

# **Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Independent auditor's report, unconsolidated  
financial statements and notes for the period ended  
1 January-31 March 2020 with independent auditor's  
limited review report**

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

*(Convenience translation of the auditor's report originally issued in Turkish – See Note 1 of Section Three)*

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

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

### ***Introduction***

We have reviewed the unconsolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (the “Bank”) at March 31, 2020 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated of interim financial information in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Financial Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by BRSA Legislation; together referred as “BRSA Accounting and Financial Reporting Legislation”. Our responsibility is to express a conclusion on this unconsolidated interim financial information based on our review.

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

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

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the unconsolidated financial position of Kuveyt Türk Katılım Bankası A.Ş. at March 31, 2020, and the results of its operations and its unconsolidated cash flows for the three-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.



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***Report on Other Legal and Regulatory Requirements***

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

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

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

*A Member Firm of Ernst&Young Global Limited*



20 May 2020  
İstanbul, Turkey

## Index

### Section One General information

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

### Section Two The unconsolidated financial statements

I.	Unconsolidated Balance sheet (Statement of financial position)	3
II.	Unconsolidated Statement of off-balance sheet items	5
III.	Unconsolidated Income Statement	6
IV.	Unconsolidated Statement of income/expense items accounted under shareholder's equity	7
V.	Unconsolidated Statement of changes in shareholders' equity	8
VI.	Unconsolidated Statement of cash flows	9

### Section Three Accounting principles

I.	Explanations on basis of presentation	10
II.	Explanations on strategy of using financial instruments and foreign currency transactions	13
III.	Information on subsidiaries and associates	13
IV.	Explanations on forward transactions and option contracts and derivative instruments	14
V.	Explanations on profit share income and expense	14
VI.	Explanations on fees and commission income and expenses	15
VII.	Explanations on financial assets	15
VIII.	Explanations on offsetting of financial assets and liabilities	17
IX.	Explanations on sale and repurchase agreements and lending of securities	17
X.	Explanations on assets held for sale and discontinued operations and related liabilities	17
XI.	Explanations on goodwill and other intangible assets	17
XII.	Explanations on tangible assets	18
XIII.	Explanations on leasing transactions	18
XIV.	Explanations on provisions and contingent liabilities	19
XV.	Explanations on liabilities relating to employee benefits	20
XVI.	Explanations on taxation	20
XVII.	Explanations on additional disclosures on borrowings	22
XVIII.	Explanations on share certificates issued	22
XIX.	Explanations on acceptances and availed drafts	22
XX.	Explanations on government grants	22
XXI.	Explanations on segment reporting	22
XXII.	Explanations on other matters	22

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

I.	Explanations on equity items	23
II.	Explanations on loan risk	27
III.	Explanations on currency risk	27
IV.	Explanations related to stock position risk	29
V.	Liquidity risk management and liquidity coverage ratio	30
VI.	Explanations on leverage ratio	35
VII.	Explanations on the fair value of financial assets and liabilities	36
VIII.	Transactions on behalf of others, explanations on transactions based on faith	36
IX.	Explanations on hedge accounting practices	36
X.	Explanations on risk management	38
XI.	Securitization positions	39
XII.	Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions	39
XIII.	Qualitative information to be disclosed at market risk	39
XIV.	Explanations on business segments	39

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

I.	Explanations and notes related to assets	41
II.	Explanations and notes related to liabilities	56
III.	Explanations and notes related to off-balance sheet contingencies and commitments	64
IV.	Explanations and notes related to the statement of income	65
V.	Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity	69
VI.	Explanations and notes related to cash flow statement	69
VII.	Explanations and notes related to the risk group of the Bank	69
VIII.	Information about the branches of the bank in domestic, foreign and coastal banking regions and their representative offices abroad	70
IX.	Significant events and matters arising subsequent to balance sheet date	71

### Section Six Other Explanations

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	72
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### Section Seven Independent Review Report

I.	Explanations on the review report	72
II.	Notes and disclosures prepared by the independent auditor	72

### Section Eight Interim Report

I.	Explanations on interim annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager	72
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**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
FOR THE THREE-MONTH PERIOD THEN ENDED 31 MARCH 2020**

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL  
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Web page : [www.kuveytturk.com.tr](http://www.kuveytturk.com.tr)  
E-mail address : [kuveytturk@kuveytturk.com.tr](mailto:kuveytturk@kuveytturk.com.tr)

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

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

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

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Hamd Abdulmohsen AL-MARZOUQ  
Chairman of the Board of Directors

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Ahmad S A A AL KHARJI  
Chairman of the Audit  
Committee

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Nadir ALPASLAN  
Member of the Audit Committee

---

Mohamad AL-MIDANI  
Member of the Audit  
Committee

---

Ufuk UYAN  
General Manager

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Ahmet KARACA  
Chief Financial Officer

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İsmail Hakkı YEŞİLYURT  
Budget and Management  
Reporting

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

Name-Surname/Position: İsmail Hakkı YEŞİLYURT/ Budget and Management Reporting

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**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 March 2020**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

As of 31 March 2020, 62.24% of the Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Date of Audit Committee assignment	Date of Audit Committee completion	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD	10/10/2002	19/10/2010	24/12/2019	Doctorate	-
Nadir ALPASLAN	Member of BOD and Member of the Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	%0.01
Fawaz KH E AL SALEH	Member of BOD	20/10/2006			Bachelor	-
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015			Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S. A.A. AL KHARJI	Member of BOD and Chairman of the Audit Committee	26/03/2014	24/09/2014		Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	%0.06
Ahmet KARACA	Assistant General Manager, Chief Financial Officer	12/07/2006			Master	%0.00
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	%0.00
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	%0.02
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005			Doctorate	%0.01
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	%0.00
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	%0.001
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	%0.00
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	%0.01

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.12% of the Bank’s share capital (31 December 2109 – 0.12%).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**4. Information on qualified shareholders**

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

As of 31 March 2020, the shares of parent shareholder of Bank, Kuwait Finance House (“KFH”) are 51.95% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

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

As of 31 March 2020, the Bank is operating through 434 domestic branches (31 December 2019 – 431) with 6,020 employees (31 December 2019 – 5,955). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

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

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

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

None.

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2020**

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

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

ASSETS	Note	Reviewed Current Period 31.03.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>4,882,877</b>	<b>37,507,163</b>	<b>42,390,040</b>	<b>4,803,455</b>	<b>37,903,612</b>	<b>42,707,067</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>1,268,162</b>	<b>20,229,162</b>	<b>21,497,324</b>	<b>1,781,590</b>	<b>24,099,321</b>	<b>25,880,911</b>
1.1.1 Cash and Balances with Central Bank	(5.1.1.)	1,200,236	15,977,788	17,178,024	1,768,747	17,124,339	18,893,086
1.1.2 Banks	(5.1.3.)	68,054	4,254,089	4,322,143	12,983	6,977,847	6,990,830
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Credit Loss (-)		128	2,715	2,843	140	2,865	3,005
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(5.1.2.)	<b>149,418</b>	<b>5,751,214</b>	<b>5,900,632</b>	<b>104,688</b>	<b>3,907,054</b>	<b>4,011,742</b>
1.2.1 Government Debt Securities		107,685	5,655,418	5,763,103	77,977	3,863,617	3,941,594
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		41,733	95,796	137,529	26,711	43,437	70,148
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(5.1.4.)	<b>3,436,448</b>	<b>11,048,796</b>	<b>14,485,244</b>	<b>2,898,407</b>	<b>9,732,060</b>	<b>12,630,467</b>
1.3.1 Government Debt Securities		3,325,621	10,570,833	13,896,454	2,792,631	9,313,887	12,106,518
1.3.2 Equity Instruments		13,992	25,918	39,910	11,237	27,346	38,583
1.3.3 Other Financial Assets		96,835	452,045	548,880	94,539	390,827	485,366
<b>1.4. Derivative Financial Assets</b>		<b>28,849</b>	<b>477,991</b>	<b>506,840</b>	<b>18,770</b>	<b>165,177</b>	<b>183,947</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		28,849	477,991	506,840	18,770	165,177	183,947
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)</b>	(5.1.5.)	<b>40,296,757</b>	<b>30,977,888</b>	<b>71,274,645</b>	<b>32,535,710</b>	<b>25,009,784</b>	<b>57,545,494</b>
<b>2.1 Loans</b>		<b>41,468,505</b>	<b>25,004,817</b>	<b>66,473,322</b>	<b>33,532,383</b>	<b>21,686,066</b>	<b>55,218,449</b>
<b>2.2 Leasing Receivables</b>	(5.1.10.)	<b>1,656,804</b>	<b>1,865,795</b>	<b>3,522,599</b>	<b>1,406,165</b>	<b>1,301,355</b>	<b>2,707,520</b>
<b>2.3 Other Financial Assets Measured At Amortized Cost</b>	(5.1.6.)	<b>-</b>	<b>4,875,419</b>	<b>4,875,419</b>	<b>-</b>	<b>2,630,914</b>	<b>2,630,914</b>
2.3.1 Government Debt Securities		-	4,875,419	4,875,419	-	2,630,914	2,630,914
2.3.2 Other Financial Assets		-	-	-	-	-	-
<b>2.4 Expected Credit Loss (-)</b>		<b>2,828,552</b>	<b>768,143</b>	<b>3,596,695</b>	<b>2,402,838</b>	<b>608,551</b>	<b>3,011,389</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)</b>		<b>465,520</b>	<b>-</b>	<b>465,520</b>	<b>473,326</b>	<b>-</b>	<b>473,326</b>
3.1 Held For Sale		465,520	-	465,520	473,326	-	473,326
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>729,219</b>	<b>-</b>	<b>729,219</b>	<b>564,853</b>	<b>-</b>	<b>564,853</b>
<b>4.1 Investments in Associates (Net)</b>	(5.1.7.)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
<b>4.2 Investment in Subsidiaries (Net)</b>	(5.1.8.)	<b>709,219</b>	<b>-</b>	<b>709,219</b>	<b>544,853</b>	<b>-</b>	<b>544,853</b>
4.2.1 Unconsolidated Financial Subsidiaries		685,539	-	685,539	521,173	-	521,173
4.2.2 Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
<b>4.3 Investment in Joint Ventures (Net)</b>	(5.1.9.)	<b>20,000</b>	<b>-</b>	<b>20,000</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>
4.3.1 Joint Ventures Valued Based on Equity Method		20,000	-	20,000	20,000	-	20,000
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>		<b>1,058,644</b>	<b>988</b>	<b>1,059,632</b>	<b>1,033,995</b>	<b>957</b>	<b>1,034,952</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>135,349</b>	<b>19</b>	<b>135,368</b>	<b>133,955</b>	<b>25</b>	<b>133,980</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		135,349	19	135,368	133,955	25	133,980
<b>VII. INVESTMENT PROPERTIES (Net)</b>		<b>25,107</b>	<b>-</b>	<b>25,107</b>	<b>25,146</b>	<b>-</b>	<b>25,146</b>
<b>VIII. CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	(5.1.15.)	<b>460,059</b>	<b>-</b>	<b>460,059</b>	<b>358,097</b>	<b>-</b>	<b>358,097</b>
<b>X. OTHER ASSETS</b>	(5.1.17.)	<b>717,122</b>	<b>1,048,938</b>	<b>1,766,060</b>	<b>658,556</b>	<b>937,874</b>	<b>1,596,430</b>
<b>TOTAL ASSETS</b>		<b>48,770,654</b>	<b>69,534,996</b>	<b>118,305,650</b>	<b>40,587,093</b>	<b>63,852,252</b>	<b>104,439,345</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2020**

