

KUVEYT TÜRÖ KATILIM BANKASI A.Ş.

Consolidated Financial Statements and Notes for The Period Ended 30 June 2023 with Independent Auditor's Review Report

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

(Convenience translation of the auditor's report originally issued in Turkish)

INDEPENDENT AUDITORS' REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the consolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (the "Bank") and its subsidiaries (collectively referred as the "Group") at June 30, 2023 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Group Management is responsible for the preparation of these consolidated of interim financial statements 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 Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the consolidated financial position of the Group at June 30, 2023, and the results of its operations and its consolidated cash flows for the six-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on Other Regulatory Requirements Arising From Legislation

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

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

Emre Çelik, SMMM
Partner

10 August 2023
Istanbul, Turkey

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**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2023**

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

- General Information About the Parent Bank
- Consolidated Financial Statements of The Group
- Explanations on Accounting Policies Applied in The Period
- Information on Financial Structure of the Group Which Is Under Consolidation
- Disclosures and Explanations on Consolidated Financial Statements
- Other Explanations
- Independent Auditors' Limited Review Report
- Consolidated Interim Activity Report

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

	Subsidiaries	Associates	Jointly Controlled Partners	Mutual 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.			KT Portföy Birinci Katılım Serbest (TL) Fon
3.	Körfüz Gayrimenkul Yatırım Ortaklığı A.Ş.			KT Portföy Birinci Katılım Serbest (Döviz-Avro) Özel Fon
4.	KT Bank AG.			KT Portföy Yönetimi A.Ş. Kobi Girişim Sermayesi Yatırım Fonu
5.	KT Portföy Yönetimi A.Ş.			KT Portföy Lonca Girişim Sermayesi Yatırım Fonu
6.	Neova Katılım Sigorta A.Ş.			KT Portföy Neova Katılım Serbest Özel (TL) Fon
7.				KT Portföy Neova Katılım Sigorta Özel Girişim Sermayesi Yatırım Fonu
8.				KT Portföy NKS Katılım Serbest (TL) Özel Fon

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

Hamad Abdulmohsen AL-MARZOUQ

Chairman of the Board of Directors

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

General Manager

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:

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023

(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 Parent 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 Parent 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 Parent Bank’s equity, to collect funds from domestic and foreign customers through “Current Accounts” and “Profit/ Loss Sharing Accounts” and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment. The Parent Bank and its consolidated financial subsidiaries are named together as “Group”.

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

As of 30 June 2023, 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 Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Hamad A H D MARZOUQ	Head of the BOD	25/06/2014			Master	-
Shadi Ahmed YACOUB ZAHARAN	Member of BOD and chairman of the Audit Committee	25/09/2020	04/11/2020		Master	-
Nadir ALPASLAN	Vice President of BOD and member of Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E ALMUDHAF	Member of BOD	07/10/2019			Bachelor	-
Ahmad S A A ALKHARJI	Member of BOD	26/03/2014	24/09/2014	09/09/2020	Master	-
Mohamed Hedi MEJAI	Member of BOD and Audit Committee	25/03/2021	04/05/2021		Master	-
Gehad Mohamed ELBENDARY ANANY	Member of BOD	25/09/2020	09/09/2020	04/11/2020	Bachelor	-
Sinan AKSU	Member of BOD	08/05/2023			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	0.020%
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 the 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 0.11% of the Parent Bank’s share capital (31 December 2022 – 0.11%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2023

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

4. Information on qualified shareholders

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

As of 30 June, 2023, the shareholding structure of Kuwait Finance House, the main shareholder of the Bank, is as follows:

Name / Commercial Name	Share Amount
Kuwait Investment Authority	16.80%
The Public Institution for Social Security & Group	9.19%
The Public Authority for Minors Affairs	7.32%
Kuwait Awqaf Public Foundation	5.09%
Public Shares	61.60%
Total	100.00%

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

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

As of 30 June 2023, the Group is operating through 446 domestic branches (31 December 2022 – 449) with 6,661 employees (31 December 2022 – 6,536). Summary of some of the Parent Bank's operations described in the Articles of Association are as follows:

- To collect funds through "Current Accounts" and "Profit/Loss Sharing Accounts" and special fund pools in line with the regulations,
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking,
- To offer financial and operational leasing,
- To handle all kinds of deposits and payments, including travellers' 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 instalments, 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 purposed assistance within the scope of the legislation within the principles of the The Parent Bank for the order and benefit of the society.

The Parent Bank's activities are not limited to the list above. If another transaction is decided to be beneficial to the Parent 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

THE CONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2023
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	ASSETS	Notes	Reviewed Current Period 30.06.2023			Audited Prior Period 31.12.2022		
			TL	FC	Total	TL	FC	Total
I.	FINANCIAL ASSETS (Net)		77,797,581	145,681,957	223,479,538	52,904,271	124,937,833	177,842,104
1.1.	Cash and Cash Equivalents		28,678,452	100,929,607	129,608,059	12,311,387	88,654,456	100,965,843
1.1.1.	Cash and Balances with Central Bank	(5.1.1.)	18,451,352	88,734,332	107,185,684	8,544,877	70,920,388	79,465,265
1.1.2.	Banks	(5.1.3.)	8,317,118	12,197,829	20,514,947	3,766,630	17,735,475	21,502,105
1.1.3.	Money Markets Placements		1,910,447	-	1,910,447	-	-	-
1.1.4.	Expected Credit Loss (-)		465	2,554	3,019	120	1,407	1,527
1.2.	Financial Assets at Fair Value Through Profit or Loss		5,379,526	21,064,185	26,443,711	4,151,113	14,461,079	18,612,192
1.2.1.	Government Debt Securities		908,389	18,606,831	19,515,220	449,467	12,760,756	13,210,223
1.2.2.	Equity Instruments		470,902	-	470,902	518,748	-	518,748
1.2.3.	Other Financial Assets		4,000,235	2,457,354	6,457,589	3,182,898	1,700,323	4,883,221
1.3.	Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	39,116,641	23,557,551	62,674,192	35,980,517	21,604,612	57,585,129
1.3.1.	Government Debt Securities		38,966,834	23,017,707	61,984,541	35,912,851	18,716,677	54,629,528
1.3.2.	Equity Instruments		90,050	193,589	283,639	57,689	123,209	180,898
1.3.3.	Other Financial Assets		59,757	346,255	406,012	9,977	2,764,726	2,774,703
1.4.	Derivative Financial Assets		4,622,962	130,614	4,753,576	461,254	217,686	678,940
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss	(5.1.2.)	4,622,962	130,614	4,753,576	461,254	217,686	678,940
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.11.)	-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	189,080,125	131,251,807	320,331,932	120,741,260	96,449,926	217,191,186
2.1.	Loans		169,150,552	104,208,291	273,358,843	111,911,757	75,593,160	187,504,917
2.2.	Leasing Receivables	(5.1.10.)	12,972,251	17,243,633	30,215,884	7,312,649	13,550,753	20,863,402
2.3.	Financial Assets Measured at Amortized Cost	(5.1.6.)	17,087,847	17,745,380	34,833,227	9,104,466	13,573,735	22,678,201
2.3.1.	Government Debt Securities		17,087,847	17,180,178	34,268,025	9,104,466	13,174,566	22,279,032
2.3.2.	Other Financial Assets		-	565,202	565,202	-	399,169	399,169
2.4.	Expected Credit Loss (-)		10,130,525	7,945,497	18,076,022	7,587,612	6,267,722	13,855,334
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(Net)	(5.1.16.)	377,013	-	377,013	117,719	-	117,719
3.1.	Held for Sale		377,013	-	377,013	117,719	-	117,719
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		345,757	-	345,757	167,017	-	167,017
4.1.	Investments in Associates (Net)	(5.1.7.)	-	-	-	-	-	-
4.1.1.	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2.	Unconsolidated Associates		-	-	-	-	-	-
4.2.	Investment in Subsidiaries (Net)	(5.1.8.)	123,680	-	123,680	23,680	-	23,680
4.2.1.	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Subsidiaries		123,680	-	123,680	23,680	-	23,680
4.3.	Investment in Joint Ventures (Net)	(5.1.9.)	222,077	-	222,077	143,337	-	143,337
4.3.1.	Joint Ventures Valued Based on Equity Method		222,077	-	222,077	143,337	-	143,337
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)	(5.1.12.)	2,039,155	81,678	2,120,833	1,582,752	68,702	1,651,454
VI.	INTANGIBLE ASSETS (Net)	(5.1.13.)	686,604	156,914	843,518	412,878	122,522	535,400
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		686,604	156,914	843,518	412,878	122,522	535,400
VII.	INVESTMENT PROPERTIES (Net)	(5.1.14.)	41,605	-	41,605	165,730	-	165,730
VIII.	CURRENT TAX ASSETS		-	-	-	-	-	-
IX.	DEFERRED TAX ASSETS	(5.1.15.)	2,432,443	178,048	2,610,491	1,119,845	138,267	1,258,112
X.	OTHER ASSETS	(5.1.17.)	35,091,755	395,872	35,487,627	3,839,392	1,212,397	5,051,789
	TOTAL ASSETS		307,892,038	277,746,276	585,638,314	181,050,864	222,929,647	403,980,511

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2023
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	LIABILITIES	Notes	Reviewed Current Period 30.06.2023			Audited Prior Period 31.12.2022		
			TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1.)	201,124,883	212,060,448	413,185,331	146,090,564	166,169,239	312,259,803
II.	FUNDS BORROWED	(5.2.3.)	184,854	61,963,154	62,148,008	611,751	27,222,891	27,834,642
III.	MONEY MARKETS		547,118	-	547,118	274,871	-	274,871
IV.	SECURITIES ISSUED (Net)	(5.2.4)	-	-	-	2,294,758	-	2,294,758
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		401,176	853,655	1,254,831	16,143	167,924	184,067
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	401,176	853,655	1,254,831	16,143	167,924	184,067
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.7.)	-	-	-	-	-	-
VII.	LEASE PAYABLES	(5.2.6.)	687,671	63,910	751,581	519,844	55,518	575,362
VIII.	PROVISIONS	(5.2.8.)	11,140,222	2,457,583	13,597,805	8,499,539	1,634,020	10,133,559
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves for Employee Benefits		1,556,332	198,522	1,754,854	1,531,521	110,773	1,642,294
8.3.	Insurance for Technical Provision (Net)		7,602,040	-	7,602,040	5,386,707	-	5,386,707
8.4.	Other Provisions		1,981,850	2,259,061	4,240,911	1,581,311	1,523,247	3,104,558
IX.	CURRENT TAX LIABILITIES	(5.2.9.1.)	1,941,379	-	1,941,379	2,053,914	-	2,053,914
X.	DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.10.)	-	-	-	-	-	-
11.1.	Held for Sale		-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.11.)	-	15,770,194	15,770,194	-	11,424,892	11,424,892
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	15,770,194	15,770,194	-	11,424,892	11,424,892
XIII.	OTHER LIABILITIES	(5.2.5.)	35,228,357	2,594,693	37,823,050	4,312,078	1,862,230	6,174,308
XIV.	SHAREHOLDERS' EQUITY	(5.2.12.)	38,877,867	(258,850)	38,619,017	30,898,558	(128,223)	30,770,335
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		(294,407)	-	(294,407)	(294,407)	-	(294,407)
14.4.	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		3,048,770	(229,258)	2,819,512	5,090,654	(65,971)	5,024,683
14.5.	Profit Reserves		18,321,507	-	18,321,507	5,674,664	-	5,674,664
14.5.1.	Legal Reserves		1,396,225	-	1,396,225	552,652	-	552,652
14.5.2.	Statutory Reserves		-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		15,004,013	-	15,004,013	4,872,338	-	4,872,338
14.5.4.	Other Profit Reserves		1,921,269	-	1,921,269	249,674	-	249,674
14.6.	Profit or Loss		13,105,762	(29,592)	13,076,170	15,738,204	(62,252)	15,675,952
14.6.1.	Retained Earnings		1,756,887	(62,252)	1,694,635	859,978	(102,799)	757,179
14.6.2.	Current Period's Net Profit / Loss		11,348,875	32,660	11,381,535	14,878,226	40,547	14,918,773
14.7.	Minority Shares	(5.2.13.)	74,705	-	74,705	67,913	-	67,913
	TOTAL LIABILITIES		290,133,527	295,504,787	585,638,314	195,572,020	208,408,491	403,980,511

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OFF-BALANCE SHEET ITEMS AS OF 30 JUNE 2023
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Reviewed Current Period 30.06.2023			Audited Prior Period 31.12.2022		
	Notes	TL	FC	Total	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	131,039,477	147,742,147	278,781,624	105,628,768	92,896,410	198,525,178
I.	GUARANTEES AND WARRANTIES	27,659,317	19,919,250	47,578,567	18,278,371	12,539,159	30,817,530
1.1.	Letters of Guarantee	25,348,207	10,564,920	35,913,127	16,918,372	6,230,770	23,149,142
1.1.1.	Guarantees Subject to State Tender Law	689,221	20,708	709,929	524,697	19,615	544,312
1.1.2.	Guarantees Given for Foreign Trade Operations	1,209,975	74,857	1,284,832	842,590	48,079	890,669
1.1.3.	Other Letters of Guarantee	23,449,011	10,469,355	33,918,366	15,551,085	6,163,076	21,714,161
1.2.	Bank Loans	79,165	150,787	229,952	19,680	116,401	136,081
1.2.1.	Import Letter of Acceptances	79,165	150,787	229,952	19,680	116,401	136,081
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letters of Credit	636	8,899,114	8,899,750	1,538	5,970,275	5,971,813
1.3.1.	Documentary Letters of Credit	-	2,263,470	2,263,470	902	2,300,601	2,301,503
1.3.2.	Other Letters of Credit	636	6,635,644	6,636,280	636	3,669,674	3,670,310
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	2,231,309	304,429	2,535,738	1,338,781	221,713	1,560,494
1.7.	Other Warrantees	-	-	-	-	-	-
II.	COMMITMENTS	81,105,587	2,670,002	83,775,589	73,375,034	5,635,953	79,010,987
2.1.	Irrevocable Commitments	26,128,694	2,670,002	28,798,696	18,469,526	5,635,953	24,105,479
2.1.1.	Forward Asset Purchase and Sales Commitments	49,329	2,575,002	2,624,331	814,447	5,576,192	6,390,639
2.1.2.	Share Capital Commitment to Associates and Subsidiaries	67,500	-	67,500	-	-	-
2.1.3.	Loan Granting Commitments	2,335,252	-	2,335,252	2,156,966	-	2,156,966
2.1.4.	Securities Underwriting Commitments	-	-	-	-	-	-
2.1.5.	Commitments For Reserve Deposits Requirements	-	-	-	-	-	-
2.1.6.	Payment Commitments for Checks	3,896,019	-	3,896,019	2,368,988	-	2,368,988
2.1.7.	Tax and Fund Liabilities from Export Commitments	-	-	-	-	-	-
2.1.8.	Commitments For Credit Card Expenditure Limits	19,595,234	95,000	19,690,234	12,943,765	59,761	13,003,526
2.1.9.	Commitments For Credit Cards and Banking Services Promotions	-	-	-	-	-	-
2.1.10.	Receivables From Short Sale Commitments	-	-	-	-	-	-
2.1.11.	Payables For Short Sale Commitments	-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments	185,360	-	185,360	185,360	-	185,360
2.2.	Revocable Commitments	54,976,893	-	54,976,893	54,905,508	-	54,905,508
2.2.1.	Revocable Loan Granting Commitments	54,976,893	-	54,976,893	54,905,508	-	54,905,508
2.2.2.	Other Revocable Commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	22,274,573	125,152,895	147,427,468	13,975,363	74,721,298	88,696,661
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	22,274,573	125,152,895	147,427,468	13,975,363	74,721,298	88,696,661
3.2.1	Forward Foreign Currency Buy/Sell Transactions	1,459,285	6,902,228	8,361,513	2,445,222	4,124,168	6,569,390
3.2.1.1	Forward Foreign Currency Buy Transactions	1,451,119	2,647,566	4,098,685	2,429,047	979,581	3,408,628
3.2.1.2	Forward Foreign Currency Sell Transactions	8,166	4,254,662	4,262,828	16,175	3,144,587	3,160,762
3.2.2	Other Forward Buy/Sell Transactions	20,815,288	118,250,667	139,065,955	11,530,141	70,597,130	82,127,271
3.3	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)	1,809,830,932	1,987,393,620	3,797,224,552	1,312,038,282	1,068,954,968	2,380,993,250
IV.	ITEMS HELD IN CUSTODY	57,942,141	1,393,757,934	1,451,700,075	39,623,059	627,887,032	667,510,091
4.1.	Customers' Securities Held	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	11,865,301	1,349,060,650	1,360,925,951	6,857,433	591,531,785	598,389,218
4.3.	Checks Received for Collection	41,830,295	1,239,745	43,070,040	29,772,990	1,200,703	30,973,693
4.4.	Commercial Notes Received for Collection	4,246,545	1,329,193	5,575,738	2,992,636	942,241	3,934,877
4.5.	Other Assets Received for Collection	-	-	-	-	-	-
4.6.	Assets Received for Public Offering	-	-	-	-	-	-
4.7.	Other Items Under Custody	-	-	-	-	-	-
4.8.	Custodians	-	42,128,346	42,128,346	-	34,212,303	34,212,303
V.	PLEGDED ITEMS	1,751,627,019	593,296,858	2,344,923,877	1,272,403,584	440,847,619	1,713,251,203
5.1.	Marketable Securities	3,190,424	206,676	3,397,100	3,206,824	149,703	3,356,527
5.2.	Guarantee Notes	100,977	10,434,902	10,535,879	100,977	7,556,173	7,657,150
5.3.	Commodity	52,778,837	2,904,778	55,683,615	41,494,368	2,365,162	43,859,530
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	407,546,636	12,247,323	419,793,959	304,239,836	8,876,771	313,116,607
5.6.	Other Pledged Items	1,288,010,145	567,503,179	1,855,513,324	923,361,579	421,899,810	1,345,261,389
5.7.	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTEES	261,772	338,828	600,600	11,639	220,317	231,956
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1,940,870,409	2,135,135,767	4,076,006,176	1,417,667,050	1,161,851,378	2,579,518,428

