominal value of TL 200,000 and a maturity of 95 days with a cost of 13.81%.

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 14, 2022 with a nominal value of TL 150,000 and a maturity of 84 days with a cost of 17.75%.

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 26, 2022 with a nominal value of TL 425,000 and a maturity of 84 days with a cost of 17.75%.

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 27, 2022 with a nominal value of TL 300,000 and a maturity of 89 days with a cost of 18.25%.

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 2, 2022 with a nominal value of TL 60,000 and a maturity of 85 days with a cost of 17.26%.

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 3, 2022 with a nominal value of TL 250,000 and a maturity of 85 days with a cost of 13,81%.

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 4, 2022 with a nominal value of TL 300,000 and a maturity of 82 days with a cost of 17.75%.

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 16, 2022 with a nominal value of TL 200,000 and a maturity of 70 days with a cost of 17.66%.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

*(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**

**INDEPENDENT AUDITORS' REPORT**

**1. Explanations audit report**

The consolidated financial statements have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated 22 February 2022 is presented preceding the financial statements.

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

None.