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

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

LIABILITIES	Note	Reviewed Current Period 31.03.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
<b>I. FUNDS COLLECTED</b>	(5.2.1.)	<b>40,705,171</b>	<b>58,116,927</b>	<b>98,822,098</b>	<b>35,410,329</b>	<b>50,084,058</b>	<b>85,494,387</b>
<b>II. FUNDS BORROWED</b>	(5.2.3.)	<b>1,262,565</b>	<b>4,273,636</b>	<b>5,536,201</b>	<b>923,177</b>	<b>4,468,500</b>	<b>5,391,677</b>
<b>III. MONEY MARKETS</b>		-	-	-	-	-	-
<b>IV. SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
<b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITIES</b>		<b>288,107</b>	<b>212,798</b>	<b>500,905</b>	<b>129,690</b>	<b>294,447</b>	<b>424,137</b>
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	288,107	83,461	371,568	129,690	164,719	294,409
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.6.)	-	129,337	129,337	-	129,728	129,728
<b>VII. LEASE PAYABLES</b>	(5.2.5.)	<b>329,209</b>	<b>9,027</b>	<b>338,236</b>	<b>315,732</b>	<b>10,446</b>	<b>326,178</b>
<b>VIII. PROVISIONS</b>	(5.2.7.)	<b>882,714</b>	<b>276,163</b>	<b>1,158,877</b>	<b>850,649</b>	<b>240,346</b>	<b>1,090,995</b>
8.1 Restructuring Provision		-	-	-	-	-	-
8.2 Reserves For Employee Benefits		245,618	493	246,111	301,593	446	302,039
8.3 Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4 Other Provisions		637,096	275,670	912,766	549,056	239,900	788,956
<b>IX. CURRENT TAX LIABILITIES</b>	(5.2.8.1.)	<b>105,143</b>	-	<b>105,143</b>	<b>224,425</b>	-	<b>224,425</b>
<b>X. DEFERRED TAX LIABILITIES</b>		-	-	-	-	-	-
<b>XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(5.2.9.)	-	-	-	-	-	-
11.1 Held For Sale		-	-	-	-	-	-
11.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XII. SUBORDINATED DEBT INSTRUMENTS</b>	(5.2.10.)	-	<b>3,661,344</b>	<b>3,661,344</b>	-	<b>3,380,983</b>	<b>3,380,983</b>
12.1 Loans		-	-	-	-	-	-
12.2 Other Debt Instruments		-	3,661,344	3,661,344	-	3,380,983	3,380,983
<b>XIII. OTHER LIABILITIES</b>	(5.2.4.)	<b>1,029,730</b>	<b>327,987</b>	<b>1,357,717</b>	<b>1,023,193</b>	<b>262,080</b>	<b>1,285,273</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	(5.2.11.)	<b>7,000,255</b>	<b>(175,126)</b>	<b>6,825,129</b>	<b>6,742,813</b>	<b>78,477</b>	<b>6,821,290</b>
14.1 Paid-in Capital		4,595,131	-	4,595,131	3,995,766	-	3,995,766
14.2 Capital Reserves		25,124	-	25,124	24,489	-	24,489
14.2.1 Share Premiums		23,250	-	23,250	23,250	-	23,250
14.2.2 Share Cancellation Profits		1,874	-	1,874	1,239	-	1,239
14.2.3 Other Capital Reserves		-	-	-	-	-	-
14.3 Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(19,082)	-	(19,082)	(19,082)	-	(19,082)
14.4 Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		76,481	(175,126)	(98,645)	127,237	78,477	205,714
14.5 Profit Reserves		1,971,224	-	1,971,224	1,469,025	-	1,469,025
14.5.1 Legal Reserves		284,943	-	284,943	228,723	-	228,723
14.5.2 Statutory Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		1,617,135	-	1,617,135	1,170,797	-	1,170,797
14.5.4 Other Profit Reserves		69,146	-	69,146	69,505	-	69,505
14.6 Profit or Loss		351,377	-	351,377	1,145,378	-	1,145,378
14.6.1 Prior Years' Profits or Losses		35,540	-	35,540	35,540	-	35,540
14.6.2 Current Period Net Profit or Loss		315,837	-	315,837	1,109,838	-	1,109,838
14.7 Minority Shares	(5.2.12.)	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>51,602,894</b>	<b>66,702,756</b>	<b>118,305,650</b>	<b>45,620,008</b>	<b>58,819,337</b>	<b>104,439,345</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 31 MARCH 2020**

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

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

	Note	Reviewed Current Period 31.03.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
<b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>67,396,140</b>	<b>62,822,087</b>	<b>130,218,227</b>	<b>67,365,973</b>	<b>56,289,772</b>	<b>123,655,745</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(5.3.1.)</b>	<b>6,966,530</b>	<b>5,705,288</b>	<b>12,671,818</b>	<b>6,938,439</b>	<b>4,962,863</b>	<b>11,901,302</b>
1.1. Letters of Guarantee		6,531,012	3,921,079	10,452,091	6,592,042	3,414,624	10,006,666
1.1.1. Guarantees Subject to State Tender Law		205,218	53,177	258,395	218,286	62,740	281,026
1.1.2. Guarantees Given For Foreign Trade Operations		376,009	56,267	432,276	375,091	79,315	454,406
1.1.3. Other Letters of Guarantee		5,949,785	3,811,635	9,761,420	5,998,665	3,272,569	9,271,234
1.2. Bank Loans		30,477	49,999	80,476	8,546	46,489	55,035
1.2.1. Import Letter of Acceptances		30,477	49,999	80,476	8,546	46,489	55,035
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		16,790	1,642,570	1,659,360	10,567	1,363,442	1,374,009
1.3.1. Documentary Letters of Credit		86	557,139	557,225	86	371,829	371,915
1.3.2. Other Letters of Credit		16,704	1,085,431	1,102,135	10,481	991,613	1,002,094
1.4. Guaranteed Refinancing		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		388,251	91,640	479,891	327,284	138,308	465,592
1.7. Other Warrantees		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(5.3.1.)</b>	<b>53,507,995</b>	<b>5,741,848</b>	<b>59,249,843</b>	<b>52,151,025</b>	<b>1,894,212</b>	<b>54,045,237</b>
2.1. Irrevocable Commitments		5,897,341	5,741,848	11,639,189	4,795,885	1,894,212	6,690,097
2.1.1. Forward Asset Purchase and Sales Commitments		814,698	5,716,329	6,531,027	455,887	1,891,166	2,347,053
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3. Loan Granting Commitments		435,045	-	435,045	358,094	-	358,094
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments For Reserve Deposits Requirements		-	-	-	-	-	-
2.1.6. Payment Commitments For Checks		1,437,496	-	1,437,496	1,305,235	-	1,305,235
2.1.7. Tax and Fund Liabilities From Export Commitments		-	-	-	-	-	-
2.1.8. Commitments For Credit Card Expenditure Limits		3,189,532	-	3,189,532	2,656,398	-	2,656,398
2.1.9. Commitments For Credit Cards and Banking Services Promotions		2,813	-	2,813	2,514	-	2,514
2.1.10. Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11. Payables For Short Sale Commitments		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		17,757	25,519	43,276	17,757	3,046	20,803
2.2. Revocable Commitments		47,610,654	-	47,610,654	47,355,140	-	47,355,140
2.2.1. Revocable Loan Granting Commitments		47,610,654	-	47,610,654	47,355,140	-	47,355,140
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(5.3.2.)</b>	<b>6,921,615</b>	<b>51,374,951</b>	<b>58,296,566</b>	<b>8,276,509</b>	<b>49,432,697</b>	<b>57,709,206</b>
3.1. Derivative Financial Instruments Held For Risk Management		-	1,648,322	1,648,322	-	2,451,906	2,451,906
3.1.1. Fair Value Hedges		-	-	-	-	-	-
3.1.2. Cash Flow Hedges		-	1,648,322	1,648,322	-	2,451,906	2,451,906
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held For Trading Transactions		6,921,615	49,726,629	56,648,244	8,276,509	46,980,791	55,257,300
3.2.1. Forward Foreign Currency Buy/Sell Transactions		688,433	2,140,892	2,829,325	512,110	1,242,703	1,754,813
3.2.1.1. Forward Foreign Currency Buy Transactions		361,021	1,061,974	1,422,995	276,131	603,627	879,758
3.2.1.2. Forward Foreign Currency Sell Transactions		327,412	1,078,918	1,406,330	235,979	639,076	875,055
3.2.2. Other Forward Buy/Sell Transactions		6,233,182	47,585,737	53,818,919	7,764,399	45,738,088	53,502,487
3.3. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>408,993,220</b>	<b>181,660,638</b>	<b>590,653,858</b>	<b>381,449,255</b>	<b>165,631,022</b>	<b>547,080,277</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>11,339,607</b>	<b>18,489,757</b>	<b>29,829,364</b>	<b>11,299,056</b>	<b>14,947,964</b>	<b>26,247,020</b>
4.1. Customers' Securities Held		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		2,205,703	282,111	2,487,814	2,891,875	424,980	3,316,855
4.3. Checks Received for Collection		7,539,331	990,354	8,529,685	6,828,688	869,224	7,697,912
4.4. Commercial Notes Received for Collection		1,594,573	320,379	1,914,952	1,578,493	280,131	1,858,624
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		-	16,896,913	16,896,913	-	13,373,629	13,373,629
<b>V. PLEDGED ITEMS</b>		<b>397,641,974</b>	<b>163,093,946</b>	<b>560,735,920</b>	<b>370,138,560</b>	<b>150,613,354</b>	<b>520,751,914</b>
5.1. Marketable Securities		78,959	-	78,959	194,245	111,336	305,581
5.2. Guarantee Notes		101,727	2,655,172	2,756,899	101,727	2,402,814	2,504,541
5.3. Commodity		9,907,577	777,951	10,685,528	8,938,138	701,641	9,639,779
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		131,823,717	3,271,284	135,095,001	124,206,037	2,983,314	127,189,351
5.6. Other Pledged Items		255,729,994	156,389,539	412,119,533	236,698,413	144,414,249	381,112,662
5.7. Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>76,935</b>	<b>88,574</b>	<b>11,639</b>	<b>69,704</b>	<b>81,343</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>476,389,360</b>	<b>244,482,725</b>	<b>720,872,085</b>	<b>448,815,228</b>	<b>221,920,794</b>	<b>670,736,022</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED**  
**UNDER SHAREHOLDERS' EQUITY AS OF 31 MARCH 2020**