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS OF 30 JUNE 2023

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

3. STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT)

			Reviewed Current Period 01.01.2023- 30.06.2023	Reviewed Current Period 01.04.2023- 30.06.2023	Reviewed Prior Period 01.01.2022- 30.06.2022	Reviewed Prior Period 01.04.2022- 30.06.2022
	INCOME AND EXPENSE ITEMS	Notes				
I.	PROFIT SHARE INCOME	(5.4.1.)	26,000,359	13,853,452	14,904,909	8,849,431
1.1.	Profit Share on Loans		15,106,814	8,178,021	7,924,520	4,530,783
1.2.	Profit Share on Reserve Deposits		-	-	96,729	16,104
1.3.	Profit Share on Banks		1,291,162	811,211	290,999	162,357
1.4.	Profit Share on Money Market Placements		-	-	-	-
1.5.	Profit Share on Marketable Securities Portfolio		7,879,194	3,866,704	5,926,478	3,752,427
1.5.1.	Fair Value Through Profit or Loss		417,426	325,720	254,550	120,414
1.5.2.	Fair Value Through Other Comprehensive Income		5,884,653	2,760,300	4,928,668	3,190,292
1.5.3.	Measured at Amortized Cost		1,577,115	780,684	743,260	441,721
1.6.	Finance Lease Income		1,683,000	978,710	635,311	376,139
1.7.	Other Profit Share Income		40,189	18,806	30,872	11,621
II.	PROFIT SHARE EXPENSE		9,253,916	5,032,324	4,566,998	2,648,640
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	7,749,638	4,160,351	3,729,174	2,244,237
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	1,166,966	761,473	472,425	265,925
2.3.	Profit Share Expense on Money Market Borrowings		117,375	73,191	71,307	6,774
2.4.	Expense on Securities Issued	(5.4.2.)	148,865	(1,293)	248,622	107,744
2.5.	Profit Share Expense on Lease		71,072	38,602	45,470	23,960
2.6.	Other Profit Share Expense		-	-	-	-
III.	NET PROFIT SHARE INCOME (I - II)		16,746,443	8,821,128	10,337,911	6,200,791
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		741,170	573,325	440,415	337,497
4.1.	Fees and Commissions Received		2,424,760	1,350,883	1,133,474	654,874
4.1.1.	Non-Cash Loans		174,290	93,364	91,904	50,693
4.1.2.	Other	(5.4.13.)	2,250,470	1,257,519	1,041,570	604,181
4.2.	Fees and Commissions Paid		1,683,590	777,558	693,059	317,377
4.2.1.	Non-Cash Loans		1,342	845	372	368
4.2.2.	Other	(5.4.13.)	1,682,248	776,713	692,687	317,009
V.	DIVIDEND INCOME	(5.4.3.)	2,672	(19,089)	799	799
VI.	NET TRADING INCOME / LOSS	(5.4.5.)	7,824,544	5,619,153	2,633,448	1,533,008
6.1.	Capital Market Transaction Gains/Losses		429,302	(116,593)	94,706	44,133
6.2.	Gains/Losses from Derivative Financial Instruments		4,168,092	4,093,253	510,115	224,554
6.3.	Foreign Exchange Gains/Losses		3,227,150	1,642,493	2,028,627	1,264,321
VII.	OTHER OPERATING INCOME	(5.4.6.)	3,894,031	1,857,599	1,919,272	1,014,615
VIII.	GROSS OPERATING INCOME/LOSS (III+IV+V+VI+VII+ VIII)		29,208,860	16,852,116	15,331,845	9,086,710
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	6,151,387	3,449,811	3,221,581	1,215,959
X.	OTHER PROVISIONS (-)	(5.4.7.)	298,380	234,828	332,705	144,731
XI.	PERSONNEL EXPENSES (-)		2,923,422	1,547,384	1,446,720	709,384
XII.	OTHER OPERATING EXPENSES (-)	(5.4.8.)	5,617,473	3,274,872	2,533,208	1,343,719
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		14,218,198	8,345,221	7,797,631	5,672,917
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		78,740	66,278	29,070	20,968
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.)	14,296,938	8,411,499	7,826,701	5,693,885
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(2,908,769)	(1,405,958)	(1,566,216)	(1,065,383)
18.1.	Current Tax Provision		3,023,141	1,651,378	2,037,682	2,076,658
18.2.	Deferred Tax Expense Effect (+)		534,631	278,284	1,272,616	427,226
18.3.	Deferred Tax Income Effect (-)		649,003	523,704	1,744,082	1,438,501
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)	(5.4.11.)	11,388,169	7,005,541	6,260,485	4,628,502
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1.	Income on Non-Current Assets Held for Sale		-	-	-	-
20.2.	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-	-	-
20.3.	Income on Other Discontinued Operations		-	-	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1.	Expenses from Non-Current Assets Held for Sale		-	-	-	-
21.2.	Expenses from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-	-	-
21.3.	Expenses From Other Discontinued Operations		-	-	-	-
XXII.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1.	Current Tax Provision		-	-	-	-
23.2.	Deferred Tax Expense Effect (+)		-	-	-	-
23.3.	Deferred Tax Income Effect (-)		-	-	-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXIII)		-	-	-	-
XXV.	NET PROFIT/LOSS (XVII+XXII)	(5.4.12.)	11,388,169	7,005,541	6,260,485	4,628,502
25.1.	Group's Income/Loss		11,381,535	6,999,294	6,258,050	4,702,916
25.2.	Minority Interest Income/Loss (-)		6,634	6,247	2,435	(74,414)
	Earnings Per Share Income/Loss (Full TL)		2,4757	-	1,3377	-

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS OF 30 JUNE 2023

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

4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Reviewed Current Period 01.01.2023-30.06.2023	Reviewed Prior Period 01.01.2022-30.06.2022
I.	CURRENT PROFIT/LOSS	11,388,169	6,260,485
II.	OTHER COMPREHENSIVE INCOME	(2,205,171)	4,892,743
2.1	Other Comprehensive Income Not Reclassified Through Profit or Loss	-	3,257
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	3,257
2.2	Other Comprehensive Income Reclassified Through Profit or Loss	(2,205,171)	4,889,486
2.2.1	Foreign Currency Translation Difference	1,327,678	262,161
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(3,389,569)	6,440,977
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	(1,321,673)	(251,298)
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	1,178,393	(1,562,354)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	9,182,998	11,153,228

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2023

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

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity	
						1	2	3	4	5	6							
Prior Period (01/01/2022 – 30/06/2022)																		
I.	Prior Period Ending Balance	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	
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	-	-	(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	
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	3,257	-	262,161	4,828,364	(201,039)	-	-	6,258,050	11,150,793	2,435	11,153,228	
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	-	-	-	-	-	-	-	-	-	-	57,864	(2,042)	-	55,822	138	55,960	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	2,197,413	908,079	(3,355,492)	(250,000)	-	(250,000)	
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	(250,000)	-	(250,000)	-	-	(250,000)	
11.2	Transfers to Legal Reserves	-	-	-	-	-	-	-	-	-	-	2,197,413	(2,197,413)	-	-	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	3,355,492	(3,355,492)	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)		(5.2.11.)	4,595,131	24,525	1,874	-	-	(48,855)	-	1,385,851	4,802,811	(1,093,696)	5,666,889	816,857	6,258,050	22,409,437	38,592	22,448,029
Current Period (01/01/2023 – 30/06/2023)																		
I.	Prior Period Ending Balance	4,595,131	24,525	1,874	-	-	(294,407)	-	1,643,243	4,683,273	(1,301,833)	5,674,664	757,179	14,918,773	30,702,422	67,913	30,770,335	
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	-	-	(294,407)	-	1,643,243	4,683,273	(1,301,833)	5,674,664	757,179	14,918,773	30,702,422	67,913	30,770,335	
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	1,327,678	(2,541,594)	(991,255)	-	-	11,381,535	9,176,364	6,634	9,182,998	
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	-	-	-	-	-	-	-	-	-	-	56,539	8,987	-	65,526	158	65,684	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	12,590,304	928,469	(14,918,773)	(1,400,000)	-	(1,400,000)	
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	(1,400,000)	-	(1,400,000)	-	-	(1,400,000)	
11.2	Transfers to Legal Reserves	-	-	-	-	-	-	-	-	-	-	12,590,304	(12,590,304)	-	-	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	14,918,773	(14,918,773)	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)		(5.2.11.)	4,595,131	24,525	1,874	-	(294,407)	-	2,970,921	2,141,679	(2,293,088)	18,321,507	1,694,635	11,381,535	38,544,312	74,705	38,619,017	

(*) Neova Katılım Sigorta A.Ş., a subsidiary of the Group, separately manages the risk fund and shareholders' fund formed due to the contributions of the participants 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, there is no return/(expense) amount of the risk fund due to participant contributions in the current period. The balance for the previous period is classified under the heading of "Other Liabilities" from the balance sheet items. (30 June 2022: TL 0)

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 FLOWS AS OF 30 JUNE 2023

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

6. STATEMENT OF CASH FLOWS

	Notes	Reviewed	Reviewed
		Current Period	Prior Period
		01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Assets and Liabilities from Banking Operations	9,464,324	2,486,669
1.1.1	Profit Share Income Received	21,733,968	5,617,255
1.1.2	Profit Share Expense Paid	(7,973,461)	(3,488,859)
1.1.3	Dividends Received	2,672	799
1.1.4	Fees and Commissions Received	2,424,760	1,272,199
1.1.5	Other Income	1,686,803	2,748,428
1.1.6	Collections from Previously Written Off Loans	875,766	498,812
1.1.7	Payments to Personnel and Service Suppliers	(2,810,862)	(1,261,409)
1.1.8	Taxes Paid	(1,588,268)	(185,304)
1.1.9	Others	(4,887,054)	(2,715,252)
1.2	Changes in Assets and Liabilities from Banking Operations	7,799,029	4,535,359
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(5,147,616)	(3,587,619)
1.2.2	Net (Increase) Decrease in Due from Banks and Other Financial Institutions	(8,868,499)	(7,418,044)
1.2.3	Net (Increase) Decrease in Loans	(80,703,322)	(39,264,631)
1.2.4	Net (Increase) Decrease in Other Assets	3,179,922	5,274,591
1.2.5	Net Increase (Decrease) in Bank Deposits	1,258,360	493,455
1.2.6	Net Increase (Decrease) in Other Deposits	70,575,736	45,116,174
1.2.7	Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss	-	179
1.2.8	Net Increase (Decrease) in Funds Borrowed	23,984,685	329,555
1.2.9	Net Increase (Decrease) in Due Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	3,519,763	3,591,699
I.	Net Cash Provided From / (Used in) Banking Operations	17,263,353	7,022,028
B.	CASH FLOWS FROM INVESTING ACTIVITIES	-	-
II.	Net Cash Provided from / (Used in) Investing Activities	(12,002,015)	(3,661,126)
2.1	Cash Paid for Purchase Jointly Controlled Operations, Associates and Subsidiaries	(122,500)	-
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries	-	-
2.3	Fixed Assets Purchases	(754,088)	(305,105)
2.4	Fixed Assets Sales	183,359	451,072
2.5	Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(5,540,486)	(6,136,944)
2.6	Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income	1,642,687	4,377,043
2.7	Cash Paid for Purchase of Investment Securities	(7,715,409)	(7,445,065)
2.8	Cash Obtained from Sale of Investment Securities	750,727	5,461,315
2.9	Other	(446,305)	(63,442)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	-	-
III.	Net Cash Provided from / (Used in) Financing Activities	(3,914,684)	(2,113,437)
3.1	Cash Obtained from Funds Borrowed and Securities Issued	3,550,000	6,635,000
3.2	Cash Used for Repayments of Funds Borrowed and Securities Issued	(5,997,484)	(8,461,780)
3.3	Equity Instruments Issued	-	-
3.4	Dividends Paid	(1,400,000)	(250,000)
3.5	Payments for Finance Leases	(67,200)	(36,657)
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	16,399,613	9,052,563
V.	Net Increase (Decrease) in Cash and Cash Equivalents	17,746,267	10,300,028
VI.	Cash and Cash Equivalents at the Beginning of the Period	51,426,421	39,743,404
VII.	Cash and Cash Equivalents at the End of the Period	69,172,688	50,043,432

The accompanying notes are an integral part of these financial statements

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NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

1. Explanations on basis of presentation

1.1. The preparation of the consolidated financial statements and related notes and explanations in accordance with The Turkish accounting standards and regulation on accounting applications for banks and safeguarding of documents

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

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

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

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

TAS 29, Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 30 June, 2023 in accordance with TAS 29. In this context, TAS 29 is not applied, and inflation adjustment has not been reflected in the financial statements as of June 30, 2023.

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. Comparative information is rearranged when deemed necessary in order to comply with the presentation of the current period financial statements. The Bank has made a reorganization in the cash flow statement of the previous period in order to ensure compliance with the presentation of the financial statements for the current period.

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

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

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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 Parent Bank finalized the purchase of Neova Katılım Sigorta A.Ş. by completing the share transfer process. The Parent 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 of 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced "TAS 39: Financial Instruments: Recognition and Measurement." standard.

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

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

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

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

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

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Classification and measurement of financial instruments

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

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

Explanations on expected credit loss

As of 1 January 2018, the 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.

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

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 June 30, 2023, the Group has been exposed to recession, geopolitical risks, inflation, unemployment, exchange rate risk, etc. with the effect of current internal and external conditions. In order to reflect the macroeconomic outlook and the upward risks that factors may pose on the bank's loan portfolio, it has revised its macroeconomic expectations and its calculations made considering the change in PD along with the update in the EDF model have been reflected in the financial statements. By its nature, the model effects are reflected in the financial statements with a delay due to the occurrence of the events and their effects at different times. For this reason, the Group is establishing additional provisions for the Wholesale and Retail Trade, Build, Construction, Contracting and Tourism sectors, whose PD is more sensitive to the current macroeconomic and geopolitical conjuncture among the sectors that are declining. The Parent Bank maintains this approach as of June 30, 2023. When deemed necessary, the future will review these assumptions according to the course of economic and geopolitical risks.

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

The 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.

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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 lifetime expected credit losses for such financial assets.

In this context, the basic considerations that are considered 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 lifetime expected credit losses for such financial assets.

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.