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

**3. INCOME STATEMENT**

			Reviewed Current Period 01.01.2020- 31.03.2020	Reviewed Prior Period 01.01.2019- 31.03.2019
		Note		
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	(5.4.1.)	<b>1,841,555</b>	<b>1,763,288</b>
1.1	Profit Share on Loans		1,444,063	1,465,499
1.2	Profit Share on Reserve Deposits		782	26,967
1.3	Profit Share on Banks		39,434	57,482
1.4	Profit Share on Money Market Placements		-	-
1.5	Profit Share on Marketable Securities Portfolio		270,835	131,783
1.5.1	Fair Value Through Profit or Loss		30,650	6,867
1.5.2	Fair Value Through Other Comprehensive Income		211,213	113,517
1.5.3	Measured at Amortised Cost		28,972	11,399
1.6	Finance Lease Income		74,916	61,654
1.7	Other Profit Share Income		11,525	19,903
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>		<b>707,120</b>	<b>982,674</b>
2.1	Expense on Profit Sharing Accounts	(5.4.4.)	524,298	728,634
2.2	Profit Share Expense on Funds Borrowed	(5.4.2.)	163,354	237,159
2.3	Profit Share Expense on Money Market Borrowings		2,800	2,514
2.4	Expense on Securities Issued		-	-
2.5	Profit Share Expense on Lease		16,668	14,367
2.6	Other Profit Share Expense		-	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>		<b>1,134,435</b>	<b>780,614</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>84,205</b>	<b>112,398</b>
4.1	Fees And Commissions Received		194,378	184,044
4.1.1	Non-Cash Loans		35,880	35,741
4.1.2	Other		158,498	148,303
4.2	Fees And Commissions Paid		110,173	71,646
4.2.1	Non-Cash Loans		6	6
4.2.2	Other	(5.4.13.)	110,167	71,640
<b>V.</b>	<b>DIVIDEND INCOME</b>	(5.4.3.)	-	<b>803</b>
<b>VI.</b>	<b>NET TRADING INCOME / LOSS</b>	(5.4.5.)	<b>551,891</b>	<b>235,622</b>
6.1	Capital Market Transaction Gains/Losses		23,670	13,013
6.2	Gains/Losses From Derivative Financial Instruments		4,168	212,097
6.3	Foreign Exchange Gains/Losses		524,053	10,512
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(5.4.6.)	<b>221,324</b>	<b>361,344</b>
<b>VIII.</b>	<b>NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)</b>		<b>1,991,855</b>	<b>1,490,781</b>
<b>IX.</b>	<b>EXPECTED LOSS PROVISIONS (-)</b>	(5.4.7.)	<b>836,476</b>	<b>648,135</b>
<b>X.</b>	<b>OTHER PROVISIONS (-)</b>	(5.4.8.)	<b>152,508</b>	<b>47,139</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>327,946</b>	<b>282,575</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>		<b>270,097</b>	<b>194,304</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>		<b>404,828</b>	<b>318,628</b>
<b>XIV.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-
<b>XV.</b>	<b>INCOME / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)</b>	(5.4.9.)	<b>404,828</b>	<b>318,628</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(5.4.10)	<b>(88,991)</b>	<b>(64,625)</b>
18.1	Current Tax Provision		(105,129)	(45,410)
18.2	Deferred Tax Income Effect (+)		134,484	194,309
18.3	Deferred Tax Expense Effect (-)		150,622	175,094
<b>XIX.</b>	<b>CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(5.4.11.)	<b>315,837</b>	<b>254,003</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
20.1	Income on Non-Current Assets Held For Sale		-	-
20.2	Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
20.3	Income on Other Discontinued Operations		-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
21.1	Expenses From Non-Current Assets Held For Sale		-	-
21.2	Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
21.3	Expenses From Other Discontinued Operations		-	-
<b>XXII.</b>	<b>PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
<b>XXIV.</b>	<b>CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXV.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	(5.4.12.)	<b>315,837</b>	<b>254,003</b>
25.1	Group's Income/Loss		315,837	254,003
25.2	Minority Interest Income/Loss (-)		-	-
	Earnings Per Share Income/Loss		-	-

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED**  
**UNDER SHAREHOLDERS' EQUITY AS OF 31 MARCH 2020**

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

**4. STATEMENT OF INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY**

	Reviewed Current Period 31.03.2020	Reviewed Prior Period 31.03.2019
<b>I. CURRENT PROFIT (LOSS)</b>	<b>315,837</b>	<b>254,003</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(304,359)</b>	<b>(9,093)</b>
2.1 <b>Other Comprehensive Income Not Reclassified Through Profit Or Loss</b>	-	-
2.1.1 Property And Equipment Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-	-
2.1.5 Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2 <b>Other Comprehensive Income Reclassified Through Profit Or Loss</b>	<b>(304,359)</b>	<b>(9,093)</b>
2.2.1 Foreign Currency Translation Difference	-	-
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	(390,597)	(6,424)
2.2.3 Cash Flow Hedge Income/Loss	414	(7,897)
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss	85,824	5,228
<b>III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>11,478</b>	<b>244,910</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 MARCH 2020**

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

**5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Note	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							
<b>Prior Period</b> (01/01/2019 – 31/03/2019)																	
I.	Prior Period Ending Balance	3,497,322	22,933	-	-	-	(13,296)	-	-	(117,150)	36,196	1,107,196	905,352	-	-	5,438,553	5,438,553
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	3,497,322	22,933	-	-	-	(13,296)	-	-	(117,150)	36,196	1,107,196	905,352	-	-	5,438,553	5,438,553
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	(2,933)	(6,160)	-	254,003	-	244,910	-	244,910
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	-	-	-	-	-	-	-	-	-	-	(360)	-	-	(360)	-	(360)
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period (III+IV+.....+X+XI)</b>		<b>3,497,322</b>	<b>22,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,296)</b>	<b>-</b>	<b>-</b>	<b>(120,083)</b>	<b>30,036</b>	<b>1,106,836</b>	<b>905,352</b>	<b>254,003</b>	<b>-</b>	<b>5,683,103</b>	<b>5,683,103</b>
<b>Current Period</b> (01/01/2020 – 31/03/2020)																	
I.	Prior Period Ending Balance	3,995,766	23,250	1,239	-	-	(19,082)	-	-	214,695	(8,981)	1,469,025	35,540	1,109,838	-	6,821,290	6,821,290
II.	Corrections and Accounting Policy Changes Made According to TAS 8(*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	3,995,766	23,250	1,239	-	-	(19,082)	-	-	214,695	(8,981)	1,469,025	35,540	1,109,838	-	6,821,290	6,821,290
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	(304,681)	322	-	315,837	-	11,478	-	11,478
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Reserves	600,000	-	-	-	-	-	-	-	-	-	(600,000)	-	-	-	-	-
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes	(635)	-	635	-	-	-	-	-	-	-	(359)	-	-	(359)	-	(359)
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,109,838)	(7,280)	-	(7,280)
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	(7,280)	(7,280)	-	(7,280)
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,102,558)	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period (III+IV+.....+X+XI)</b>		<b>(5,2.11.)</b>	<b>4,595,131</b>	<b>23,250</b>	<b>1,874</b>	<b>-</b>	<b>(19,082)</b>	<b>-</b>	<b>-</b>	<b>(89,986)</b>	<b>(8,659)</b>	<b>1,971,224</b>	<b>35,540</b>	<b>315,837</b>	<b>-</b>	<b>6,825,129</b>	<b>6,825,129</b>

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4. Foreign Currency Transition Differences

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF CASH FLOWS AS OF 31 MARCH 2020**

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

**6. STATEMENT OF CASH FLOWS**

	Note	Reviwed	Reviwed
		Current Period	Prior Period
		01.01.2020-	01.01.2019-
		31.03.2020	31.03.2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Assets And Liabilities From Banking Operations</b>		<b>(10,999)</b>	<b>1,012,693</b>
1.1.1 Profit Share Income Received		1,756,366	2,269,960
1.1.2 Profit Share Expense Paid		(809,251)	(897,362)
1.1.3 Dividends Received		-	-
1.1.4 Fees And Commissions Received		194,378	187,268
1.1.5 Other Income		527,090	103,294
1.1.6 Collections From Previously Written Off Loans		115,245	178,108
1.1.7 Payments to Personnel And Service Suppliers		(272,108)	(379,049)
1.1.8 Taxes Paid		(78,955)	(175,659)
1.1.9 Others		(1,443,764)	(273,867)
<b>1.2 Changes in Assets And Liabilities From Banking Operations</b>		<b>1,250,301</b>	<b>3,589,710</b>
1.2.1 Net (Increase) Decrease Held For Trading Financial Assets		(1,900,719)	(1,361,058)
1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		2,675,967	(780,388)
1.2.3 Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(12,273,967)	(3,980,507)
1.2.4 Net (Increase) Decrease in Loans		(777,605)	1,033,931
1.2.5 Net (Increase) Decrease in Other Assets		703,538	(235,612)
1.2.6 Net Increase (Decrease) in Bank Deposits		12,637,662	9,708,849
1.2.7 Net Increase (Decrease) in Other Deposits		-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		169,051	122,531
1.2.9 Net Increase (Decrease) in Due Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		16,374	(918,036)
<b>I. Net Cash Provided From / (Used in) Banking Operations</b>		<b>1,239,302</b>	<b>4,602,403</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>II. Net Cash Provided From / (Used in) Investing Activities</b>		<b>(4,160,786)</b>	<b>(5,963,121)</b>
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.2 Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.3 Fixed Assets Purchases		(24,641)	(481,661)
2.4 Fixed Assets Sales		92	1,392
2.5 Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(2,238,902)	(3,073,103)
2.6 Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		139,964	58,984
2.7 Cash Paid For Purchase of Investment Securities		(2,035,983)	(2,469,786)
2.8 Cash Obtained From Sale of Investment Securities		-	-
2.9 Other		(1,316)	1,053
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>III. Net Cash Provided From / (Used in) Financing Activities</b>		<b>(23,948)</b>	<b>(29,979)</b>
3.1 Cash Obtained From Funds Borrowed And Securities Issued		-	-
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		-	-
3.3 Capital Increase		-	-
3.4 Dividends Paid		(7,280)	(15,612)
3.5 Payments For Finance Leases		(16,668)	(14,367)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents</b>	(5.5.4)	<b>1,230,370</b>	<b>301,732</b>
<b>V. Net Increase (Decrease) in Cash And Cash Equivalents</b>		<b>(1,715,062)</b>	<b>(1,088,965)</b>
<b>VI. Cash And Cash Equivalents at The Beginning of The Period</b>	(5.5.1)	<b>18,893,086</b>	<b>6,680,124</b>
<b>VII. Cash And Cash Equivalents at The End of The Period</b>	(5.5.1)	<b>17,178,024</b>	<b>5,591,159</b>

The accompanying notes are an integral part of these financial statements

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD**

**1. Explanations on Basis of Presentation**

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

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

**Additional paragraph for convenience translation**

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

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

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

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

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

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of March 31, 2020, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in third section footnote numbered 1.5 “Explanations on Expected Credit Loss”. In the upcoming periods, the Bank will update its relevant assumptions are necessary and revise the realizations of past estimates.

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

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

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

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

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

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

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

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

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

**Classification And Measurement of Financial Instruments:**

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

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

**Explanations on Expected Credit Loss :**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

As mentioned in the accounting policies and valuation principles used in the preparation of financial statements, the bank has also calculated the possible effects of the COVID-19 outbreak as of 31 March 2020 with the best estimate method, which it obtained on the principle of maximum effort to estimate and reasoning used in the calculation of expected credit losses.

In light of these data, the Bank;

- COVID-19 has made assessments before the sectors that are thought to have high pandemic effects and made PD updates on the basis of related sectors.

As of March 31, 2020, the bank has recognized the expected loss in the financial statements as a result of this approach to the provision calculation. This approach, which is preferred in the provision calculations for the first quarter of 2020, will be revised in the following reporting periods, taking into account the impact of the pandemic, the current portfolio of financial assets and expectations for the future.

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

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

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

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

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

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

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

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

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

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

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 30-day delay period for the classification of loans as Stage 2 has been implemented as 90 days until 31 December 2020; the bank recognizes provisions in accordance with its risk policies.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 90-day delay period for the classification of loans as Stage 3 has been implemented as 180 days until 31 December 2020; the bank recognizes provisions in accordance with its risk policies.

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

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

**1.7 Explanations on IFRS 16 Leases Standard**

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

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

Due to the Banks’s implementation of TFRS 16, assets classified under tangible assets as of 31 March 2020 amounted to TL 442,830, the lease liability amounted to TL 338,236, the financing expense amounted to TL 16,668 and depreciation expense amounted to TL 26,615.

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

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

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

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

**3. Investments in Associates And Subsidiaries**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

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

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

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

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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**6. Explanations on Fees And Commission Income And Expenses**

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

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

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

**7. Explanations on Financial Assets**

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

---

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

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

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

**7.3 Financial assets measured at amortized cost:**

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

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

**7.4 Derivative financial assets:**

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

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

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

**7.5 Loans:**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

---

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

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

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

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

As of 31 March 2020, the Bank does not have a sales transaction with the promise of repurchase. (31 December 2019: None).

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

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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**12. Explanations on Tangible Assets**

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

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

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

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

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

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

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

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

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

**13. Explanations on Leasing Transactions**

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

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

The Bank has started to apply the TFRS 16 - Leases standard as of January 1, 2019, the first date of implementation of the TFRS 16 standard. As of January 1, 2019, the date of transition to TFRS 16 "Leases" standard, the lease obligation was measured at the present value of the lease payments not paid at that time.

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Bank's alternative borrowing profit share rate.



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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**The right of the use asset**

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

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

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

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

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

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

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

**Lease Obligation**

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

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

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

**14. Explanations on Provisions And Contingent Liabilities**

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

**15.1 Defined benefit plans:**

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

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

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

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

**15.2 Defined contribution plans:**

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

**15.3 Short term benefits to employees:**

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

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

**16. Explanations on Taxation**

*Current Tax*

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

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

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

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

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

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

### ***Deferred Tax***

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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**17. Explanations on Additional Disclosures on Borrowings**

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

The Bank has not issued convertible bonds.

**18. Explanations on Share Certificates Issued**

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

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

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

**20. Explanations on Government Grants**

There are no government grants received by the Bank.

**21. Explanations on Segment Reporting**

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

Segment reporting is disclosed in Section Four, Note 14.

**22. Explanations on Other Matters**

The Bank has no disclosures on other matters.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**SECTION FOUR**

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

**1. Explanations on Equity Items**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 March 2020 Bank’s total capital has been calculated as TL 10,820,200 (31 December 2019: TL 10,334,918), capital adequacy ratio is 21.47% (31 December 2019: 19.32%).