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 income with TFRS 15 Revenue from Customer Contracts.

1.8 Explanations on TFRS 16 leases standard

The leasing transactions are presented by the leases 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 Parent Bank measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments.

As of June 30, 2023, the right-of-use assets classified tangible assets gross amounting to TL 1,042,086 in the balance sheet of The Group and lease liabilities classified in the item of liabilities from lease transactions amounting to gross TL 1,101,197. In the six-month period that ended as of the same date, financial expenses amounting to TL 59,700 and depreciation expenses amounting to TL 124,570 were incurred.

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.

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3. Investments in associates and subsidiaries

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

The Parent Bank and Neova Katılım Sigorta A.Ş accounted for the mutual funds that KT Portföy Yönetimi A.Ş., a subsidiary of the Parent Bank, is "the fund founder and that the Group controls according to the methods, procedures and principles stated in ("TFRS 10") "Turkish Financial Reporting Standard for Consolidated Financial Statements" are accounted as per full consolidation method.

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

Title	Address (City/Country)	Main Operation	30.06.2023	31.12.2022	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
Neova Katılım Sigorta A.Ş.	Istanbul/Turkey	Financial Institutions	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institutions	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institutions	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	Financial Institutions	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Financial Institutions	75.56%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institutions	50.00%	50.00%	Accounted with equity pick-up
KT Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Birinci Katılım Serbest (TL) Fon	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Birinci Katılım Serbest (Döviz-Avro) Özel Fon	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş. Kobi Girişim Sermayesi Yatırım Fonu	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Lonca Girişim Sermayesi Yatırım Fonu	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Neova Katılım Serbest Özel (TL) Fon	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Neova Katılım Sigorta Özel Girişim Sermayesi Yatırım Fonu	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy NKS Katılım Serbest (TL) Özel Fon	Istanbul/Turkey	Investment Fund	100.00%	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.

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

The Group engages in foreign currency futures transactions in order to reduce foreign currency position risk and manage foreign currency liquidity. The Group's derivatives are classified as "Hedging Purposes" and "Financial Asset with Fair Value (GUD) Reflected in Profit/Loss". Accordingly, although some derivative transactions provide effective protection against risks for the Group economically, those that cannot be defined accountably for hedging purposes are recognized as "Financial Assets Reflected in Fair Value (GUD) Profit/Loss" and tracked in the "Derivative Financial Assets/Liabilities" account on the balance sheet with their fair value.

Obligations and receivables arising from derivative transactions are recorded in the accounts based on the contract amounts. The fair value of currency futures and swaps is calculated using the discounted cash flow model. Differences in the fair value of derivative transactions for trading purposes are recognized in the "Trading Income/Loss" item 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 TFRS 9. 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.

As of June 30, 2023, the Group's has no cash flow hedging transaction.

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 Parent 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 Parent Bank's financial position or performance. As of 30 June 2023, the Group 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 used by the Group granted are deferred and reflected to the income statement by using the internal rate of return method. Unearned portion of the commission and fees relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet.

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7. Explanations on financial assets

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

The 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 are made to gains, losses or profit shares that were previously recorded in the financial statements.

7.1 Financial assets at fair value through profit or loss

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

7.2 Financial assets at fair value through other comprehensive income

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

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

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

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

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7.3 Financial assets measured at amortized cost

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

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

7.4 Derivative financial assets

The major derivative instruments utilized by the Group's 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's 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 need 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 30 June 2023, the Group has repurchased agreement amounting to TL 540,645 (31 December 2022- TL 283,884).

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10. Explanations on assets held for sale and discontinued operations and related liabilities

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

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

A discontinued operation is a part of the Group’s that either has been disposed of or is classified as held for sale. Discontinued operations are presented separately in the income statement. The Group’s has no discontinued operations.

11. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

12. Explanations on tangible assets

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

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

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

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

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

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

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

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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 Parent Bank's alternative borrowing profit rate.

The right of the use asset

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

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

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

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

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

The Group 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 profit share rate.

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

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

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14. Explanations related to insurance technical provisions

TFRS 4 specifies that all contracts issued by insurance companies must be classified as insurance contracts or investment contracts. Contracts that carry a significant insurance risk are classified as insurance contracts. Insurance risk is defined as the risks that the party holding the insurance contract (insured) transfers to the insured party, other than the financial risk. Contracts that do not carry a significant insurance risk are classified as investment contracts. Investment contracts are accounted for within the framework of TAS 39 “Financial Instruments: Recognition and Measurement”.

In the consolidated financial statements, insurance technical provisions consist of the provision for unearned premiums and the provision for outstanding compensation.

The provision for unearned premiums consists of the portion of accrued premiums for insurance contracts in force that are grossly deducted for the next accounting period or accounting periods on a daily basis, without any commission or other discount.

The provision for outstanding compensation is reserved for compensation amounts that have been accrued and determined on an account but have not actually been paid in previous accounting periods or current accounting periods, or, if this amount has not been calculated, for compensation amounts that have been realized but not reported with their estimated costs.

The actuarial chain ladder method is used to estimate the amount of reserves that should be allocated in the current period according to the damage data that have been realized in the past. The amount of compensation found as a result of the method is added to the amount of compensation for outstanding compensation or subtracted from the amount of compensation for outstanding compensation.

Reinsurance companies allocate provisions according to their participation shares based on the actual compensation amounts reported, accrued and determined by the companies.

The insurance company affiliated to the Group pays premiums and risks in order to reduce its losses arising from the projected risks it is transferred as part of its operations. Insurance premiums transferred to reinsurers related to contracts that transfer significant insurance risks are expensed by spreading over the duration of the relevant policies in parallel with the accrual of insurance premium income arising from possible risks secured.

Variable costs directly related to insurance and reinsurance contracts, such as brokerage, commission, consortium expenses and other acquisition costs, are amortized in parallel with the recognition of premium earnings during the contract period.

15. Explanations related to insurance technical income and expenses

Premium income in insurance companies after deducting the shares transferred to reinsurers from the policy income issued consists of.

Expenses are recorded as the damages are realized, and at the end of the period, the reported and not yet paid damages and the provision for pending damages are allocated for the realized but not reported damages. The reinsurer's shares of outstanding and paid damages are clarified within these provisions.

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16. Explanations on provisions and contingent liabilities

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

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

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

When a reliable estimate of the amount of the obligation cannot be made or it is not probable that an outflow of the Group 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. The 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 Parent 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.

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

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18. Explanations on taxation

Current Tax

With the Law No. 7394 on the Assessment of Immovable Properties Belonging to the Treasury and the Amendment of the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022 and numbered 31810 and entered into force, and the Article 26 of the Law on the Amendment of Some Laws and Decree Laws and the paragraph added to the provisional Article 13 of the Corporate Tax Law No. 5520, The Corporate Tax rate will be applied as 25% for corporate earnings the taxation period of 2022.

This rate shall be applied to the tax base to be found because of adding expenses that are not accepted as deductions in accordance with the tax laws to the commercial earnings of the corporations and deducting the exemptions and deductions in the tax laws. If the profit is not distributed, no further tax is paid. In accordance with the tax legislation, as of July 1, 2022, the provisional tax rate will be paid at the rate of 25% on the quarterly bases, and the provisional taxes paid during the year are deducted from the corporate tax calculated on the annual corporate tax return of that year.

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

With the Communiqué Amending the General Communiqué on Tax Procedure Law (order no. 537) published in the Official Gazette numbered 32073 on 14 January 2023, the procedures and principles of the articles allowing the revaluation of real estates and depreciation units have been redrawn. By taking into consideration aforementioned Communiqué, the Bank, has been revaluated real estate and depreciation units within its balance sheet by providing conditions in the provisions of Tax Procedure Law's provisional Article 32 and duplicated Article 298/ç. Accordingly, corporate income tax has calculated with respect to revaluated real estate and depreciation units.

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 fulfil 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 thirty days of the fourth month following the balance sheet date and taxes is paid in one instalment 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 prior 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.

On January 20, 2022, the implementation of inflation accounting with the "Law on The Amendment of the Tax Procedure Law and the Corporate Tax Law" adopted on the agenda of the Turkish Grand National Assembly has been postponed starting from the balance sheet dated December 31, 2023.

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Deferred Tax

For taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, as per the provisions of “Turkish Accounting Standard on Income Taxes” (“TAS 12”), the Group calculates deferred tax asset or liability over all taxable temporary differences and deferred tax asset over taxable temporary differences, apart from the provisions related to participation accounts Expected Credit Losses for 12-Months (Stage 1) and due to the participation accounts 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 considered 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 the Group about share certificates.

21. Explanations on acceptances and availed drafts

Acceptances and availed 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: Retail Banking, Corporate and Commercial Banking, Treasury and International Banking. Each department serves with its own products and the results of the activities are monitored on the basis of these departments.

Segment reporting is disclosed in Section Four, Note 14.

24. Explanations on other matters

The Group has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

1. Explanations on consolidated equity items

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of June 30, 2023, Group’s total capital has been calculated as TL 55,359,504 (31 December 2022: TL 42,994,745), capital adequacy ratio is 24.04% (31 December 2022: 26.42%).

On March 23, 2020, the BRSA issued a press release stating that there were fluctuations in financial markets due to the COVID-19 pandemic. Therefore, in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy, as per the BRSA's Decision No. 9795 dated September 16, 2021, when calculating credit risk based amounts, the amounts of non-monetary assets, excluding items denominated in foreign currency measured at historical cost and in accordance with Turkish Accounting Standards, and their related specific provision amounts shall be calculated using the Central Bank of the Republic of Turkey's (CBRT) foreign currency buying rate as of December 31, 2021, unless otherwise decided by the Board, and in accordance with the decision of 31 January 2023 using the CBRT's foreign currency buying rate as of December 30, 2022, until a contrary Board decision is made.

Furthermore, within the scope of the regulations announced by the BRSA on December 21, 2021, if the net valuation differences of the securities in the portfolio of marketable securities accounted for in other comprehensive income are negative, the possibility has been granted to not take into account these differences in the equity amount to be used for the capital adequacy ratio.

The Parent Bank's legal capital adequacy ratio calculation has been made by taking into account the regulation changes mentioned above as of June 30, 2023.

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1.1. Information on consolidated equity items

	Current Period Amount	Prior Period Amount
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital to Be Entitled for Compensation After All Creditors	4,600,000	4,600,000
Share Premium	24,525	24,525
Reserves	18,321,507	5,674,664
Other Comprehensive Income According to TAS	3,183,796	5,307,706
Profit	13,076,170	15,675,952
Current Period Profit	11,381,535	14,918,773
Prior Period Profit	1,694,635	757,179
Minority Shares	74,705	67,913
Bonus Shares from Associates, Affiliates and Joint-Ventures Not Accounted in Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	39,280,703	31,350,760
Deductions From Common Equity Tier I Capital		
Valuation Adjustments Calculated as Per the Article 9. (I) Of The Regulation on Bank Capital	-	-
Current And Prior Periods' Losses Not Covered by Reserves, And Losses Accounted Under Equity According to TAS (-)	33,302	25,400
Leasehold Improvements on Operational Leases (-)	165,769	135,849
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	812,597	522,668
Remaining after deducting from the related deferred tax liability with the deferred tax asset based on future taxable income, except for deferred tax assets based on temporary differences	178,048	138,267
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	294,407	294,407
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 (-)	-	-
Total Deductions from Common Equity Tier I Capital	1,488,992	1,121,460
Total Common Equity Tier I Capital	37,791,711	30,229,300

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ADDITIONAL TIER I CAPITAL		
Privileged stocks not included in common equity and share premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	6,458,613	4,678,227
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	6,458,613	4,678,227
Deductions From Additional Tier I Capital		
Direct And Indirect Investments of the Bank on Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in The Article 7 of the Regulation	-	-
Total Of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% of the Issued Share Capital (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Items To Be Deducted from Tier I Capital During the Transition Period		
Goodwill And Other Intangible Assets and Related Deferred Taxes Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	6,458,613	4,678,227
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	44,250,324	34,907,527
Tier II Capital		
Debt Instruments and The Related Issuance Premiums Defined by the BRSA	9,042,058	6,549,519
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)	2,078,722	1,546,220
Tier II Capital before deductions	11,120,780	8,095,739
Deductions From Tier II Capital		
Direct and Indirect Investments of The Bank on Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Share Capital Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	11,120,780	8,095,739
Total Equity (Total Tier I And Tier II Capital)	55,371,104	43,003,266

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Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted Against the Articles 50 and 51 of the Banking Law (-)	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and The Assets Acquired Against Overdue Receivables and Held for Sale but Retained More Than Five Years (-)	10,144	7,898
Other Items to Be Defined by the BRSA (-)	1,456	623
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding the 10% Threshold of Above Tier I Capital Not Deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as Per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% of the Issued Share Capital Exceeding the 10% Threshold of Above Tier I Capital Not Deducted from Additional Tier I Capital or Tier II Capital as Per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or more of the issued Share Capital, of the Net Deferred Tax Assets Arising from Temporary Differences and of the Mortgage Servicing Rights not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
Capital		
Total Capital (Total of Tier I Capital and Tier II Capital)	55,359,504	42,994,745
Total Risk Weighted Assets	230,254,827	162,710,986
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	16.41	18.58
Tier I Capital Ratio (%)	19.22	21.45
Capital Adequacy Ratio (%)	24.04	26.42
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.52	2.52
Capital Conservation Buffer Ratio (%)	2.50	2.50
Systemic Significant Bank Buffer Ratio (%)	0.02	0.02
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 Of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	11.91	14.08
Amounts Lower Than Excesses as Per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% Or Less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% Or Less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising from Temporary Differences	-	-
Limits For Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (Before Limit of One Hundred and Twenty-Five Per Ten Thousand)	9,143,160	6,500,534
General Loan Provisions for Exposures in Standard Approach Limited By 1.25% of Risk Weighted Assets	2,078,722	1,546,220
Total Loan Provision That Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items Subject to Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items Subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-

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Information on debt instruments to be included in equity calculation:			
Issuer	KT One Company Limited	KT AT One Company Limited	KT21 T2 Company Limited
Mean Code (CUSIP, ISIN vb.)	XS2028862998	XS2227803819	XS2384355520
Legislation to which the mean is subject	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity
Consideration In Equity Calculation			
Subject to consideration application reduced by 10% from 1/1/2015	Not being subject	Not being subject	Not being subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Means Type	Subordinated Sukuk (Additional Tier I Capital)	Subordinated Sukuk (Additional Tier I Capital)	Subordinated Sukuk (Tier II Capital)
Amount considered in equity calculation (as of last reporting date-TL million)	5,167	1,292	9,042
Nominal value of the mean (TL million))	5,167	1,292	9,042
The account in which the mean is followed accounting	3470003	3470003	3470003
Export date of the mean	16/07/2019	28/09/2020	16/09/2021
Maturity structure of the mean (demand/term))	Demand	Demand	10 years and 3 months term
Initial maturity of the mean	5 Years (Due Date : 16/07/2024)	5 Years (Due Date : 29/09/2025)	5 Years and 3 months (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	29/09/2025 - Complete	16/12/2026 - Complete
Subsequent repayment option dates	16/07/2024	29/09/2025	16/12/2026
Dividend payments			
Fixed or variable dividend payments	Fixed dividend payments	Fixed dividend payments	Fixed dividend payments
Dividend ratio and index value for dividend ratio	9.13%	9.95%	6.125%
Whether there are any restrictions that stop paying dividends	None	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative	Noncumulative
Ability to convert to stock			
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertibles means, if convertible to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Value reduction feature			
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	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

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

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the Parent Bank's, and to provide the availability of adequate capital 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 Bank's 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 Parent Banks' risk profile and risk appetite.

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

2. Explanations on consolidated credit risk

It has not been prepared in the interim period in accordance with Article 25 of the Communiqué on Financial Statements to be Publicly Announced by Banks and the Related Explanations and Footnotes.

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. "Standard Method" and "Value at Risk Method" used in legal reporting are used to measure the currency risk that the Group is exposed to. Measurements made under the Standard Method are made on a monthly basis, and measurements made under the Value at Risk Method are made on a daily basis.

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

As of 30 June 2023, the Group consists of a balance sheet open position of TL 15,538,385 (December 31, 2022 - TL 15,916,283 closed) and off-balance sheet close position of TL 17,864,927 (December 31, 2022 - TL 13,326,434 open) with a close position of TL 2,326,542 (December 31, 2022 - TL 2,589,849 closed).