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

**1.1. Components of Total Capital:**

	<i>Current Period Amount</i>	<i>Prior Period Amount</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,000,000
Share Premium	23,250	23,250
Reserves	1,971,224	1,469,025
Other Comprehensive Income According to TAS	159,393	219,108
Profit	351,377	1,145,378
Current Period Profit	315,837	1,109,838
Prior Period Profit	35,540	35,540
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	-
<b>Common Equity Tier I Capital Before Deductions</b>	<b>7,105,244</b>	<b>6,856,761</b>
<b>Deductions From Common Equity Tier I Capital</b>	<b>-</b>	<b>-</b>
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	-
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS (-)	13,146	13,394
Leasehold Improvements On Operational Leases (-)	67,991	66,940
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	126,023	124,315
Net Deferred Tax Asset/Liability (-)	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	-
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	-
Net Amount Of Defined Benefit Plans	19,082	19,082
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	4,869	4,234
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>231,111</b>	<b>227,965</b>
<b>Total Common Equity Tier I Capital</b>	<b>6,874,133</b>	<b>6,628,796</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

<b>Additional Tier I Capital Before Deductions</b>		
Capital corresponding to privileged shares not included in the core capital and the related issuance premiums		-
Borrowing instruments deemed appropriate by the Authority and related issuance premiums	1,314,668	1,189,404
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)		-
<b>Additional Capital Before Discounts</b>		
	<b>1,314,668</b>	<b>1,189,404</b>
<b>Deductions From Additional Tier I Capital</b>		
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)		-
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation		-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)		-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)		-
Other Items To Be Defined By The BRSA (-)		-
<b>Items To Be Deducted From Tier I Capital During The Transition Period</b>		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)		-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)		-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)		-
<b>Total Deductions From Additional Tier I Capital</b>		
		-
<b>Total Additional Tier I Capital</b>	<b>1,314,668</b>	<b>1,189,404</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>8,188,801</b>	<b>7,818,200</b>
<b>Tier II Capital</b>		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (*)	2,270,056	2,073,398
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)		-
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	504,747	565,274
<b>Total Deductions From Tier II Capital</b>	<b>2,774,803</b>	<b>2,638,672</b>
<b>Deductions From Tier II Capital</b>		
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)		-
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation		-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)		-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)		-
Other Items To Be Defined By The BRSA (-)		-
<b>Total Deductions From Tier II Capital</b>		
		-
<b>Total Tier II Capital</b>	<b>2,774,803</b>	<b>2,638,672</b>
<b>Total Equity (Total Tier I And Tier II Capital)</b>	<b>10,963,604</b>	<b>10,456,872</b>

(\*) TL 30,612 of Tier II capital issue amounting to TL 2,300,669 issued via KT Sukuk Company Limited has been withdrawn and is deducted from equity.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

<b>Total Tier I Capital And Tier II Capital (Total Equity)</b>		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)	8,061	5,505
Other Items To Be Defined By The BRSA (-)	135,343	116,449
<b>Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period</b>		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
<b>Capital</b>		
Total Capital ( Total Of Tier I Capital And Tier II Capital )	10,820,200	10,334,918
Total Risk Weighted Assets	50,392,356	53,504,497
<b>Capital Adequacy Ratios</b>		
CET1 Capital Ratio (%)	13.64	12.39
Tier I Capital Ratio (%)	16.25	14.61
Capital Adequacy Ratio (%)	21.47	19.32
<b>Buffers</b>		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	9.14	7.89
<b>Amounts Lower Than Excesses As Per Deduction Rules</b>		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital	-	-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising From Temporary Differences	-	-
<b>Limits For Provisions Used In Tier II Capital Calculation</b>		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	504,747	565,274
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	504,747	565,274
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)	-	-
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1 , 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

<b>Information on debt instruments to be included in equity calculation:</b>		
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED
Mean Code (CUSIP, ISIN vb.)	XS1323608635	XS2028862998
Legislation to which the mean is subject	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity
<b>Consideration In Equity Calculation</b>		
Subject to consideration application reduced by 10% from 1/1/2015	Not being subject	Not being subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Means Type	Subordinated Sukuk	Subordinated Sukuk
Amount taken into account in equity calculation (as of last reporting date-TL million)	2,301	1,315
Nominal value of the mean (TL million)	2,301	1,315
The account in which the mean is followed accounting	3470103	3470003
Export date of the mean	02/17/2016	07/16/2019
Maturity structure of the mean (demand/term)	Term	Term
Initial maturity of the mean	10 Years (Maturity Date : 02/17/2026)	5 Years (Maturity Date : 07/16/2024)
Whether the issuer has the right to refund subject to BRSA approval	Yes	Yes
Date of repayment option, contingent repayment options and amount to be paid back	02/17/2021 - Complete	07/16/2024 - Complete
Subsequent repayment option dates	02/17/2021	07/16/2024
<b>Dividend payments</b>		
Fixed or variable dividend payments	Fixed dividend payments	Fixed dividend payments
Dividend ratio and index value for dividend ratio	7.90%	9.13%
Whether there are any restrictions that stop paying dividends	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative
<b>Ability to convert to stock</b>		
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock.	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertible means, if convertible to stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock
<b>Value reduction feature</b>		
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Primary Unsecured Sukuk	Tier – 1
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

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

**2. Explanations on loan 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.

**3. Explanations on currency risk**

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

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

As of 31 March 2020, the Bank carries a net foreign currency long position of TL 5,431,224 (31 December 2019 – TL 8,252,773 long position) comprising of TL 5,734,778 balance sheet short position (31 December 2019 - TL 7,932,219 short position) and TL 303,554 off balance sheet short position (31 December 2019 – TL 320,554 long position).

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

	24/03/2020	25/03/2020	26/03/2020	27/03/2020	30/03/2020	Balance Sheet Valuation Rate
<b>USD</b>	6.49673	6.41525	6.45351	6.43902	6.52351	6.57334
<b>EURO</b>	7.03887	6.94168	7.06053	7.08971	7.2179	7.21315
<b>GBP</b>	7.60118	7.61383	7.69596	7.87109	8.08398	8.11945
<b>CHF</b>	6.65338	6.54375	6.63922	6.68695	6.82203	6.81507
<b>JPY</b>	0.05871	0.05761	0.05863	0.0592	0.06044	0.06062

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

	Monthly average FC purchase rate
USD	6.33126
EURO	7.00125
GBP	7.84398
CHF	6.61104
JPY	0.05886

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**Currency risk of the Bank:**

	<b>Euro</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	5,024,163	5,016,003	5,937,622	15,977,788
Banks(***)	1,898,686	150,366	2,202,322	4,251,374
Financial assets at fair value through profit and loss	36,398	235,048	5,479,768	5,751,214
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	5,503,100	5,545,696	-	11,048,796
Loans and finance lease receivables (*)	11,912,819	16,603,582	119,352	28,635,753
Subsidiaries, associates and joint ventures (**)	445,754	164,366	-	610,120
Financial assets at amortized cost	2,895,086	1,980,333	-	4,875,419
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	988	-	988
Intangible assets	-	19	-	19
Other assets	869,277	174,766	1,833	1,045,876
<b>Total assets</b>	<b>28,585,283</b>	<b>29,871,167</b>	<b>13,740,897</b>	<b>72,197,347</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	199,364	460,041	174,645	834,050
Current and profit sharing accounts FC (****)	9,993,803	32,037,971	15,251,103	57,282,877
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	120,336	7,049,020	774,651	7,944,007
Marketable securities issued	-	-	-	-
Miscellaneous payables	90,605	96,930	897	188,432
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	166,319	333,912	16,526	516,757
<b>Total liabilities</b>	<b>10,570,427</b>	<b>39,977,874</b>	<b>16,217,822</b>	<b>66,766,123</b>
Net balance sheet position	18,014,856	(10,106,707)	(2,476,925)	5,431,224
Net off-balance sheet position	(18,383,369)	10,187,886	2,460,705	(5,734,778)
Financial derivative assets	1,076,276	20,021,545	4,580,430	25,678,251
Financial derivative liabilities	19,459,645	9,833,659	2,119,725	31,413,029
Non-cash loans (***)	1,999,209	2,999,362	706,717	5,705,288
<b>Prior period</b>				
Total assets	29,683,514	25,876,253	11,234,038	66,793,805
Total liabilities	9,709,954	36,648,855	12,182,223	58,541,032
Net balance sheet position	19,973,560	(10,772,602)	(948,185)	8,252,773
Net off-balance sheet position	(20,055,534)	11,193,288	930,027	(7,932,219)
Financial derivative assets	371,546	19,860,378	1,463,898	21,695,822
Financial derivative liabilities	20,427,080	8,667,090	533,871	29,628,041
Non-cash loans (***)	1,882,866	2,503,577	576,420	4,962,863

(\*) Includes foreign currency indexed loans amounting to TL 2,533,284 (31 December 2019 – TL 2,662,329) and includes expected loss provision amounting to TL 768,143 followed as TL on the balance sheet

(\*\*) TL 610,120 (31 December 2019 - TL 544,853 of the subsidiaries amounting to TL 709,219 in the balance sheet includes foreign currency subsidiary and subsidiary.

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

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

(\*\*\*\*\*) Other liabilities at fair value through TL 9,983 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 111,022

(\*\*\*\*\*\*) Includes provisions for expected losses amounting to TL 2,715 in the balance sheet

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below;

- Derivative financial assets held for trading TL 477,991 (31 December 2019 – TL 165,177)
- Prepaid expenses : TL 2,939 (31 December 2019 – 1,217 TL)
- Derivative financial liabilities held for trading : TL 83,461 (31 December 2019 – TL 164,719 )
- Marketable securities of FC revaluation reverse: 171,603 ( 31 December 2019 - TL (82,154) )
- Derivative financial liabilities held for hedging : TL 129,337 (31 December 2019 - TL 129,728 )

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

- Forward foreign currency purchase transactions TL 2,723,591 (31 December 2019 – TL 907,403)
- Forward foreign currency sale transactions: TL 2,992,738 (31 December 2019 – TL 983,763)
- Precious metals purchase transactions TL 2,635,392 (31 December 2019 – TL 15,348)
- Precious metals sale transactions TL 1,073,265 (31 December 2019 – TL 322,394)

**Responsiveness to exchange rate risk**

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

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

	Change in exchange rate (%)	Effect on profit / loss		Effect on Equity	
		Current period	Prior period	Current period	Prior period
USD	10%	8,118	42,069	(9,833)	50,284
EUR	10%	(36,851)	(8,197)	(36,413)	(8,197)
GOLD	10%	(226,291)	3,545	(226,291)	3,545