The announced current foreign exchange buying rates of the Parent Bank as of 30 June 2023 and the prior five working days are as follows (full TL):

	23/06/2023	26/06/2023	27/06/2023	28/06/2023	29/06/2023	Balance sheet valuation rate
USD	25.19847	25.75714	25.83445	25.83445	25.83445	25.83445
EURO	27.41717	28.07703	28.25416	28.25416	28.25416	28.25416
GBP	32.02598	32.76493	32.91044	32.91044	32.91044	32.91044
CHF	28.04047	28.7962	28.88052	28.88052	28.88052	28.88052
JPY	0.17601	0.17979	0.17995	0.17995	0.17995	0.17995

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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):

	FC Purchase Rate
USD	23.59299
EURO	25.58721
GBP	29.83298
CHF	26.21988
JPY	0.16720

Consolidated currency risk of the Group

Current Period	Euro	USD	Other FC (***)	Total
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	22,074,752	40,158,475	26,500,169	88,733,396
Banks (****)	2,105,080	5,455,339	4,635,793	12,196,212
Financial assets at fair value through profit and loss	388,924	2,345,259	18,330,002	21,064,185
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	10,410,780	13,146,772	-	23,557,552
Loans and finance lease receivables (*)	58,633,363	56,721,577	31,219	115,386,159
Subsidiaries, associates and joint ventures	-	-	-	-
Financial assets at amortized cost	994,119	16,738,800	1	17,732,920
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	80,394	1,284	-	81,678
Intangible assets	156,875	39	-	156,914
Other assets	243,722	321,529	7,417	572,668
Total assets	95,088,009	134,889,074	49,504,601	279,481,684
Liabilities				
Current account and funds collected from Banks via participation accounts	1,887,295	826,291	939,621	3,653,207
Current and profit-sharing accounts FC (***)	44,468,221	93,199,423	70,739,597	208,407,241
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	11,707,918	62,850,231	3,175,198	77,733,347
Marketable securities issued	-	-	-	-
Miscellaneous payables	500,087	907,956	3,792	1,411,835
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	966,091	2,195,246	653,102	3,814,439
Total liabilities	59,529,612	159,979,147	75,511,310	295,020,069
Net balance sheet position	35,558,397	(25,090,073)	(26,006,709)	(15,538,385)
Net off-balance sheet position	(33,769,592)	25,242,327	26,392,192	17,864,927
Financial derivative assets	2,231,411	40,823,759	29,741,242	72,796,412
Financial derivative liabilities	36,001,003	15,581,432	3,349,050	54,931,485
Non-cash loans (**)	5,670,627	13,061,868	1,186,756	19,919,251
Prior Period				
Total assets	67,470,465	100,600,387	56,437,815	224,508,667
Total liabilities	40,407,118	109,847,118	58,338,148	208,592,384
Net balance sheet position	27,063,347	(9,246,731)	(1,900,333)	15,916,283
Net off-balance sheet position	(27,365,245)	11,592,084	2,446,727	(13,326,434)
Financial derivative assets	1,715,162	25,332,901	6,437,465	33,485,528
Financial derivative liabilities	29,080,407	13,740,817	3,990,738	46,811,962
Non-cash loans (**)	4,390,498	7,471,331	677,328	12,539,157

(*) Includes foreign currency indexed loans amounting to TL 1,867,272 (31 December 2022 – TL 1,798,529) and includes expected loss provision amounting to TL 7,933,037 followed as TL on the balance sheet.

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

(***) Also, precious metals are included in "Other FC" column. The balance sheet includes provisions for expected losses in the amount of TL 936.

(****) Other liabilities at fair value through TL 7,708 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 204,751.

(*****) Includes provisions for expected losses amounting to TL 7,219 were deducted from the cash values and the relevant lines from the Central Bank and Banks accounts.

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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 130,614 (31 December 2022 – TL 217,686)
- Prepaid expenses: TL 1,252 (31 December 2022 – TL 1,823)
- Derivative financial liabilities held for trading: TL 853,655 (31 December 2022 – TL 167,924)
- Marketable securities of FC revaluation reverse: TL 214,728 (31 December 2022 – TL 56,643)
- Derivative financial liabilities held for hedging: None. (31 December 2022 – None).

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

- Forward foreign currency purchase transactions TL 1,287,193 (31 December 2022 – TL 2,626,196)
- Forward foreign currency sale transactions: TL 1,287,809 (31 December 2022 – TL 2,949,996)
- Precious metals purchase transactions TL 27,597,742 (31 December 2022 – TL 4,086,434)
- Precious metals sale transactions TL 3,016,216 (31 December 2022 – TL 2,111,460)

Sensitivity to exchange rate risk

The Group is largely exposed to exchange rate risk in Euros, US dollars and Gold.

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

	Change in exchange rate (%)	Effect on profit / loss		Effect on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	15,225	234,535	240,852	305,250
EUR	10%	178,880	(30,190)	(184,837)	(26,251)
GOLD	10%	351,803	57,443	351,803	57,443

4. Explanations on stock position risk arising from banking accounts

4.1 Relation of risks with gains accounted under equity and analysing 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.

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

Current Period	Comparison		
Equity Securities (shares) investments	Carrying Value	Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	283,639	-	283,639
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	123,680	-	-
Quoted Securities	-	-	-
Other	222,077	-	-
Quoted Securities	-	-	-
<hr/>			
Prior Period	Comparison		
Equity Securities (shares) investments	Carrying Value	Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	180,898	-	180,898
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	143,337	-	-
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 Parent Bank's is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. It has been evaluated in two main categories:

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

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

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

The Parent Bank's liquidity risk ratios are well above the legal limits. The Parent Bank maintains its liquidity buffer at high levels, taking into account periods when liquidity risk may increase.

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

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

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

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

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

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

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

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

5.5 Information on liquidity risk mitigation techniques

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

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5.6. Information on the use of stress tests

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

5.7. General information on emergency funding plan

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

5.8. Presentation of financial liabilities according to contractual maturities

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

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5.9 Liquidity coverage ratio

Current Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	91,505,369	71,734,112	89,586,878	69,815,620
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	106,510,257	16,988,060	9,561,932	1,698,806
3	Stable deposits	21,781,865	-	1,089,093	-
4	Less stable deposits	84,728,392	16,988,060	8,472,839	1,698,806
5	Unsecured wholesale funding, of which:	67,884,943	39,776,181	42,449,924	26,237,411
6	Operational deposits	-	-	-	-
7	Non-operational deposits	45,103,550	24,282,871	19,668,531	10,744,101
8	Unsecured funding	22,781,393	15,493,310	22,781,393	15,493,310
9	Secured wholesale funding				
10	Other cash outflows of which:	72,354,021	68,062,905	72,354,021	68,062,905
11	Outflows related to derivative exposures and other collateral requirements	45,214,983	40,923,867	45,214,983	40,923,867
12	Outflows related to restructured financial Instruments	27,139,038	27,139,038	27,139,038	27,139,038
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	64,488,651	15,596,127	5,538,068	836,044
16	TOTAL CASH OUTFLOWS			129,903,945	96,835,166
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	64,640,927	33,481,608	47,140,240	23,703,681
19	Other cash inflows	45,642,250	44,545,951	45,642,250	44,545,951
20	TOTAL CASH INFLOWS	110,283,177	78,027,559	92,782,490	68,249,632
				Upper Limit Applied Value	
21	TOTAL HQLA STOCK			89,586,878	69,815,620
22	TOTAL NET CASH OUTFLOWS			37,121,455	28,585,534
23	LIQUIDITY COVERAGE RATIO (%)			241.33	244.23

(*) The simple arithmetic average calculated for the last three months of the values calculated by taking the monthly simple arithmetic average.

1 January – 30 June, 2023 The lowest, highest and average liquidity coverage ratios calculated by monthly periods are included in the table below:

	Highest	Date	Lowest	Date	Average
TL+FC	284.33	06/2023	204.35	05/2023	239.24
FC	270.42	04/2023	210.53	05/2023	242.06

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

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Prior Period		Total Unweighted Value (Average) (*) TL+FC		Total Weighted Value (Average) (*) FC	
		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	94,960,857	78,081,043	88,514,401	71,634,587
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	99,249,224	23,220,871	8,995,739	2,322,087
3	Stable deposits	18,583,668	-	929,183	-
4	Less stable deposits	80,665,556	23,220,871	8,066,556	2,322,087
5	Unsecured wholesale funding, of which:	66,748,880	49,629,381	40,259,996	31,468,073
6	Operational deposits	-	-	-	-
7	Non-operational deposits	50,714,038	36,118,762	24,225,154	17,957,454
8	Unsecured funding	16,034,842	13,510,619	16,034,842	13,510,619
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	40,020,979	37,012,500	40,020,979	37,012,500
11	Outflows related to derivative exposures and other collateral requirements	38,650,195	35,641,716	38,650,195	35,641,716
12	Outflows related to restructured financial Instruments	1,370,784	1,370,784	1,370,784	1,370,784
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	44,609,968	11,760,708	4,427,963	824,667
16	TOTAL CASH OUTFLOWS	-	-	93,704,677	71,627,327
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	56,949,221	39,759,567	43,422,629	31,875,515
19	Other cash inflows	40,502,895	36,679,035	40,502,895	36,679,035
20	TOTAL CASH INFLOWS	97,452,116	76,438,602	83,925,524	68,554,550
				Upper Limit Applied Values	
21	TOTAL HQLA STOCK			88,514,401	71,634,587
22	TOTAL NET CASH OUTFLOWS			23,426,169	17,906,832
23	LIQUIDITY COVERAGE RATIO (%)			377.84	400.04

(*) The average calculated for the last three months of the liquidity coverage ratio calculated by taking the monthly simple arithmetic average.

1 October– 31 December 2022 The lowest, highest and average liquidity coverage ratios calculated by monthly periods are included in the table below

Prior Period

	Highest	Date	Lowest	Date	Average
TL+FC	406.28	12/2022	351.88	12/2022	377.88
FC	440.20	10/2022	365.95	12/2022	399.34

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

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Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 months	1-3 months	3-12 months	1-5 Years	Over 5 years	Unallocated (***)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	51,770,150	55,415,534	-	-	-	-	(1,352)	107,184,332
Banks (*)	18,285,859	2,764	2,226,324	-	-	-	(1,667)	20,513,280
Financial assets at fair value through profit and loss	-	51,400	1,532,326	17,649,118	4,680,804	434,732	2,095,331	26,443,711
Money market placements	-	1,910,447	-	-	-	-	-	1,910,447
Financial assets at fair value through other comprehensive income	29,947	347,699	7,526	31,648,749	21,183,666	9,235,713	220,892	62,674,192
Loans (**)	(102,899)	52,506,063	47,041,214	121,402,426	67,913,784	10,977,345	(14,214,268)	285,523,665
Financial assets measured with amortized cost	-	-	-	-	27,705,574	7,127,653	(24,960)	34,808,267
Other assets (***)	32,310,998	1,040,398	4,197	-	2,610,491	-	10,614,336	46,580,420
Total assets	102,294,055	111,274,305	50,811,587	170,700,293	124,094,319	27,775,443	(1,311,688)	585,638,314
Liabilities								
Current account and funds collected from banks via participation accounts	3,861,829	29	-	-	-	-	-	3,861,858
Current and profit-sharing accounts	205,856,241	83,210,781	60,689,424	57,242,839	2,312,228	11,960	-	409,323,473
Funds provided from other financial institutions	-	40,918,683	6,023,872	11,238,127	10,673,320	9,064,200	-	77,918,202
Money market borrowings	-	290,357	256,761	-	-	-	-	547,118
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	33,822,772	541,191	-	-	-	-	-	34,363,963
Other Liabilities (****)	-	4,406,098	2,191,665	296,658	373,155	52,065	52,304,059	59,623,700
Total Liabilities	243,540,842	129,367,139	69,161,722	68,777,624	13,358,703	9,128,225	52,304,059	585,638,314
Net liquidity gap	(141,246,787)	(18,092,834)	(18,350,135)	101,922,669	110,735,616	18,647,218	(53,615,747)	-
Prior Period								
Total assets	55,653,237	78,023,305	36,815,753	98,356,472	115,774,777	23,113,113	(3,756,146)	403,980,511
Total liabilities	168,583,632	87,906,831	66,146,294	24,186,285	9,606,484	6,613,206	40,937,779	403,980,511
Net liquidity gap	(112,930,395)	(9,883,526)	(29,330,541)	74,170,187	106,168,293	16,499,907	(44,693,925)	-

(*) Presented with netting off expected credit losses.

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

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

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

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6. Explanations on consolidated leverage ratio

6.1 Disclosure of leverage ratio template

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

On-balance sheet assets (*)		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	513,248,556	399,281,673
2	(Assets amounts deducted in determining Basel III Tier I Capital)	(13,642,451)	(901,684)
3	Total amount on-balance sheet risks (sum of lines 1 and 2)	499,606,105	398,379,989
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	717,849	612,546
5	The potential amount of credit risk with derivative financial instruments and credit derivatives	563,350	429,157
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,281,199	1,041,703
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	11,786,476	5,199,746
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	11,786,476	5,199,746
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	128,266,878	107,965,469
11	(Adjustments for conversion to credit equivalent amounts)	(49,461,084)	(49,406,445)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	78,805,794	58,559,024
Capital and total risks			
13	Tier I Capital	39,846,514	33,064,369
14	Total risks (sum of lines 3, 6, 9 and 12)	591,479,574	463,180,462
Leverage ratio			
15	Leverage ratio	6.74	7.14

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

The leverage ratio calculated on the basis of the arithmetic average of 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 6.74% (31 December 2022 – 7.14%). The main reason for the change compared to the previous period is that the increase in capital, on-balance sheet assets and derivative financial assets and credit derivatives items is higher than other items. Accordingly, main capital increased by 21% from profit for the period, while on-balance sheet risk increased by 25%, off-balance sheet items increased by 35%. Accordingly, there is an increase of 38 basis points in the current period leverage ratio compared to the prior period.

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

9. Explanations on consolidated hedge accounting practices

None (31 December 2022 – None).

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10. Explanations on consolidated risk management

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

10.1 Explanations related to risk management and risk weighted amounts

10.1.1 GB1 – Bank's risk management approach

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/06/2023	Prior Period 31/12/2022	Current Period 30/06/2023
1	Credit risk (excluding counterparty credit risk) (CCR)	165,391,572	122,821,665	13,231,326
2	Standardized approach (SA)	165,391,571	122,821,665	13,231,326
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	906,201	875,913	72,496
5	Standardized approach for counterparty credit risk (SA-CCR)	906,201	875,913	72,496
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models' equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
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	28,224,714	21,968,861	2,257,977
17	Standardized approach (SA)	28,224,714	21,968,861	2,257,977
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	35,732,340	17,044,547	2,858,587
20	Basic indicator approach	35,732,340	17,044,547	2,858,587
21	Standardized approach			
22	Advanced measurement approach			
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)			
24	Floor adjustment			
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	230,254,827	162,710,986	18,420,386

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10.2. General qualitative information on credit risk

10.2.1. Credit quality of assets

Current Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-Defaulted		
1	Loans	3,750,269	300,773,415	3,552,321	300,971,363
2	Debt securities	-	98,737,720	1,230,301	97,507,419
3	Off-balance sheet exposures (*)	796,406	75,278,701	792,153	75,282,955
4	Total	4,546,675	474,789,836	5,574,775	473,761,737

(*) The accounts of derivative transactions are shown in the net impairment line.

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	3,272,778	205,682,570	3,114,791	205,840,557
2	Debt securities	-	80,581,550	318,220	80,263,330
3	Off-balance sheet exposures (*)	608,718	55,834,541	604,897	55,838,362
4	Total	3,881,496	342,098,661	4,037,908	341,942,249

(*) The accounts of derivative transactions are shown in the net impairment line.

10.2.2. Changes in Stock of Defaulted Loans and Debt Securities

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the prior reporting period	3,272,778	3,082,515
2	Loans and debt securities that have been defaulted since the last reporting period	1,618,882	1,763,506
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	(265,624)	(556)
5	Other changes	(875,767)	(1,572,687)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	3,750,269	3,272,778

10.2.3. Changes in Stock of Defaulted Loans and Debt Securities

Current Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	169,530,615	119,500,396	37,072,278	11,940,352	9,469,204	-	-
2	Debt securities	97,507,419	-	-	-	-	-	-
3	Total	267,038,034	119,500,396	37,072,278	11,940,352	9,469,204	-	-
4	Overdue	148,768	35,069	517	14,111	6,226	-	-

Prior Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	148,816,023	47,514,045	11,011,602	9,510,489	7,503,993	-	-
2	Debt securities	80,263,330	-	-	-	-	-	-
3	Total	229,079,353	47,514,045	11,011,602	9,510,489	7,503,993	-	-
4	Overdue	110,534	29,979	619	17,474	8,848	-	-

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10.2.4. Standard approach - Exposure to credit risk and credit risk reduction effects

	Risk Classes	Credit conversion rate and amount receivable before credit risk reduction		Credit conversion rate and credit risk reduction		Risk-weighted amount and risk-weighted amount density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk-weighted amount	Risk-weighted amount density
1	Receivables from central governments or central banks	186,464,922	-	193,448,342	-	-	-
2	Receivables from regional or local governments	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4	Receivables from multilateral development banks	638,820	-	638,820	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage firms	23,466,804	1,540,645	23,466,804	472,410	6,958,514	29
7	Corporate receivables	78,843,160	21,677,131	72,513,726	9,674,140	66,428,286	81
8	Retail receivables	45,570,268	33,970,254	45,150,245	7,127,330	30,684,976	59
9	Receivables secured by residential real estate mortgages	17,194,422	2,955,818	17,116,424	1,330,652	5,643,447	31
10	With a receivable secured by a commercial real estate mortgage	27,003,606	8,076,271	26,853,089	3,784,206	17,509,628	57
11	Overdue receivables	129,116	-	123,668	-	61,935	50
12	Receivables with high risk determined by the Board	14,519,773	-	14,519,774	-	31,033,992	214
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and brokerage firms and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment institutions	-	-	-	-	-	-
16	Other receivables	22,850,059	-	22,850,059	-	6,379,610	28
17	Stock investments	691,183	-	691,183	-	691,183	100
18	Total	417,372,133	68,220,119	417,372,134	22,388,738	165,391,571	

10.2.5 Standard approach - Receivables based on risk classes and risk weights

Risk Classes / Risk Weights *	0%	10%	20%	50%	75%	100%	150%	200%	Others*	Total credit risk* (CCR and CVA)
1 Receivables from central governments or central banks	193,448,342	-	-	-	-	-	-	-	-	193,448,342
2 Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	638,820	-	-	-	-	-	-	-	-	638,820
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage firms	234,739	-	17,925,165	4,811,653	-	967,657	-	-	-	23,939,214
7 Corporate receivables	12,998,176	-	3,451,755	-	-	65,737,935	-	-	-	82,187,866
8 Retail receivables	11,149,741	-	619,870	-	39,787,847	720,117	-	-	-	52,277,575
9 Receivables secured by residential real estate mortgages	2,205,804	-	273,323	-	-	-	-	-	15,967,949	18,447,076
10 Receivables secured by commercial real estate mortgages	4,382,574	-	1,192,219	15,582,635	-	9,479,867	-	-	-	30,637,295
11 Overdue receivables	481	-	97	122,349	-	741	-	-	-	123,668
12 Receivables with high risk determined by the Board	7,810	-	409	-	-	-	206,024	13,600,927	704,604	14,519,774
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14 Short-term receivables from banks and brokerage firms and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-
15 Investments in the nature of collective investment institutions	-	-	-	-	-	-	-	-	-	-
16 Stock investments	-	-	-	-	-	691,183	-	-	-	691,183
17 Other Receivables	16,162,038	-	385,514	-	-	6,302,507	-	-	-	22,850,059
18 Total	241,228,525	-	23,848,352	20,516,637	39,787,847	83,900,007	206,024	13,600,927	16,672,553	439,760,872

*35% Risk Weight Classified in Others

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10.3 Counterparty credit risk (CCR) approach analysis

10.3.1 Evaluation of counterparty credit risk according to measurement methods

	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) (*)	506,133	454,594		1.4	1,345,017	624,255
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	Total						624,255

* In counterparty credit risk calculations, the Valuation Method according to its fair value is used.

	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) (*)	523,377	383,697		1.4	1,269,904	756,210
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	Total						756,210

* In counterparty credit risk calculations, the Valuation Method according to its fair value is used.

10.3.2 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	1,345,017	281,947	1,269,903	119,703
4 Total subject to the CVA capital obligation	1,345,017	281,947	1,269,903	119,703

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10.3.3 CCR exposures by risk class and risk weights

Current 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	2,002,663	-	-	-	-	-	-	-	-	-
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	-	-	530,616	564,149	-	28,522	-	-	-	416,720
7	Receivables from corporate	-	-	-	-	-	164,941	-	-	-	164,941
8	Retail receivables	-	-	-	-	56,792	-	-	-	-	42,594
9	Other receivables	-	-	-	-	-	-	-	-	-	-
18	Total	2,002,663	-	530,616	564,149	56,792	193,463	-	-	-	624,255

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

** Other assets: Includes amounts that are not included in the counterparty credit risk reported in the template KKR8.

*** 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	84,140	-	-	-	-	-	-	-	-	-
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	-	-	383,552	364,155	-	58,361	-	-	-	317,149
7	Receivables from corporate	-	-	-	-	-	364,738	-	-	-	364,738
8	Retail receivables	-	-	-	-	99,097	-	-	-	-	74,323
9	Other receivables	-	-	-	-	-	-	-	-	-	-
18	Total	84,140	-	383,552	364,155	99,097	423,099	-	-	-	756,210

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

** Other assets: Includes amounts that are not included in the counterparty credit risk reported in the template KKR8.

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

10.3.4 Guarantees used for counterparty credit risk: None

10.3.5 Credit derivatives: None

10.3.6 Risks to the central counterparty ("CCT"): None

11. Securitization positions

None.

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

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

13. Qualitative explanations on market risk

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

14. Disclosures regarding the consolidated operating segments

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

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

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

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

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Specific balance sheet and income statement items according to segments

Current Period 1 January 2023-30 June 2023	Retail Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	The Group's total operation
Operating income	13,162,925	21,043,057	5,642,003	-	39,847,985
Operating expenses (-)	13,364,389	3,423,617	830,460	8,011,321	25,629,787
Transfers between segments	6,789,713	(4,554,884)	(2,234,829)	-	-
Net operating income(loss)	6,588,249	13,064,556	2,576,714	(8,011,321)	14,218,198
Income from shareholders who have applied equity management	-	-	-	78,740	78,740
Income (loss) before tax	6,588,249	13,064,556	2,576,714	(7,932,581)	14,296,938
Provision for taxation (-)	-	-	-	2,908,769	2,908,769
Net income for the period	6,588,249	13,064,556	2,576,714	(10,841,350)	11,388,169
Current Period 30 June 2023					
Segment assets	90,239,915	179,603,599	274,344,968	-	544,188,482
Associates, subsidiaries and joint ventures	-	-	-	345,757	345,757
Undistributed assets	-	-	-	41,104,075	41,104,075
Total assets	90,239,915	179,603,599	274,344,968	41,449,832	585,638,314
Segment liabilities	349,018,185	64,714,264	79,924,614	-	493,657,063
Undistributed liabilities	-	-	-	53,362,234	53,362,234
Shareholders' equity	-	-	-	38,619,016	38,619,017
Total liabilities	349,018,185	64,714,264	79,924,614	91,981,250	585,638,314
Prior Period 1 January 2022 – 30 June 2022					
Operating income	6,984,108	6,037,932	7,237,157	-	20,259,197
Operating expenses (-)	5,921,513	1,615,321	1,240,215	3,684,517	12,461,566
Transfers between segments	3,854,997	(2,915,433)	(939,564)	-	-
Net operating income(loss)	4,917,592	1,507,178	5,057,378	(3,684,517)	7,797,631
Income from shareholders who have applied equity management	-	-	-	29,070	29,070
Income (loss) before tax	4,917,592	1,507,178	5,057,378	(3,655,447)	7,826,701
Provision for taxation (-)	-	-	-	1,566,216	1,566,216
Net income for the period	4,917,592	1,507,178	5,057,378	(5,221,663)	6,260,485
Prior Period 31 December 2022					
Segment assets	63,362,805	120,864,395	210,923,809	-	395,151,009
Associates, subsidiaries and joint ventures	-	-	-	167,017	167,017
Undistributed assets	-	-	-	8,662,485	8,662,485
Total assets	63,362,805	120,864,395	210,923,809	8,829,502	403,980,511
Prior Period 31 December 2022					
Segment liabilities	256,562,048	55,972,626	42,313,721	-	354,848,395
Undistributed liabilities	-	-	-	18,361,781	18,361,781
Shareholders' equity	-	-	-	30,770,335	30,770,335
Total liabilities	256,562,048	55,972,626	42,313,721	49,132,116	403,980,511

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to consolidated assets

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	1,621,543	20,060,424	2,216,128	9,241,195
The Central Bank of Republic of Turkey	16,753,745	63,274,214	6,272,849	58,400,892
Other (*)	76,064	5,399,694	55,900	3,278,301
Total	18,451,352	88,734,332	8,544,877	70,920,388

(*) As of 30 June 2023, precious metal account amounting to TL 4,862,527 (31 December 2022 - TL 3,278,301) and money in transit amounting to TL 613,231 (31 December 2022 - TL 55,900) 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	16,753,745	7,858,680	6,272,849	12,263,740
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	55,415,534	-	46,137,152
Total	16,753,745	63,274,214	6,272,849	58,400,892

1.1.3 Explanations on required reserves

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 0% 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 June 30, 2023, there is TL 256,761 (December 31, 2022 - TL 150,040) of financial assets that are subject to repo transactions, the difference in fair value is reflected in profit / loss. There is no guarantee given, there is no blocked (31 December 2022 - None).

Positive differences related to marketable derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	4,514	32,025	242,868	59,408
Swap transactions	4,618,448	98,589	218,386	158,278
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	4,622,962	130,614	461,254	217,686

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1.3 Information on Banks

1.3.1. Information on Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	8,317,118	12,197,829	3,766,630	17,735,475
Domestic	8,317,118	606,994	3,766,630	1,248,360
Foreign	-	11,590,835	-	16,487,115
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	8,317,118	12,197,829	3,766,630	17,735,475

1.3.2 Information on foreign banks account

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

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

	Current Period	Prior Period
Debt Securities	63,803,630	57,840,042
Quoted on stock exchange	63,803,630	57,840,042
Not quoted on stock exchange	-	-
Share certificates / Investment Funds	133,625	89,099
Quoted on stock exchange	29,947	19,920
Not quoted on stock exchange	103,678	69,179
Impairment provision (-)	1,263,063	344,012
Total	62,674,192	57,585,129

1.4.1. Information on given collateral or blocked financial assets at fair value through other comprehensive income

As of the balance sheet date, there is given collateral financial assets amounting to TL 47,791,918 (31 December 2022: TL 39,231,073) at fair value through to other comprehensive income

1.4.2. Information on subject to repurchase agreement financial assets at fair value through other comprehensive income

As of the balance sheet date, there is a repurchase agreement financial assets amounting to TL 283,883 (31 December 2022: 274,871) at fair value through other comprehensive income.

1.5 Explanations on financial assets measured at amortized cost

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	33,962	60,684	26,634	45,210
Corporate shareholders	9,122	60,320	10,779	45,163
Real person shareholders	24,840	364	15,855	47
Indirect loans granted to shareholders	5,148	18,649	2,176,543	1,849
Loans granted to employees	186,660	4,550	74,237	1,494
Total	225,770	83,883	2,277,414	48,553

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1.5.2 Information on standard loans, loans under close monitoring and restructured loans under close monitoring

Current Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	250,078,118	15,329,101	4,198,960	-
Export Loans	29,257,297	606,998	-	-
Import Loans	13,659,021	287,792	-	-
Corporation Loans	127,082,173	10,544,074	2,942,704	-
Consumer Loans	22,016,954	713,413	14,007	-
Credit Cards	21,135,231	1,533,111	9,066	-
Loans given to financial sector	7,334,676	-	-	-
Other	29,589,715	1,643,713	1,233,183	-
Other Receivables	250	5,196	-	-
Total	250,075,317	15,334,297	4,198,960	-

Prior Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	171,966,419	9,376,847	2,888,282	-
Export Loans	18,434,765	215,570	-	-
Import Loans	10,128,793	317,949	-	-
Corporation Loans	85,393,999	7,160,333	2,868,223	-
Consumer Loans	16,949,800	431,043	14,112	-
Credit Cards	9,934,053	601,788	5,947	-
Loans given to financial sector	7,518,682	-	-	-
Other	23,606,327	650,164	-	-
Other Receivables	227	364	-	-
Total	171,966,646	9,377,211	2,888,282	-

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

	Standard Loans Current Period	Loans and other receivables under close monitoring Current Period	Standard Loans Prior Period	Loans and other receivables under close monitoring Prior Period
12 Month Expected Credit Losses	8,772,692	-	5,882,549	-
Other Financial Assets Measured at Amortized Cost Expected Credit Losses	24,960	-	10,210	-
Significant Increase in Credit Risk	-	5,726,049	-	4,847,784
Total	8,797,652	5,726,049	5,892,759	4,847,784

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

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	487,673	17,622,465	18,110,138
Real Estate Loans	64,447	10,875,926	10,940,373
Vehicle Loans	172,277	5,069,087	5,241,364
Consumer Loans	113,701	528,318	642,019
Other	137,248	1,149,134	1,286,382
Consumer Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	65,742	4,460,172	4,525,914
Real Estate Loans	56,280	4,035,318	4,091,598
Vehicle Loans	8,021	399,764	407,785
Consumer Loans	1,441	25,090	26,531
Other	-	-	-
Retail Credit Cards-TL	4,841,139	24	4,841,163
With Instalment	1,501,275	24	1,501,299
Without Instalment	3,339,864	-	3,339,864
Retail Credit Cards-FC	1,537	12,751	14,288
With Instalment	-	12,751	12,751
Without Instalment	1,537	-	1,537
Personnel Loans-TL	7,782	100,539	108,321
Real Estate Loans	-	10,660	10,660
Vehicle Loans	3,292	42,020	45,312
Consumer Loans	4,448	47,859	52,307
Other	42	-	42
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	95,305	2	95,307
With Instalment	43,789	2	43,791
Without Instalment	51,516	-	51,516
Personnel Credit Cards-FC	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	5,499,178	22,195,953	27,695,131

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Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	315,884	14,332,601	14,648,485
Real Estate Loans	54,319	10,456,951	10,511,270
Vehicle Loans	105,743	2,919,962	3,025,705
Consumer Loans	91,397	418,177	509,574
Other	64,425	537,511	601,936
Consumer Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	311	2,713,906	2,714,217
Real Estate Loans	-	2,488,936	2,488,936
Vehicle Loans	-	208,939	208,939
Consumer Loans	311	16,031	16,342
Other	-	-	-
Retail Credit Cards-TL	2,489,352	25	2,489,377
With Instalment	724,471	25	724,496
Without Instalment	1,764,881	-	1,764,881
Retail Credit Cards-FC	9,246	-	9,246
With Instalment	-	-	-
Without Instalment	9,246	-	9,246
Personnel Loans-TL	2,783	29,470	32,253
Real Estate Loans	-	4,264	4,264
Vehicle Loans	1,253	12,971	14,224
Consumer Loans	1,506	12,235	13,741
Other	24	-	24
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	48,957	2	48,959
With Instalment	24,282	2	24,284
Without Instalment	24,675	-	24,675
Personnel Credit Cards-FC	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	2,866,533	17,076,004	19,942,537

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1.5.5 Information on commercial instalment loans and corporate credit cards