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

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

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

**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 Equity Securities (shares) investments (*)	Carrying Value	Comparison Fair Value	Market Value
1	<b>Securities at Fair Value Through Other Comprehensive Income</b>	<b>39,910</b>	-	-
	Quoted Securities	-	-	-
2	<b>Investments in Associates</b>	-	-	-
	Quoted Securities	-	-	-
3	<b>Investment in Subsidiaries</b>	<b>709,219</b>	-	<b>128,700</b>
	Quoted Securities	53,418	-	128,700
4	<b>Other</b>	<b>20,000</b>	-	-
	Quoted Securities	-	-	-
	Prior Period Equity Securities (shares) investments (*)	Carrying Value	Comparison Fair Value	Market Value
1	<b>Securities Available-for-Sale</b>	<b>38,583</b>	-	-
	Quoted Securities	-	-	-
2	<b>Investments in Associates</b>	-	-	-
	Quoted Securities	-	-	-
3	<b>Investment in Subsidiaries</b>	<b>544,853</b>	-	<b>157,740</b>
	Quoted Securities	53,418	-	157,740
4	<b>Other</b>	<b>20,000</b>	-	-
	Quoted Securities	-	-	-

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

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

None.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

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

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

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

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

**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.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**Liquidity coverage ratio**

Current Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
<b>HIGH-QUALITY LIQUID ASSETS</b>					
1	Total high-quality liquid assets (HQLA)	28,452,390	24,806,717	26,386,609	22,740,936
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	48,214,654	9,483,086	4,223,276	948,309
3	Stable deposits	11,963,792	-	598,190	-
4	Less stable deposits	36,250,862	9,483,086	3,625,086	948,309
5	Unsecured wholesale funding, of which:	15,789,210	9,973,700	7,544,129	4,624,734
6	Operational deposits	-	-	-	-
7	Non-operational deposits	14,892,285	9,705,581	6,647,204	4,356,615
8	Unsecured funding	896,925	268,119	896,925	268,119
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	16,489,640	15,510,642	16,489,640	15,510,642
11	Outflows related to derivative exposures and other collateral requirements	16,103,668	15,368,107	16,103,668	15,368,107
12	Outflows related to restructured financial Instruments	385,972	142,535	385,972	142,535
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	17,706,174	5,535,541	1,352,594	339,022
16	<b>TOTAL CASH OUTFLOWS</b>			29,609,639	21,422,707
<b>CASH INFLOWS</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	14,476,889	10,848,821	12,529,038	10,274,582
19	Other cash inflows	16,293,678	10,193,726	16,293,678	10,193,726
20	<b>TOTAL CASH INFLOWS</b>	<b>30,770,567</b>	<b>21,042,547</b>	<b>28,822,716</b>	<b>20,468,308</b>
				Upper Limit Applied Value	
21	<b>TOTAL HQLA</b>			<b>26,386,609</b>	<b>22,740,936</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>7,402,410</b>	<b>5,355,677</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>356.46</b>	<b>424.61</b>

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

The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 31 March 2020:

	Highest	Date	Lowest	Date	Average
<b>TL+FC</b>	402.36	31/01/2020	280.85	20/03/2020	364.13
<b>FC</b>	508.85	21/02/2020	315.01	27/03/2020	438.43

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

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

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

**Prior Period:**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (***)	Total
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	9,284,584	7,893,440	-	-	-	-	-	17,178,024
Banks (*)	4,319,300	-	-	-	-	-	-	4,319,300
Financial assets at fair value through profit and loss	-	24,628	17,129	4,831,613	1,000,458	26,804	-	5,900,632
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	131,953	1,873,973	3,996,709	8,343,345	2,518	136,746	14,485,244
Loans (**)	-	7,983,629	6,003,369	29,513,682	21,420,938	2,900,774	(1,423,166)	66,399,226
Loans measured at amortised cost	-	-	-	2,895,086	1,980,333	-	-	4,875,419
Other assets (***)	168,430	1,580,481	8,373	-	460,059	-	2,930,462	5,147,805
<b>Total assets</b>	<b>13,772,314</b>	<b>17,614,131</b>	<b>7,902,844</b>	<b>41,237,090</b>	<b>33,205,133</b>	<b>2,930,096</b>	<b>1,644,042</b>	<b>118,305,650</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	-	-	-	-	-	-	-	-
Current and profit sharing accounts	630,808	179,817	36,078	-	-	-	-	846,703
Funds provided from other financial institutions	45,375,769	41,490,669	6,561,093	4,454,341	93,523	-	-	97,975,395
Money market borrowings	-	522,691	1,009,831	770,425	4,885,546	2,347,288	-	9,535,781
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-	-
Other Liabilities (****)	400,681	110,493	-	-	-	-	-	511,174
<b>Total Liabilities</b>	<b>46,407,258</b>	<b>43,349,505</b>	<b>7,927,851</b>	<b>5,320,407</b>	<b>4,980,638</b>	<b>2,347,288</b>	<b>7,972,703</b>	<b>118,305,650</b>
Net liquidity gap	(32,634,944)	(25,735,374)	(25,007)	35,916,683	28,224,495	582,808	(6,328,661)	-
<b>Prior period</b>								
Total assets	14,684,003	25,120,662	8,099,186	21,014,456	31,667,444	2,380,485	1,473,109	104,439,345
Total liabilities	35,938,126	42,875,472	6,417,401	4,576,822	4,471,165	2,239,399	7,920,960	104,439,345
Net liquidity gap	(21,254,123)	(17,754,810)	1,681,785	16,437,634	27,196,279	141,086	(6,447,851)	-

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

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

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

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**6. Explanations on leverage ratio**

**Disclosure of leverage ratio template**

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

<b>On-balance sheet assets (*)</b>		<b>Current Period</b>	<b>Prior Period</b>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	113,271,179	100,598,884
2	(Assets deducted in determining Tier I Capital)	(230,072)	(209,873)
3	Total on-balance sheet risks (sum of lines 1 and 2)	113,041,107	100,389,011
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative instruments and credit derivatives	406,016	288,592
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	294,885	390,743
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	700,901	679,335
<b>Securities or commodity financing transactions (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	463,737	572,070
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	463,737	572,070
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	71,440,123	65,619,596
11	(Adjustments for conversion to credit equivalent amounts)	(42,706,530)	(42,603,597)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	28,733,593	23,015,999
<b>Capital and total risks</b>			
13	Tier I Capital	8,151,744	7,708,462
14	Total risks (sum of lines 3, 6, 9 and 12)	142,939,338	124,656,415
<b>Leverage ratio</b>			
15	Leverage ratio	5.70	6.18

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was %5.7 % (31 December 2019 - 6.18%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital increased by 6% due to the profit for the period, balance-sheet risks increased by 13%, and off balance sheet items increased by 25%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 48 basis points.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**7. Explanations on the fair value of financial assets and liabilities**

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

**8. Transactions on behalf of others, explanations on transactions based on faith**

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

**9. Explanations on hedge accounting practices**

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

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

The contractual amounts of the derivative financial instruments as of March 31, 2020 and the net fair values of the financial instruments are summarized in the table below:

	Current Period			Prior Period		
	Principal*	Asset	Liability	Principal*	Asset	Liability
Derivative Financial Instruments						
Cross currency swap transactions (CFH)	885,582	-	129,337	1,289,330	-	129,728
<b>Total</b>	<b>885,582</b>	<b>-</b>	<b>129,337</b>	<b>1,289,330</b>	<b>-</b>	<b>129,728</b>

(\*) Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 762,740 (December 31, 2019: TL 1,162,576) the total notional of derivative financial assets amounting to TL 1,648,322 (December 31, 2019: TL 2,451,906) is accounted for in off-balance sheet under “Derivative financial instruments held for risk management” line item.

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**Cash flow hedge:**

The Bank, convert Malaysian Ringgit (MYR) 500,000 MYR borrowings to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on borrowings and changes in USD/TL foreign exchange rates on profit share-yielding assets.

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

Current Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Asset	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	762,740	(11,100)

(\*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 2,441.

(\*\*) Subsidiary of the Bank KT Kira Sertifikaları A.Ş. Securities issued by the Bank and presented in the "Loans Received" line in the financial statements.

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

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

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

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

As of March 31, 2020 cash flow hedge transactions have been determined as effective.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**10. Explanations On Risk Management**

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

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

**GB1 - Overview of risk weighted amounts:**

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/03/2020	Prior Period 31/12/2019	Current Period 31/03/2020
1	Credit risk (excluding counterparty credit risk) (CCR)	40,116,053	44,998,563	3,209,284
2	Standardised approach (SA)	40,121,847	45,023,161	3,209,748
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	257,931	198,727	20,634
5	Standardised approach for counterparty credit risk (SA-CCR)	257,931	198,727	20,634
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	5,794	24,598	464
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2,539,547	2,697,263	203,164
17	Standardised approach (SA)	2,539,547	2,697,263	203,164
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	7,473,031	5,585,346	597,842
20	Basic indicator approach	7,473,031	5,585,346	597,842
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>50,392,356</b>	<b>53,504,497</b>	<b>4,031,388</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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**11. Securitization Positions**

None.