Current Period	Short term	Medium and long term	Total
Commercial Instalment Loans-TL	8,369,485	14,726,965	23,096,450
Business Loans	123,822	1,817,022	1,940,844
Vehicle Loans	6,793,892	8,819,169	15,613,061
Consumer Loans	1,451,771	4,090,774	5,542,545
Other	-	-	-
Commercial Instalment Loans-FC Indexed	14,922	482,797	497,719
Business Loans	14,922	88	15,010
Vehicle Loans	-	-	-
Consumer Loans	-	482,709	482,709
Other	-	-	0
Commercial Instalment Loans-FC	6,613,869	8,454,084	15,067,953
Business Loans	750,515	983,972	1,734,487
Vehicle Loans	37,941	2,131,816	2,169,757
Consumer Loans	-	-	-
Other	5,825,413	5,338,296	11,163,709
Corporate Credit Cards-TL	17,692,702	-	17,692,702
With Instalment	11,443,964	-	11,443,964
Without Instalment	6,248,738	-	6,248,738
Corporate Credit Cards-FC	4,312	34,793	39,105
With Instalment	-	-	-
Without Instalment	4,312	34,793	39,105
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	32,695,290	23,698,639	56,393,929

Prior Period	Short term	Medium and long term	Total
Commercial Instalment Loans-TL	8,579,186	15,698,855	24,278,041
Business Loans	220,671	1,792,159	2,012,830
Vehicle Loans	7,015,444	9,173,167	16,188,611
Consumer Loans	1,343,071	4,733,529	6,076,600
Other	-	-	-
Commercial Instalment Loans-FC Indexed	10,521	459,633	470,154
Business Loans	10,521	2,399	12,920
Vehicle Loans	-	-	-
Consumer Loans	-	457,234	457,234
Other	-	-	-
Commercial Instalment Loans-FC	2,090,870	8,461,500	10,552,370
Business Loans	-	751,994	751,994
Vehicle Loans	62,520	1,482,522	1,545,042
Consumer Loans	-	16,057	16,057
Other	2,028,350	6,210,927	8,239,277
Corporate Credit Cards-TL	7,959,725	-	7,959,725
With Instalment	4,467,414	-	4,467,414
Without Instalment	3,492,311	-	3,492,311
Corporate Credit Cards-FC	34,481	-	34,481
With Instalment	-	-	-
Without Instalment	34,481	-	34,481
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	18,674,783	24,619,988	43,294,771

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1.5.6 Breakdown of loans by users

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1.5.7 Breakdown of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	244,257,279	164,463,609
Foreign loans	25,351,295	19,768,530
Total	269,608,574	184,232,139

1.5.8 Loans granted to subsidiaries and associates

	Current Period	Prior Period
Loans granted directly to subsidiaries and associates	4,998	127
Loans granted indirectly to subsidiaries and associates	-	-
Total	4,998	127

1.5.9 Specific provisions for loans or default (third stage) provisions

	Current Period	Prior Period
Loans and receivables with limited collectability	238,117	92,504
Loans and receivables with doubtful collectability	170,453	265,907
Uncollectible loans and receivables	3,143,751	2,756,380
Total	3,552,321	3,114,791

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	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period:			
(Gross Amount Before Specific Provisions)	-	-	671,183
Restructured Loans and Receivables	-	-	671,183
Prior Period:			
(Gross Amount Before Specific Provisions)	-	-	672,696
Restructured Loans and Receivables	-	-	672,696

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1.5.10.2 Information on the movement of total non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Ending balance of prior period 31.12.2022	148,232	304,294	2,820,252
Additions in the current period (+)	360,321	232,660	1,025,900
Transfers from other categories of non-performing loans (+)	-	124,323	450,859
Transfers to other categories of non-performing loans (-)	124,323	450,859	-
Collections in the current period (-)	53,234	22,920	799,612
Write offs (-)(*)	-	-	265,624
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	330,996	187,498	3,231,775
Specific provisions (-)	238,117	170,453	3,143,751
Net balances on balance sheet	92,879	17,045	88,024

(*) The Parent Bank has deleted its receivables amounting to TL 265,624 from its assets by the decision of the board of directors dated April 27, 2023. As a result of this transaction, there was an effect of 0.0009 basis points on the tracking conversion rate.

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period			
Ending balance of prior period 31.12.2021	204,088	151,392	2,727,035
Additions in the current period (+)	254,089	208,514	1,300,904
Transfers from other categories of non-performing loans (+)	-	186,595	216,062
Transfers to other categories of non-performing loans (-)	186,595	216,062	-
Collections in the current period (-)	123,350	26,145	1,423,193
Write offs (-)	-	-	556
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	148,232	304,294	2,820,252
Specific provisions (-)	92,504	265,907	2,756,380
Net balance at the balance sheet	55,728	38,387	63,872

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

	Group III	Group IV	Group V
Current Period:			
Ending balance of the current period	117,866	34,692	913,898
Provision amount (-)	98,051	31,324	898,188
Net balance at the balance sheet	19,815	3,368	15,710
Prior Period:			
Ending balance of the current period	958	71,590	604,347
Provision amount (-)	637	63,562	592,550
Net balance at the balance sheet	321	8,028	11,797

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	92,879	17,045	88,024
Loans granted to real persons and legal entities (Gross)	330,996	187,498	3,231,775
Specific provision (-)	238,117	170,453	3,143,751
Loans to real persons and legal entities (Net)	92,879	17,045	88,024
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior Period (Net)			
Loans to real persons and legal entities (Gross)	39,498	52,267	66,222
Specific provision (-)	132,002	318,174	2,822,602
Loans to real persons and legal entities (Net)	92,504	265,907	2,756,380
Banks (Gross)	39,498	52,267	66,222
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
	-	-	-

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

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

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

The Parent Bank	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)	2,116	2,837	3,069
Profit share accruals, rediscount and valuation differences	7,550	15,127	354,831
Provision (-)	5,434	12,290	351,762

The Parent Bank	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Prior Period (Net)	2,561	2,457	4,199
Profit share accruals, rediscount and valuation differences	9,953	13,184	365,861
Provision (-)	7,392	10,727	361,662

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

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1.5.12 Information on the write-off policy

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1.6 Information on financial assets measured at amortized cost

1.6.1 Information on other financial assets measured at amortized cost

	Current Period	Prior Period
Debt Securities	34,833,227	22,678,201
Quoted on a Stock Exchange	34,590,397	22,475,780
Not Quoted	242,830	202,421
Expected Loss Provision (-)	24,960	10,210
Total	34,808,267	22,667,991

1.6.2 Movements of other financial assets measured at amortized cost during the year

	Current Period	Prior Period
Opening Balance	22,678,201	5,935,549
Foreign Exchange Gain/Loss	5,190,344	4,736,322
Purchases During the Year	7,715,409	18,347,606
Disposals Through Sales and Redemptions	750,727	6,341,276
Expected Loss Provision (-)	24,960	10,210
Total	34,808,267	22,667,991

1.7 Information on investment in associates (Net)

1.7.1 The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2022 – TL 7,659), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 540 (31 December 2022 – TL 391), ownership of the shares of Katılım Finans Kefalet A.Ş amounting to TL 22,500, which corresponds to 15% in (31 December 2022 – None), Swift shares amounting to TL 6,708 (31 December 2022 – TL 4,739) and 0.0035% ownership of the shares traded in Borsa Istanbul A.Ş amounting to TL 15 (31 December 2022 – TL 15), 2.86% ownership of the shares of JCR Avrasya Derecelendirme A.Ş. amounting to TL 2,755 (31 December 2022 – TL 2,755), The 0.44% ownership of the shares of İhracatı Geliştirme A.Ş. amounting to TL 30,420 (31 December 2022 – TL 30,420), VISA shares amounting to TL 35,842 (31 December 2022 – TL 25,962) are classified as financial assets at fair value through other comprehensive income since the Parent 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 2022 – None).

1.7.3 Information related to consolidated associates: None (31 December 2022 – 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.

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1.8.2 Information on subsidiaries

	Title	Address (City/Country)	Bank's share percentage, if different- voting percentage (%)	Bank's risk group share percentage (%)
1	KT Bank AG (*)	Frankfurt/Germany	100	100
2	Neova Katılım Sigorta A.Ş. (***)	Istanbul/Turkey	100	100
3	KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	100	100
4	KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	100	100
5	KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	100	100
6	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	75	75.56
7	Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş. (**)	Istanbul/Turkey	100	100
8	Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	Istanbul/Turkey	99.99	99.99

(*) As of 30 June 2023, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These are the amounts in the statutory financial statements dated June 30, 2023, regulated according to the Turkish Commercial Code.

(***) According to Article 10 of the Regulation on the Measurement and Evaluation of Capital Adequacy of Insurance and Reinsurance and Pension Companies, Neova Katılım Sigorta A.Ş. calculates a minimum required equity capital twice a year, in June and December periods, and the capital deficiency on June 30, 2023, is none (December 31, 2022: capital deficiency TL 226,650). In addition, the shareholder of Neova Katılım Sigorta A.Ş. has the financial power and management understanding to eliminate any financial risk.

Information on subsidiaries in the order listed above

	Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
1	22,554,252	4,544,084	237,269	-	-	32,659	(24,053)	-
2	10,642,723	1,736,145	130,707	-	-	242,527	205,082	-
3	528	507	-	-	-	10	101	-
4	816	770	-	-	-	34	27	-
5	176,870	141,102	9,015	-	-	66,673	16,074	-
6	332,344	298,820	166,561	-	-	26,537	9,740	-
7	426,725	304,466	37,099	1,410	5,981	69,637	8,889	-
8	134,786	112,812	704	-	-	18,469	432	-

Information on the investment funds that were consolidated according to the full consolidation method with the Parent Bank as of June 30, 2023

	Title	The Parent Bank's share ratio (%)	Group's share ratio (%)	Net Asset Value
1	KT Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon	100	100	102
2	KT Portföy Birinci Katılım Serbest (TL) Fon	100	100	6,132,614
3	KT Portföy Birinci Katılım Serbest (Döviz-Avro) Özel Fon	100	100	2,662
4	KT Portföy Yönetimi A.Ş. Kobi Girişim Sermayesi Yatırım Fonu	100	100	154,259
5	KT Portföy Lonca Girişim Sermayesi Yatırım Fonu	100	100	114,274
6	KT Portföy Neova Katılım Serbest Özel (TL) Fon	-	100	125,800
7	KT Portföy Yönetimi A.Ş. Neova Katılım Sigorta Özel Girişim Sermayesi Yatırım Fonu	-	100	6,445
8	KT Portföy NKS Katılım Serbest(TL) Özel Fon	-	100	636,852

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Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	23,680	23,680
Movements during the year	100,000	-
Purchases (*)	100,000	-
Transfers from subsidiaries (net)	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	123,680	23,680
Capital commitments	67,500	-
Share percentage at the end of the year (%)	-	-

(*) Architech Information Systems and Marketing Tic A, a subsidiary of the Parent Bank, the capital of the company, which was TL 83,000,000 (full amount), was increased by TL 100,000,000 (full amount) to TL 183,000,000 (full amount) on March 28, 2023.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	1,592,030	1,592,030
Insurance Companies	1,151,796	751,796
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Subsidiaries	75,419	75,419
Total	2,819,245	2,419,245

Consolidated subsidiaries listed on the stock exchange:

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

1.8.3 Information on capital adequacies of major subsidiaries:

The Partner Bank's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of June 30, 2023, is EUR 161,678,572 (Full EUR amount) and the capital adequacy ratio is 30.5%.

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

	The Parent 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%	15,521,195	464,802	113,975	157,480	58,139

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

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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	17,181,968	14,239,585	10,776,102	9,201,436
1 to 4 years	16,069,749	14,890,717	11,386,627	10,649,655
More than 4 years	1,109,796	1,085,582	1,038,646	1,012,311
Total	34,361,513	30,215,884	23,201,375	20,863,402

1.10.2 Net investments in finance leases

	Current Period	Prior Period
Gross receivable from finance leases	34,361,514	23,201,375
Unearned finance lease income (-)	4,145,630	2,337,973
Unearned finance lease income (-)	-	-
Net Leasing Investment	30,215,884	20,863,402

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 Parent 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 104,157 are included in the non-performing loans in the balance sheet (31 December 2022 – TL 72,248).

1.11 Information on derivative financial assets for hedging purposes

None (31 December 2022 – None).

1.12 Information on tangible asset

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

1.13 Explanations on intangible asset

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

1.14 Explanations on investment properties

	Current Period	Prior Period
Opening Balance	165,730	63,598
Additions	-	102,132
Disposals (-), Net	124,125	-
Amortization Cost (-)	-	-
Closing Net Book Value	41,605	165,730

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1.15 Information on deferred tax asset

As of 30 June 2023, deferred tax is offset as TL 2,610,491 in the balance sheet. The deferred tax asset is TL 4,386,721 (31 December 2022 – TL 3,515,733) and the deferred tax liability is TL 1,776,230 (31 December 2022 – TL 2,257,621 TL).

	Current Period	Prior Period
TFRS 9 Provisions	2,279,927	1,873,759
Derivative transactions valuation differences	196,087	680,132
Deferred income	273,121	209,779
Severance pays liability	175,792	157,732
Reserve for employee benefits	257,458	247,550
Financial assets valuation difference	97,728	33,242
Precious metals valuation difference	476,094	-
Transferred financial losses (*)	178,048	138,267
Other	452,466	175,272
Deferred tax asset	4,386,721	3,515,733
Financial assets valuation difference	(910,309)	(1,625,767)
Tangible assets valuation differences	(51,296)	(13,703)
Derivative transactions valuation differences	(879,234)	(143,407)
Precious metal valuation difference	-	(377,242)
Other	64,609	(97,502)
Deferred tax liability	(1,776,230)	(2,257,621)
Net Deferred tax asset	2,610,491	1,258,112

(*) The Group has reflected a total of TL 178,048 of deferred tax assets (31 December 2022: TL 138,267) in its records as it plans to generate sufficient taxable income to offset the financial loss in the coming periods.

Table of deferred tax asset movement

	Current Period	Prior Period
As of 1 January,	1,258,112	1,882,944
Deferred tax (expense)/income	114,372	723,232
Deferred tax accounted under equity	1,238,007	(1,348,064)
Deferred tax asset	2,610,491	1,258,112

1.16 Explanations on assets held for sale and discontinued operations

	Current Period	Prior Period
Opening Balance	117,719	240,891
Additions	273,350	92,069
Transfers from Tangible Asset	-	-
Disposals (-), Net	14,056	215,241
Transfer to Tangible Assets	-	-
Amortization Cost (-)	-	-
Provision for Impairment (-)	-	-
Closing Net Book Value	377,013	117,719

1.17 Information on other assets

As of balance sheet date, the Group's other assets amount to TL 35,487,627 (31 December 2022 – TL 5,051,789). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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2. Explanations and Notes Related to Consolidated Liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected

Current Period	Demand	Up to 1 months	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	31,517,525	-	-	-	-	-	-	-	31,517,525
II. Real persons profit sharing accounts TL	-	11,061,314	63,062,584	6,102,189	-	10,730,467	2,217,620	13,096	93,187,270
III. Another current accounts-TL	19,087,083	-	-	-	-	-	-	-	19,087,083
Public sector	175,445	-	-	-	-	-	-	-	175,445
Commercial sector	18,514,731	-	-	-	-	-	-	-	18,514,731
Other institutions	188,285	-	-	-	-	-	-	-	188,285
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	208,622	-	-	-	-	-	-	-	208,622
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	208,463	-	-	-	-	-	-	-	208,463
Participation banks	-	-	-	-	-	-	-	-	-
Others	159	-	-	-	-	-	-	-	159
IV. Profit sharing accounts-TL	-	1,125,631	6,659,242	3,375,238	-	3,619,028	238,542	85	15,017,766
Public sector	-	129	4,049	-	-	106,255	-	-	110,433
Commercial sector	-	917,080	6,072,124	3,251,168	-	3,129,615	238,172	85	13,608,244
Other institutions	-	206,184	331,872	38,983	-	303,276	370	-	880,685
Commercial and other institutions	-	2,238	251,168	85,087	-	79,882	-	-	418,375
Banks and participation banks	-	-	29	-	-	-	-	-	29
V. Real persons current accounts-FC	76,781,024	-	-	-	-	-	-	-	76,781,024
VI. Real persons profit sharing accounts-FC	-	14,765,461	11,871,008	2,161,044	-	4,607,848	3,923,403	17,502	37,346,266
VII. Another current accounts-FC	27,205,928	-	-	-	-	-	-	-	27,205,928
Commercial residents in Turkey	16,649,933	-	-	-	-	-	-	-	16,649,933
Commercial residents in Abroad	7,882,277	-	-	-	-	-	-	-	7,882,277
Banks and participation banks	2,673,718	-	-	-	-	-	-	-	2,673,718
Central Bank of Republic of Turkey	140,177	-	-	-	-	-	-	-	140,177
Domestic banks	87	-	-	-	-	-	-	-	87
Foreign banks	2,531,038	-	-	-	-	-	-	-	2,531,038
Participation banks	2,416	-	-	-	-	-	-	-	2,416
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	498,838	1,001,551	774,014	-	467,500	289,791	3	3,031,697
Public sector	-	28	82,467	-	-	-	-	-	82,495
Commercial sector	-	315,515	359,278	68,601	-	123,675	10,380	3	877,452
Other institutions	-	29,790	265,157	705,375	-	335,520	279,411	-	1,615,253
Commercial and other institutions	-	153,505	294,649	38	-	8,305	-	-	456,497
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	55,126,510	7,438,093	3,996,331	610,595	-	496,179	27,825	-	67,695,533
X. Profit sharing accounts special funds - TL	-	-	968,436	3,620,895	-	35,451,713	2,274,195	-	42,315,239
Residents in Turkey	-	-	968,436	3,620,895	-	35,238,785	2,253,224	-	42,081,340
Residents Abroad	-	-	-	-	-	212,928	20,971	-	233,899
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (**)	209,718,070	34,889,337	87,559,152	16,643,975	-	55,372,735	8,971,376	30,686	413,185,331

(*) There are no 7 days notification accounts of the Group.

(**) As of 30 June 2023, the Parent Bank has a total of TL 69,701,030 (31 December 2022: TL 44,232,985) foreign exchange-protected deposit instrument of which TL 48,566,700 (31 December 2022: 23,423,914 TL) opened within the scope of the "Communique on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts" published by the CBRT in the Official Gazette dated 21 December 2021 and numbered 31696, TL 118,267,730 (31 December 2022: TL 67,656,899) opened within the scope of the announcement of the Ministry of Treasury and Finance ("Treasury") dated 24 December 2021. Foreign exchange revaluation differences amounting to TL 31,668,639 (31 December 2022: TL 681,794) regarding the foreign exchange-protected deposit instrument calculated as of the balance sheet date are presented in other assets wider assets and included in other liabilities under liabilities.

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Prior Period	Demand	Up to 1 months	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	28,581,579	-	-	-	-	-	-	-	28,581,579
II. Real persons profit sharing accounts-TL	-	11,844,756	53,871,241	3,455,298	-	7,619,222	1,161,534	15,311	77,967,362
III. Another current accounts-TL	18,258,435	-	-	-	-	-	-	-	18,258,435
Public sector	309,957	-	-	-	-	-	-	-	309,957
Commercial sector	17,687,175	-	-	-	-	-	-	-	17,687,175
Other institutions	198,874	-	-	-	-	-	-	-	198,874
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	62,429	-	-	-	-	-	-	-	62,429
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	62,429	-	-	-	-	-	-	-	62,429
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	1,039,535	7,749,201	2,594,915	-	2,928,479	195,171	47	14,507,348
Public sector	-	411	4,123	-	-	83,085	-	-	87,619
Commercial sector	-	869,626	7,054,549	2,445,215	-	2,750,155	194,800	47	13,314,392
Other institutions	-	168,930	585,212	51,182	-	50,651	371	-	856,346
Commercial and other institutions	-	568	105,292	98,518	-	44,588	-	-	248,966
Banks and participation banks	-	-	25	-	-	-	-	-	25
V. Real persons current accounts-FC	53,456,522	-	-	-	-	-	-	-	53,456,522
VI. Real persons profit sharing accounts-FC	-	12,945,066	11,731,134	1,731,931	-	3,299,705	3,932,794	12,554	33,653,184
VII. Another current accounts-FC	21,196,156	-	-	-	-	-	-	-	21,196,156
Commercial residents in Turkey	13,801,293	-	-	-	-	-	-	-	13,801,293
Commercial residents in Abroad	5,833,308	-	-	-	-	-	-	-	5,833,308
Banks and participation banks	1,561,555	-	-	-	-	-	-	-	1,561,555
Central Bank of Republic of Turkey	213,395	-	-	-	-	-	-	-	213,395
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	1,348,160	-	-	-	-	-	-	-	1,348,160
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	547,701	1,214,539	386,231	-	263,346	215,833	-	2,627,650
Public sector	-	47	59,539	-	-	-	-	-	59,586
Commercial sector	-	430,370	611,884	76,533	-	75,656	12,205	-	1,206,648
Other institutions	-	16,790	253,251	309,671	-	181,730	203,628	-	965,070
Commercial and other institutions	-	100,494	289,865	27	-	5,960	-	-	396,346
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	44,330,959	6,521,360	3,425,381	540,213	-	400,669	17,145	-	55,235,727
X. Profit sharing accounts special funds - TL	-	-	203,564	747,404	-	5,814,863	10,009	-	6,775,840
Residents in Turkey	-	-	203,564	747,404	-	5,814,863	10,009	-	6,775,840
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	165,823,651	3,289,841	78,195,060	9,455,992	-	20,326,284	5,532,486	27,912	312,259,803

(*) There are no 7 days notification accounts of the Group.

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

2.1.2.1 Current and Participation Accounts Attributable to Real and Legal 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 and legal persons current and profit-sharing accounts that are not subject to commercial activities				
TL accounts	70,572,401	46,974,148	130,146,049	99,081,497
FC accounts	83,666,691	52,436,738	112,627,416	102,497,446
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 and legal persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 400 (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's 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	21,395	15,340
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 offshore banking activities solely	-	-

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2.2 Information on derivative financial liabilities held for trading

Derivative financial liabilities held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	286,307	12,155	8,064	21,777
Swap transactions	114,869	841,500	8,079	146,147
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	401,176	853,655	16,143	167,924

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	128,827	41,192,518	564,451	21,592,120
From Foreign Banks, Institutions and Funds	56,027	20,770,636	47,300	5,630,771
Total	184,854	61,963,154	611,751	27,222,891

2.3.2 Information on maturity structure of borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	184,854	57,995,827	611,751	24,322,340
Medium and Long-Term	-	3,967,327	-	2,900,551
Total	184,854	61,963,154	611,751	27,222,891

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

A large part of the loans received by the Parent Bank consists of foreign currency loans. There is no risk concentration of the Parent Bank's current and profit-sharing accounts.

2.4. Information on securities issued

As of 30 June 2023, the Group has no securities issued.

Current Period	TL		FC	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
Nominal	-	-	-	-
Remaining Income Distribution	-	-	-	-
Book Value	-	-	-	-

Prior Period	TL		FC	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
Nominal	2,500,000	-	-	-
Remaining Income Distribution	103,127	-	-	-
Book Value	2,294,758	-	-	-

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2.5 Information on other liabilities and miscellaneous payables

As of 30 June 2023, other liabilities amount to TL 3,459,087 (31 December 2022 – TL 3,090,109), sundry creditors amount to TL 34,363,963 (31 December 2022 - TL 3,084,199), 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	38,881	44,708	18,040	21,049
1 to 4 years	67,147	69,491	63,259	68,196
More than 4 years	995,170	637,382	754,681	486,117
Total	1,101,198	751,581	835,980	575,362

The Group used FTP (Fund Transfer Pricing) rates as an alternative borrowing rate of profit on 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 uses a revised discount rate reflecting changes in the profit share rate.

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

None (31 December 2022 – None).

2.6.1.1. Explanations on financial leasing obligations

None (31 December 2022 – None).

2.6.1.2. Explanations on operating lease

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

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

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

2.7 Information on hedging derivative financial liabilities

None (31 December 2022 - 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 June 30, 2023, currency indexed loans amounting to TL 0 for loans (31 December 2022 – TL 0) and TL 0 (31 December 2022 – TL 0) for finance lease receivables exchange rate decreases have been clarified from the accounts of loans and finance lease receivables.

2.8.2 Information on other provisions

	Current Period	Prior Period
Specific provisions for non-cash loans that are not indemnified converted into cash	792,153	604,898
General Provisions for non-cash loans	1,086,806	787,896
Provision for profits will be allocated to participation accounts	1,857,193	1,315,157
Credit cards of banking services applications	9,654	8,337
Other (*)	495,105	388,270
Total	4,240,911	3,104,558

(*) The other item is mainly collected from TL 290,720 (31 December 2022 – TL 248,250) litigation provision, TL 106,502 (31 December 2022 – TL 60,034) for collected late fines that may be subject to refund and the other equivalent, TL 16,169 (31 December 2022 – TL 12,547) for expense provision, TL 81,714 (31 December 2022 – TL 67,169) the amount related to the other payment.

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2.8.3 Information on provisions for employee benefits

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 703,167 (31 December 2022 – TL 631,314), vacation pay liability amounting to TL 91,490 (31 December 2022 – TL 6,163), performance premium amounting to TL 566,706 (31 December 2022 – TL 632,100), retirement bonuses on payment of TL 274,039 (31 December 2022 – TL 272,860), committee fee amounting to TL 71,760 (31 December 2022 – TL 59,977) and other fees amounting to TL 47,692 (31 December 2022 – TL 39,880).

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 compensation to be paid is up to one month's salary for each service year and this amount is limited to TL 19,982.83 (full TL amount) (31 December 2022 – TL 15,371.40 (full TL amount)). The liability is not funded, as there is no funding requirement.

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

	Current Period	Prior Period
Discount rate (%)	12.72	12.72
Inflation rate (%)	9.90	9.90
Salary increases rate (%)	10.40	10.40

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

	Current Period	Prior Period
Balance at the beginning of the period	631,314	228,869
Provisions recognized during the period	98,584	95,630
Paid during the period	(26,731)	(20,588)
Actuarial loss	-	327,403
Balances at the end of the period	703,167	631,314

2.9 Explanations on tax liability

2.9.1 Explanations on current tax liability

2.9.1.1 Information on tax provisions: TL 1,941,379 (31 December 2022 – TL 2,053,914).

2.9.1.2 Information on taxes payable(*)

	Current Period	Prior Period
Taxation of marketable securities	31,724	32,333
Taxation of immovable property	4,676	3,336
Banking Insurance Transaction Tax (BITT)	121,392	110,425
Foreign Exchange Transaction Tax	20,212	31,950
Value Added Tax Payable	8,326	14,448
Income tax deducted from wages	72,275	35,648
Other	132,246	3,222
Total	390,851	231,362

(*) It is included in Other Liabilities on the Balance Sheet.

2.9.1.3 Information on premiums (*)

	Current Period	Prior Period
Social Insurance Premiums-Employee	64,632	39,861
Social Insurance Premiums-Employer	71,260	44,003
Unemployment insurance-Employee	4,615	2,845
Unemployment insurance-Employer	9,832	6,145
Total	150,339	92,854

(*) Included in Other Liabilities/Various Debts in the Balance Sheet.

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2.9.1.4 Information on deferred tax liability

Within the scope of the relevant regulations, as of 30 June 2023, the deferred tax was netted as TL 2,610,491 in the balance sheet. The deferred tax asset was calculated as TL 4,386,721 (31 December 2022 – TL 3,515,733) and the deferred tax liability as TL 1,776,230 (31 December 2022 – TL 2,257,621).

2.10 Information on payables related to assets held for sale

None (31 December 2022 – None).

2.11 Information on subordinated loans

It has not been prepared in the interim period in accordance with Article 25 of the Communiqué on Financial Statements to be Disclosed to the Public by Banks and on Disclosures and Footnotes Related to Them.

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)
Total	4,595,131	4,595,131

(*) 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 Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital

Registered capital system is not applied in the Parent Bank.

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

None

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

None

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

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

2.12.6 Summary of privileges given to shares representing the capital

None (31 December 2022- None).

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2.12.7 Information on marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	2,387,612	(214,728)	4,765,546	(56,643)
Foreign Exchange Difference	-	-	-	-
Total	2,387,612	(214,728)	4,765,546	(56,643)

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

2.13 Information on minority shares

30 June 2023 – TL 74,705 (31 December 2022 – TL 67,913).

3. Explanations and Notes Related to Consolidated Off-balance Sheet Contingencies and Commitments

3.1. Explanations on off-balance sheet accounts

3.1.1 Types and amounts of irrevocable commitments

Commitment for credit card limits, as of 30 June 2023 amounts to TL 19,690,234 (31 December 2022 – TL 13,003,526); payment commitments for cheque books amounts to TL 3,896,019 (31 December 2022 – TL 2,368,988).

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

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

As of 30 June 2023, the Group’s has guarantees and surety ships constituting of TL 35,913,127 (31 December 2022 – TL 23,149,142) of letters of guarantee; TL 229,952 (31 December 2022 – TL 136,081) of acceptances and TL 8,899,750 (31 December 2022 – TL 5,971,813) of letters of credit. Also, the Parent Bank has other acceptances amounting to TL 2,535,738 (31 December 2022 – TL 1,560,494).

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	164,406	108,671
With original maturity of 1 year or less	164,406	108,671
With original maturity of more than 1 year	-	-
Other non-cash loans	47,414,161	30,708,859
Total	47,578,567	30,817,530

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

3.2. Explanations on derivative transactions

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

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3.3. Explanations on credit derivatives and their risks

None.

3.4. Explanations on contingent liabilities and assets

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

3.5. Explanations on services provided to other names and accounts

None.

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

4. Explanations and Notes Related to the Consolidated Statement of Income

4.1 Information on profit share income

4.1.1 Information on profit share received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans	12,584,012	2,522,802	6,455,127	1,469,393
Short term loans	7,503,063	1,036,750	2,843,559	645,222
Medium- and long-term loans	4,974,224	1,445,115	3,454,131	778,106
Profit share on non-performing loans	106,725	40,937	157,437	46,065
Premiums received from resource utilization support fund	-	-	-	-
Total	12,584,012	2,522,802	6,455,127	1,469,393

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	46,389	-	-	-
Domestic Banks	998,314	-	97,317	140,108
Foreign Banks	-	246,459	-	53,574
Branches and head office abroad	-	-	-	-
Total	1,044,703	246,459	97,317	193,682

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	252,709	164,717	73,888	180,661
Financial Assets at Fair Value Through Other Comprehensive Income	5,271,646	613,007	4,565,903	362,766
Financial Assets valued at Amortized Cost	993,162	583,953	485,589	257,671
Total	6,517,517	1,361,677	5,125,380	801,098

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	239	5

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4.2 Information on profit share expenses

4.2.1 Information on profit share given to loans used

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	26,083	283,463	21,732	72,167
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	22,718	6,745	20,073	2,098
Foreign banks	3,365	276,718	1,659	70,069
Foreign headquarters and branches	-	-	-	-
Other Institutions	-	857,420	-	378,526
Total	26,083	1,140,883	21,732	450,693

4.2.2 Profit share expense given to associates and subsidiaries

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	3,882	1,962

4.2.3 Profit share expense paid to securities issued

30 June 2023 – 148,865 TL (1 January-30 June 2022– 248,622 TL).

4.3 Information on dividend income

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

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

Account name	Current Period							Accumulated profit-sharing accounts	Total
	Profit Sharing Accounts								
	Up to 1 months	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year			
TL									
Collected funds from banks through current and profit share accounts	-	2	-	-	-	-	-	2	
Real person's non-trading profit sharing account	808,863	4,290,095	411,440	-	937,028	115,196	815	6,563,437	
Public-sector profit-sharing account	30	301	-	-	236	-	-	567	
Commercial sector profit sharing account	65,417	473,597	173,538	-	219,678	3,101	-	935,331	
Other institutions profit sharing account	14,195	46,742	18,934	-	8,713	28	-	88,612	
Total	888,505	4810737	603,912	-	1,165,655	118,325	815	7,587,949	
FC									
Banks	-	-	-	-	-	-	-	-	
Real person's non-trading profit sharing account	44,088	69,991	5,633	-	15,165	14,085	115	149,077	
Public-sector profit-sharing account	-	270	-	-	-	-	-	270	
Commercial sector profit sharing account	1,291	1,571	281	-	76	25	-	3,244	
Other institutions profit sharing account	502	942	7	-	87	-	-	1,538	
Precious metal accounts	4,391	2,446	373	-	350	-	-	7,560	
Total	50,272	75,220	6,294	-	15,678	14,110	115	161,689	
Grand Total	938,777	4,885,957	610,206	-	1,181,333	132,435	930	7,749,638	