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

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

**13. Qualitative information 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. Explanations on business segments**

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

<b>Current Period</b> <b>1 January 2020-31 March 2020</b>	<b>Retail and enterprise Banking</b>	<b>Commercial banking</b>	<b>Corporate and international banking</b>	<b>Unallocated</b>	<b>Bank's total operation</b>
Operating income	1,354,258	818,036	484,346	-	2,656,640
Operating expenses (-)	1,203,712	237,623	281,973	528,504	2,251,812
Transfers between segments	660,644	(97,017)	(563,627)	-	-
<b>Net operating income(loss)</b>	<b>811,190</b>	<b>483,396</b>	<b>(361,254)</b>	<b>(528,504)</b>	<b>404,828</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>811,190</b>	<b>483,396</b>	<b>(361,254)</b>	<b>(528,504)</b>	<b>404,828</b>
Provision for taxation (-)	-	-	-	88,991	88,991
<b>Net income for the period</b>	<b>811,190</b>	<b>483,396</b>	<b>(361,254)</b>	<b>(617,495)</b>	<b>315,837</b>
<b>Current Period</b>					
<b>31 March 2020</b>					
Segment assets	22,465,677	43,684,230	47,980,298	-	114,130,205
Associates, subsidiaries and joint ventures	-	-	-	729,219	729,219
Undistributed assets	-	-	-	3,446,226	3,446,226
<b>Total assets</b>	<b>22,465,677</b>	<b>43,684,230</b>	<b>47,980,298</b>	<b>4,175,445</b>	<b>118,305,650</b>
Segment liabilities	80,057,613	18,757,667	10,043,504	-	108,858,784
Undistributed liabilities	-	-	-	2,621,737	2,621,737
Shareholders' equity	-	-	-	6,825,129	6,825,129
<b>Total liabilities</b>	<b>80,057,613</b>	<b>18,757,667</b>	<b>10,043,504</b>	<b>9,446,866</b>	<b>118,305,650</b>
<b>Prior Period</b>					
<b>1 January 2019 – 31 March 2019</b>					
Operating income	1,367,378	817,195	313,389	-	2,497,962
Operating expenses (-)	1,382,163	245,986	90,045	461,140	2,179,334
Transfers between segments	727,435	(137,909)	(589,526)	-	-
<b>Net operating income(loss)</b>	<b>712,650</b>	<b>433,300</b>	<b>(366,182)</b>	<b>(461,140)</b>	<b>318,628</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>712,650</b>	<b>433,300</b>	<b>(366,182)</b>	<b>(461,140)</b>	<b>318,628</b>
Provision for taxation (-)	-	-	-	64,625	64,625
<b>Net income for the period</b>	<b>712,650</b>	<b>433,300</b>	<b>(366,182)</b>	<b>(525,765)</b>	<b>254,003</b>
<b>Prior Period</b>					
<b>31 December 2019</b>					
Segment assets	19,680,015	35,203,430	45,842,442	-	100,725,887
Associates, subsidiaries and joint ventures	-	-	-	564,853	564,853
Undistributed assets	-	-	-	3,148,605	3,148,605
<b>Total assets</b>	<b>19,680,015</b>	<b>35,203,430</b>	<b>45,842,442</b>	<b>3,713,458</b>	<b>104,439,345</b>
Segment liabilities	71,408,114	14,083,077	9,526,171	-	95,017,362
Undistributed liabilities	-	-	-	2,600,693	2,600,693
Shareholders' equity	-	-	-	6,821,290	6,821,290
<b>Total liabilities</b>	<b>71,408,114</b>	<b>14,083,077</b>	<b>9,526,171</b>	<b>9,421,983</b>	<b>104,439,345</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**SECTION FIVE**

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

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

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	649,623	1,691,010	613,156	1,515,040
The Central Bank of Republic of Turkey	523,923	11,778,686	1,155,591	14,498,131
Other (*)	26,690	2,508,092	-	1,111,168
<b>Total</b>	<b>1,200,236</b>	<b>15,977,788</b>	<b>1,768,747</b>	<b>17,124,339</b>

(\*) As of 31 March 2020, precious metal account amounting to TL 2,382,041 (31 December 2019 - TL 1,111,144) and money in transit amounting to TL 152,741 (31 December 2019 - TL 24) are presented in this line.

**1.1.2 Balances with the Central Bank of Turkey:**

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	523,141	3,885,246	730,347	3,201,221
Restricted time deposit	-	-	425,000	-
Unrestricted time deposit	782	7,893,440	244	11,296,910
<b>Total</b>	<b>523,923</b>	<b>11,778,686</b>	<b>1,155,591</b>	<b>14,498,131</b>

In accordance with the “Communiqué no. 2013/15 on Reserve Requirements”, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 1 % and 2 % for TL deposits and other liabilities according to their maturities as of 31 March 2020 (31 December 2019: %1 ile % 7 for all TL liabilities). The reserve rates for foreign currency liabilities vary between 0% and 16% for deposit and other foreign currency liabilities according to their maturities as of 31 March 2020 (31 December 2019: 5% and 21% for all foreign currency liabilities).

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

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

Positive differences related to marketable derivative financial assets:

Financial assets at fair value through profit or loss	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	19,734	13,239	14,949	3,045
Swap transactions	9,115	464,752	3,821	162,132
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>28,849</b>	<b>477,991</b>	<b>18,770</b>	<b>165,177</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**1.3 Information on Banks:**

**1.3.1. Information on Banks:**

	Current period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>68,054</b>	<b>4,254,089</b>	<b>12,983</b>	<b>6,977,847</b>
Domestic	67,971	1,762,956	12,886	3,767,297
Foreign	83	2,491,133	97	3,210,550
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	<b>68,054</b>	<b>4,254,089</b>	<b>12,983</b>	<b>6,977,847</b>

**1.3.2 Information on foreign banks account:**

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

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

	Current period	Prior Period
<b>Debt Securities</b>	<b>14,616,289</b>	<b>12,458,021</b>
Quoted on stock exchange	14,616,289	12,458,021
Not quoted on stock exchange	-	-
<b>Share certificates</b>	<b>123,299</b>	<b>185,732</b>
Quoted on stock exchange	96,835	94,539
Not quoted on stock exchange	26,464	91,193
<b>Impairment provision</b>	<b>(254,344)</b>	<b>(13,286)</b>
<b>Total</b>	<b>14,485,244</b>	<b>12,630,467</b>

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

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans granted to shareholders</b>	<b>1,415</b>	<b>7,952</b>	<b>1,868</b>	<b>7,206</b>
Corporate shareholders	-	7,936	-	7,190
Real person shareholders	1,415	16	1,868	16
<b>Indirect loans granted to shareholders</b>	<b>1,347,371</b>	<b>309</b>	<b>780,512</b>	<b>723</b>
<b>Loans granted to employees</b>	<b>20,012</b>	<b>636</b>	<b>19,920</b>	<b>619</b>
<b>Total</b>	<b>1,368,798</b>	<b>8,897</b>	<b>802,300</b>	<b>8,548</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

Current Period 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
<b>Loans</b>	<b>58,586,255</b>	<b>3,208,257</b>	<b>2,353,546</b>	-
Export Loans	6,508,610	362,486	-	-
Import Loans	1,237,004	56,231	-	-
Corporation Loans	25,381,475	2,347,027	2,290,330	-
Consumer Loans	9,147,799	201,171	45,782	-
Credit Cards	1,039,477	123,448	17,434	-
Loans given to financial sector	10,335,224	-	-	-
Other	4,936,666	117,894	-	-
<b>Other Receivables</b>	<b>6,287</b>	<b>133,297</b>	<b>12,154</b>	-
<b>Total</b>	<b>58,592,542</b>	<b>3,341,554</b>	<b>2,365,700</b>	-

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
<b>Loans</b>	<b>47,324,143</b>	<b>3,556,702</b>	<b>2,264,742</b>	-
Export Loans	4,531,667	319,767	-	-
Import Loans	951,591	42,549	-	-
Corporation Loans	20,008,117	2,652,310	2,194,384	-
Consumer Loans	7,548,035	304,840	47,325	-
Credit Cards	948,460	117,001	23,033	-
Loans given to financial sector	8,998,593	-	-	-
Other	4,337,680	120,235	-	-
<b>Other Receivables</b>	<b>2,697</b>	<b>15,292</b>	<b>11,199</b>	-
<b>Total</b>	<b>47,326,840</b>	<b>3,571,994</b>	<b>2,275,941</b>	-

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

	Standard Loans Current Period (*)	Loans under close monitoring Current Period (*)	Standard Loans Prior Period	Loans under close monitoring Prior Period
12-Month Expected Loss Provision	817,314	-	482,133	-
Significant Increase In Credit Risk	-	1,108,256	-	996,886
<b>Total</b>	<b>817,314</b>	<b>1,108,256</b>	<b>482,133</b>	<b>996,886</b>

(\*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 4,488.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

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

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>68,355</b>	<b>9,246,051</b>	<b>9,314,406</b>
Housing Loans	17,978	7,947,113	7,965,091
Vehicle Loans	28,436	992,312	1,020,748
Consumer Loans	19,314	227,925	247,239
Other	2,627	78,701	81,328
<b>Consumer Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	<b>60,643</b>	<b>60,643</b>
Housing Loans	-	28,895	28,895
Vehicle Loans	-	-	-
Consumer Loans	-	29,618	29,618
Other	-	2,130	2,130
<b>Retail Credit Cards-TL</b>	<b>491,577</b>	<b>73</b>	<b>491,650</b>
With Installment	111,217	73	111,290
Without Installment	380,360	-	380,360
<b>Retail Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,694</b>	<b>18,009</b>	<b>19,703</b>
Housing Loans	-	1,686	1,686
Vehicle Loans	599	12,765	13,364
Consumer Loans	1,094	3,558	4,652
Other	1	-	1
<b>Personnel Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>11,170</b>	<b>21</b>	<b>11,191</b>
With Installment	4,745	21	4,766
Without Installment	6,425	-	6,425
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>572,796</b>	<b>9,324,797</b>	<b>9,897,593</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>286,381</b>	<b>6,109,006</b>	<b>6,395,387</b>
Business Loans	13,581	1,516,436	1,530,017
Vehicle Loans	221,169	2,945,768	3,166,937
Consumer Loans	51,631	1,646,802	1,698,433
Other	-	-	-
<b>Commercial Installment Loans-FC Indexed</b>	<b>2,213</b>	<b>789,092</b>	<b>791,305</b>
Business Loans	2,213	169,272	171,485
Vehicle Loans	-	52,344	52,344
Consumer Loans	-	567,476	567,476
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>741</b>	<b>184,745</b>	<b>185,486</b>
Business Loans	-	123,329	123,329
Vehicle Loans	741	61,416	62,157
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>677,518</b>	-	<b>677,518</b>
With Installment	237,338	-	237,338
Without Installment	440,180	-	440,180
<b>Corporate Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	-	-	-
<b>Overdraft Account-FC (Legal Entity)</b>	-	-	-
<b>Total</b>	<b>966,853</b>	<b>7,082,843</b>	<b>8,049,696</b>