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Prior Period	Profit Sharing Accounts						Accumulated profit-sharing accounts	Total
	Account name	Up to 1 months	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year		
TL								
Collected funds from banks through current and profit share accounts	-	2	-	-	-	-	-	2
Real person's non-trading profit sharing account	787,319	1,909,195	172,619	-	116,821	58,293	1,017	3,045,264
Public-sector profit-sharing account	23	85	33	-	122	-	-	263
Commercial sector profit sharing account	48,069	120,794	285,949	-	7,209	905	-	462,926
Other institutions profit sharing account	11,019	16,038	5,199	-	499	36	-	32,791
Total	846,430	2,046,114	463,800	-	124,651	59,234	1,017	3,541,246
FC								
Banks	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	55,639	78,397	6,879	-	12,664	13,139	76	166,794
Public-sector profit-sharing account.	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	3,036	6,432	325	-	129	26	-	9,948
Other institutions profit sharing account	348	1,418	6	-	1	-	-	1,773
Precious metal accounts	5,579	2,990	520	-	324	-	-	9,413
Total	64,602	89,237	7,730	-	13,118	13,165	76	187,928
Grand Total	911,032	2,135,351	471,530	-	137,769	72,399	1,093	3,729,174

4.5 Information on trading income/loss (Net)

	Current Period	Prior Period
Trading profit / loss (net)	7,824,544	2,633,448
Profit	72,382,275	253,104,553
Gain on capital market transactions	434,003	95,738
Gain on derivative financial instruments	13,893,008	6,315,616
Foreign exchange profit	58,055,264	246,693,199
Losses (-)	(64,557,731)	(250,471,105)
Losses on capital market transactions	(4,701)	(1,032)
Losses on derivative financial instruments	(9,724,916)	(5,805,501)
Foreign exchange losses	(54,828,114)	(244,664,572)

4.6 Information on other operating income

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

	Current Period	Prior Period
Reversal of prior period provisions	3,618,364	805,249
Income from sales of assets	137,906	283,466
Cancellations of Provisions from Profits to be Distributed to Participation Accounts	58,706	48,413
Rental income	3,003	2,474
Other Income	76,052	779,670
Total	3,894,031	1,919,272

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4.7 Provisions for loan losses and other receivables of the Bank

	Current Period (*)	Prior Period (*)
Expected Credit Loss	6,151,387	3,221,581
12 month expected credit loss (Stage 1)	3,694,661	1,928,951
Significant increase in credit risk (Stage 2)	1,132,809	565,203
Non-performing loans (Stage 3)	1,323,917	727,427
Marketable Securities Impairment Expense	53,214	34,270
Financial Assets at Fair Value through Profit or Loss	53,214	34,270
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	245,166	298,435
Total	6,449,767	3,554,286

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

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

4.8 Information on other operating expenses

	Current Period	Prior Period
Provision for retirement pay liability	71,853	35,776
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	267,889	158,664
Impairment Expenses of intangible fixed assets	-	-
Depreciation expenses of intangible assets	107,747	53,310
Depreciation expenses of assets held for sale	-	-
Other operating expenses	1,178,049	529,870
Lease Expenses Regarding TFRS 16 Exemptions	7,742	4,588
Maintenance expenses	157,746	80,182
Advertisement expenses	65,262	44,859
Communication expenses	103,588	57,543
Heating, electricity and water expenses	69,023	41,427
Cleaning expenses	14,897	6,210
Vehicle expenses	21,607	17,406
Stationery expenses	143,765	37,532
Other expenses (*)	594,419	240,123
Losses on sales of assets	5,314	1,775
Deposit insurance fund expenses	529,567	295,411
Other	3,457,054	1,458,402
Total	5,617,473	2,533,208

(*) As of June 30, 2023, “Financial Activity Fees” amounting to TL 113,356 (30 June 2022-TL 51,149) and “Bank and Insurance Transaction Tax” amounting to TL 67,174 are classified here (30 June 2022- TL 23,403.)

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on the Financial Statements about disclosures to be announced to Public by the Banks.

4.10 Information on tax provision for continued and discontinued operations

The Group's, current period tax provision for the period amounting to TL 3,023,141 (1 January-30 June 2022 – TL 2,037,682), deferred tax expense of TL 534,631 (1 January-30 June 2022 – TL 1,272,616), deferred tax income of TL 649,003 (1 January-30 June 2022 – TL 1,744,082).

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

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

4.12 Information on net income/loss

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

As of 30 June 2023, net profit share income is TL 16,746,443 (1 January-30 June 2022 – TL 10,337,911) net fees and commission income is TL 741,170 (1 January-30 June 2022 – TL 440,415).

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

None (1 January – 30 June 2022 – None).

4.12.3 Profit/Loss attributable to minority interest:

	Current Period	Prior Period
Profit / (Loss) of Minority Shares	6,634	2,435

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

As of 30 June 2023, other fees and commissions received is TL 2,250,470 (1 January – 30 June 2022 – TL 1,041,570), TL 623,205 of this amount is related with credit card fees and commissions (1 January – 30 June 2022 – TL 305,979) and TL 467,466 of this amount is related with POS machine commissions (1 January – 30 June 2022 – TL 177,704).

As of 30 June 2023, other fees and commissions given is TL 1,682,248 (1 January – 30 June 2022 – TL 692,687), TL 475,441 (1 January – 30 June 2022 – TL 213,379) of this amount is related with POS clearing commissions and installation expenses, TL 228,610 (1 January – 30 June 2022 – TL 70,641) of this amount is related with fees and commissions paid for credit cards.

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by the Banks.

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by the Banks.

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

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

Current Period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	127	39,978	26,634	45,210	2,176,542	1,849
Balance at end of period	4,998	55,103	33,962	60,684	5,147	18,649
Profit share and commission income	232	7	1,902	222	345	0

(*) 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
Loans and other receivables						
Balance at beginning of period	193	28,603	6,955	21,246	64,315	2,297
Balance at end of period	127	39,978	26,634	45,210	2,176,542	1,849
Profit share and commission income	-	5	426	107	2,905	-

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

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

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and profit-sharing accounts						
Balance at beginning of period	115,505	28,489	219,676	104,748	454,287	348,052
Balance at end of period	193,306	115,505	860,329	219,676	604,375	454,287
Profit share expense	3,882	1,962	5,569	1,900	224	83

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

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

Risk group of the Group	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value through Profit or Loss:						
Balance at beginning of period	2,697,940	758,268	842,005	1,992,498	-	-
Balance at end of period	1,483,295	2,697,940	415,347	842,005	-	-
Total Profit / Loss	6,397	91,540	24,543	23,773	-	-
Hedging Transactions:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

7.4 Information on loans received from the Group's risk group

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Borrowings						
Balance at beginning of period	-	-	957,272	270,055	-	-
Balance at end of period	-	-	11,013,506	957,272	-	-
Profit share expense	-	-	93,014	7,313	-	-

7.5 Information on subordinated loans used by the Group's from its risk group

The entire additional capital-like capital (Tier-I) sukuk of USD 200,000,000 (full amount) realized by the Parent Bank's on July 16, 2019, and the entire equity-like additional principal capital (Tier-I) sukuk of USD 50,000,000 (full amount) realized by the Parent Bank's on September 28, 2020, belong to Kuwait Finance House. Of the USD 350,000,000 (full amount) of the capital-like contribution capital (Tier-II) of USD 35,000,000 (full amount) realized by the Parent Bank's on 16 September 2021, Kuwait Finance House owns it.

7.6 Information on remunerations provided to top management

As of 1 January – 30 June 2023, the Group has paid TL 299,732 to top management (1 January – 30 June 2022- TL 136,553).

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by the Banks.

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

The law numbered 7456, which was published in the Official Gazette with issue number 32249 on July 15, 2023, and came into effect, the corporate income tax rate specified in the first paragraph of Article 32 of Law No. 5520 on Corporate Income Tax is 25%; for banks, companies under the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies, the corporate income tax rate will be 30% on their corporate income. This change will be applicable for the taxation of corporate income for periods starting from January 1, 2023, and onwards, including the declarations to be submitted from October 1, 2023.

On July 21, 2023, with the publication in Official Gazette numbered 32255, a reserve requirement rate of 15% has been introduced for Foreign Exchange-Indexed Deposit accounts for all maturities through the amendment in the Reserve requirement regulation. This requirement will be applied starting from the calculation period of July 21, 2023, and will be established on August 04, 2023, for the first time.

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SECTION SIX

OTHER EXPLANATIONS

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

None.

SECTION SEVEN

LIMITED REVIEW REPORT

1. Explanations on the limited review report

The consolidated financial statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 10 August 2023 is presented preceding the financial statements.

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

SECTION EIGHT

INTERIM CONSOLIDATED ACTIVITY REPORT

1. The Parent Bank explanations on interim annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager

1.1 About Kuveyt Türk

Kuveyt Türk Katılım Bankası A.Ş. ("The Bank") was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on 28 February 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. To comply with the Banking Act 5411, the title of the Bank's 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.

As of 30 June 2023, 62.24% of the Parent Bank 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.

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1.2 Financial Information Summary

CONSOLIDATED BALANCE SHEET	30.06.2023	31.12.2022
CASH BALANCES AND CENTRAL BANK BANKS	107,185,684	79,465,265
SECURITIES	20,514,947	21,502,105
LOANS AND RECEIVABLES	123,951,130	98,875,522
FINANCE LEASE RECEIVABLES (Net)	273,358,843	187,504,917
EXPECTED LOSS PROVISIONS (-)	30,215,884	20,863,402
TANGIBLE ASSETS (Net)	18,076,022	13,855,334
OTHER ASSETS	2,120,833	1,651,454
	46,367,015	7,973,180
TOTAL ASSETS	585,638,314	403,980,511
FUND COLLECTED	413,185,331	312,259,803
FUNDS BORROWED	62,148,008	27,834,642
MARKETABLE SECURITIES ISSUED (Net)	0	2,294,758
FINANCE LEASE PAYABLES (Net)	751,581	575,362
SUBORDINATED LOANS	15,770,194	11,424,892
OTHER LIABILITIES	55,164,183	18,820,719
EQUITY	38,619,017	30,770,335
TOTAL LIABILITIES	585,638,314	403,980,511

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	30.06.2023	30.06.2022
PROFIT SHARE INCOME	26,000,359	14,904,909
PROFIT SHARE EXPENSE	9,253,916	4,566,998
NET PROFIT SHARE INCOME/EXPENSE	16,746,443	10,337,911
NET FEES AND COMMISSION INCOME/EXPENSE	741,170	440,415
PERSONNEL EXPENSES	2,923,422	1,446,720
DIVIDEND INCOME	2,672	799
NET TRADING INCOME / LOSS	7,824,544	2,633,448
OTHER OPERATING INCOME	3,894,031	1,919,272
EXPECTED CREDIT LOSS (-)	6,151,387	3,221,581
OTHER PROVISION EXPENSES (-)	298,380	332,705
OTHER OPERATING EXPENSES (-)	5,617,473	2,533,208
PROFIT / LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING	78,740	29,070
INCOME/ LOSS BEFORE TAX	14,296,938	7,826,701
TAX CHARGE	2,908,769	1,566,216
CURRENT PERIOD INCOME/LOSSES	11,388,169	6,260,485

RATIOS	30.06.2023	31.12.2022
Total Loans/Total Assets*	51.84%	51.58%
Total Loans/Fund Collected*	73.47%	66.73%
Average Equity Profit **	65.65%	76.90%
Average Assets Profit **	4.60%	5.31%
Capital Adequacy Ratio	24.04%	26.42%

* Finance Lease Receivables is included in total loans.

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

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1.3 Message from the Chairman

Dear Shareholders,

We feel the deep pain of the devastating earthquakes that took place in February in our hearts. We wish God's mercy on those who lost their lives due to the earthquake in Turkey and Syria, condolences to their relatives and recovery to our injured citizens. As Kuwait Finance House and Kuveyt Türk Finance Group, we continue our support to the earthquake region.

The global economy, on the other hand, is trying to keep the risks under control created by the shocks caused by the pandemic, the high inflation brought by the Russia-Ukraine War and the contractionary macroeconomic policies taken within the scope of the fight against this inflation. Despite historical record interest rate increases, inflation realizations that are far from the central bank's targets indicate that the tightening monetary policies of developed and emerging central banks will continue this year. While economic activity, which has slowed down with the effect of policies, puts serious pressure on economic growth and employment, banking risks in developed countries are expected to reduce credit expansion.

With the effect of all these developments, the global economic growth, which was 3.1 percent last year, is expected to slow down in 2023 and 2024. While the Organization for Economic Cooperation and Development (OECD) draws attention to the related risks in its June 2023 Economic Outlook Report, it is foreseen as 2.7 percent for 2023 and 2.9 percent for 2024. The World Bank underlines the necessity of well-coordinated policies globally, while emphasizing that the low-income group countries and low-income citizens are affected more deeply by the global risks.

In the current 2023 operating period, our expert, well-educated, devoted, young and dynamic employees are the key of our success. I would like to thank all our employees who contributed to our success and all our shareholders who have provided their support.

Regards,

Hamad Abdulmohsen ALMARZOUQ
Head of the BOD
Kuveyt Türk Katılım Bankası

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1.4 Message from the General Manager

We continue to work with all our strength to heal the wounds of the 6 February 2023 Kahramanmaraş earthquakes, in which we experienced one of the greatest natural disasters in the history of Turkey. While we follow the region closely with our branches and colleagues in the earthquake provinces, we continue to support them both materially and morally. Hereby, we wish God's mercy on our citizens who lost their lives due to the earthquake, our condolences to their families and recovery to our injured people.

We closely observe the effects of the global macroeconomic risks caused by the cumulative shocks since the pandemic, especially inflation, on the Turkish economy. On the other hand, while the banking sector in Turkey is the sector with the highest financial strength, we know that participation banks are highly resistant to financial and non-financial risks, especially due to the structure of participation banks and the participation finance principles they must comply with. As Kuveyt Türk, we continue to support the real economy without compromising our banking principles.

Offering interest-free financial services to its customers for 34 years with the products and services it has developed in line with the principles of participation finance, Kuveyt Türk maintained its steady growth by increasing its profitability in the second quarter of 2023, increasing its net profit by 82 percent compared to the same period of the previous year, it became to TL 11,388,169. The size of funds collected by Kuveyt Türk increased by 32 percent compared to 2022 and reached to TL 413,185,331, while the size of funds provided increased by 46 percent to TL 303,574,727. Kuveyt Türk reached its equity to TL 38,619,017 and its asset size to TL 585,638,314. Therefore it strengthened its place in the first place among participation finance institutions in terms of asset size, while maintaining its 10th place in the banking sector,

Kuveyt Türk, with its strong capital and liquidity structure, high asset quality, dynamic corporate management approach, customer service model focused on continuous development, ongoing investments in technology, accelerated digital transformation efforts and international expansion, aim to remaining to be the leader institution of the participation finance sector in Turkey in the coming period.

Regards,

Ufuk UYAN
Member of BOD and General Manager
Kuveyt Türk Katılım Bankası

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1.5 Financial position, performance and assessment of the prospects for the future

As of 30 June 2023, consolidated financial statements asset size is TL 585 billion 638 million, amount of the utilization of funds is TL 303 billion 575 million and funds collected amount is TL 413 billion 185 million. Because of the first six months' profit of TL 411 billion 388 million, the ratio of shareholder equity increased 25.51% by reaching TL 38 billion 619 million. As of 30 June 2023, consolidated capital adequacy ratio has been realized as 24.04%.

We continue to expect that our Parent Bank will continue its development in line with its growth and profitability targets.

1.6 Significant events and transactions occurring during the three months period

None.

1.7 Assessment of the expectations related to the subsequent interim period

Despite the measures taken while protecting the global macroeconomic risks caused by cumulative shocks since the outbreak, the focus of inflation in the global sense continues. While inflation pressures continue in the global economy, tight monetary policies are expected to create a significant burden on economic activity. While the management of financial and non-financial risks will figure in an important role for the financial sector in 2023, geopolitical and macroeconomic developments will continue to be closely monitored.