<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>248,040</b>	<b>4,929,680</b>	<b>5,177,720</b>
Business Loans	18,447	1,248,841	1,267,288
Vehicle Loans	194,640	2,385,462	2,580,102
Consumer Loans	34,953	1,295,377	1,330,330
Other	-	-	-
<b>Commercial Installment Loans-FC Indexed</b>	<b>3,221</b>	<b>844,575</b>	<b>847,796</b>
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>1,106</b>	<b>155,325</b>	<b>156,431</b>
Business Loans	-	98,790	98,790
Vehicle Loans	1,106	56,535	57,641
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>620,612</b>	-	<b>620,612</b>
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
<b>Corporate Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	-	-	-
<b>Overdraft Account-FC (Legal Entity)</b>	-	-	-
<b>Total</b>	<b>872,979</b>	<b>5,929,580</b>	<b>6,802,559</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**1.5.6 Breakdown of credits by users:**

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

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

	Current period	Prior period
Domestic loans	57,232,228	47,120,720
Foreign loans	7,067,568	6,054,055
<b>Total</b>	<b>64,299,796</b>	<b>53,174,775</b>

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

	Current period	Prior period
Loans granted directly to subsidiaries and associates	164,651	178,601
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>164,651</b>	<b>178,601</b>

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

	Current period	Prior period
Loans and receivables with limited collectability	224,784	209,492
Loans and receivables with doubtful collectability	293,335	228,439
Uncollectible loans and receivables	1,153,006	1,094,439
<b>Total</b>	<b>1,671,125</b>	<b>1,532,370</b>

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

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

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
<b>Current Period:</b>	-	65,237	-
(Gross Amount Before Specific Provisions)	-	65,237	-
Restructured Loans and Receivables	-	-	-
<b>Prior Period:</b>	-	65,699	-
(Gross Amount Before Specific Provisions)	-	-	-
Restructured Loans and Receivables	-	65,699	-

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Ending balance of prior period 31.12.2019</b>	<b>250,407</b>	<b>318,133</b>	<b>1,475,134</b>
Additions in the current period (+)	162,680	40,260	152,510
Transfers from other categories of non-performing loans (+)	7,439	166,878	103,770
Transfers to other categories of non-performing loans (-)	166,889	103,759	7,439
Collections in the current period (-)	4,568	11,670	99,007
<b>Write offs (-)</b>	-	-	-
<b>Sold Portfolio (-) (*)</b>	-	-	<b>110,353</b>
Corporate and commercial loans	-	-	110,353
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>249,069</b>	<b>409,842</b>	<b>1,514,615</b>
Specific provisions (-)	224,784	293,335	1,153,006
<b>Net balances on balance sheet</b>	<b>24,285</b>	<b>116,507</b>	<b>361,609</b>

(\*) The group has assigned its risk of TL 110,353, which is a hundred percent provision from its non-performing loans, to the asset management company at a cost of TL 28,800.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

	Group III	Group IV	Group V
Current period:			
Ending balance of the current period	107,049	22,238	67,496
Provision amount (-)	64,435	15,916	50,956
<b>Net balance at the balance sheet</b>	<b>42,614</b>	<b>6,322</b>	<b>16,540</b>
Prior period:			
Ending balance of the current period	79,247	5,454	61,316
Provision amount (-)	75,386	969	20,865
<b>Net balance at the balance sheet</b>	<b>3,861</b>	<b>4,485</b>	<b>40,451</b>

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period (Net)</b>	<b>24,285</b>	<b>116,507</b>	<b>361,609</b>
Loans granted to real persons and legal entities (Gross)	249,069	409,842	1,514,615
Specific provision (-)	224,784	293,335	1,153,006
<b>Loans to real persons and legal entities (Net)</b>	<b>24,285</b>	<b>116,507</b>	<b>361,609</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (net)</b>	<b>40,915</b>	<b>89,694</b>	<b>380,695</b>
Loans to real persons and legal entities (Gross)	250,407	318,133	1,475,134
Specific provision (-)	209,492	228,439	1,094,439
<b>Loans to real persons and legal entities (Net)</b>	<b>40,915</b>	<b>89,694</b>	<b>380,695</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

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**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

**1.5.11 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 other financial assets measured at amortised cost:**

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Debt Securities</b>	<b>4,875,419</b>	<b>2,630,914</b>
Quoted on a Stock Exchange	4,875,419	2,630,914
Not Quoted	-	-
<b>Impairment Provision (-)</b>	<b>4,488</b>	<b>767</b>
<b>Total</b>	<b>4,870,931</b>	<b>2,630,147</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Opening Balance</b>	<b>2,630,914</b>	<b>-</b>
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	2,244,505	2,630,914
Disposals Through Sales and Redemptions	-	-
<b>Impairment Provision (-)</b>	<b>4,488</b>	<b>767</b>
<b>Ending Balance</b>	<b>4,870,931</b>	<b>2,630,147</b>



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

**1.7.1** The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2019 – TL 7,659), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 33 (31 December 2019 – TL 33), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,936 (31 December 2019 – TL 5,936), Swift shares amounting to TL 390 (31 December 2019 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2019 – TL 15), 2.86% ownership of the shares of Ulusal Derecelendirme A.Ş. amounting to TL 2,755 (31 December 2019 – TL 11,254), are classified as financial assets at fair value through other comprehensive income since the Bank’s ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

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

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

**1.8 Information on subsidiaries (Net):**

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

**1.8.2** Information on subsidiaries:

Title	Address (City/Country)	Bank’s share percentage, if different-voting percentage (%)	Bank’s risk group share percentage (%)
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Turkey	99.99	99.99
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	75.00	83.26
KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Turkey	100.00	100.00
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	100.00	100.00
KT Bank AG (*)	Frankfurt/Germany	100.00	100.00
KT Portföy Yönetimi A.Ş. (***)	İstanbul/Turkey	100.00	100.00
Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş. (**)	İstanbul/Turkey	100.00	100.00
KT Sukuk Company Limited (***)	George Town/ Cayman Islands	100.00	100.00
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	100.00	100.00

Information on subsidiaries in the order presented in the above table:

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
31,587	29,832	-	-	-	400	(400)	-
124,677	113,915	20,652	-	-	73	(3,174)	-
13,241	620	-	-	-	(18)	136	-
5,232,713	298	-	-	-	5	47	-
4,315,808	1,009,841	11,681	-	-	(237,539)	(31)	-
81,932	26,827	4,261	-	-	9,887	(626)	-
2,321,942	2	-	-	-	-	-	-
18,784	16,938	239	-	-	4,253	329	-

(\*) As of 31 March 2020, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(\*\*) These figures are shown per Turkish Commercial Law financial statements as at 31 March 2020.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

Movement regarding the subsidiaries

	Current Period	Prior Period
<b>Balance at the beginning of the year</b>	<b>544,853</b>	<b>522,950</b>
Movements during the year	164,366	21,903
Purchases (*)	164,366	5,002
Transfers from subsidiaries (**)	-	16,901
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment	-	-
Capital commitment payments	-	-
<b>Balance at the end of the year</b>	<b>709,219</b>	<b>544,853</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

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

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

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	610,120	445,754
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	75,419
Subsidiaries that are quoted on the stock exchange		
	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,418
Quoted in Foreign Stock Exchange	-	-
<b>Total</b>	<b>53,418</b>	<b>53,418</b>

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

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of March 31, 2020 is EUR 108,650,297 (Full amount) and the capital adequacy ratio is %29.3.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

	<b>Bank's share percentage</b>	<b>Total assets</b>	<b>Equity</b>	<b>Total fixed assets</b>	<b>Current period profit/loss</b>	<b>Prior period profit /loss</b>
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	2,891,061	84,000	16,319	8,873	6,413

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

**1.10 Information on finance lease receivables (Net)**

**1.10.1 Presentation of remaining maturities of net finance leases:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	1,641,104	1,251,667	1,227,784	886,869
1 to 4 years	1,903,885	1,760,455	1,572,914	1,445,267
More than 4 years	528,257	510,477	384,461	375,384
<b>Total</b>	<b>4,073,246</b>	<b>3,522,599</b>	<b>3,185,159</b>	<b>2,707,520</b>

**1.10.2 Net investments in finance leases:**

	<b>Current Period</b>	<b>Prior Period</b>
Gross receivable from finance leases	4,073,246	3,185,159
Unearned finance lease income (-)	(550,647)	(477,639)
Unearned finance lease income (-)	-	-
<b>Net receivable from finance leases</b>	<b>3,522,599</b>	<b>2,707,520</b>

**1.10.3 Information on finance lease contracts:**

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 67,903 are included in the non-performing loans in the balance sheet (31 December 2019 – TL 48,391).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

**1.12 Information on Tangible Assets:**

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**1.13 Information on Intangible Assets:**

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**1.14 Information on investment properties**

	Current period	Prior period
Opening Balance	25,146	25,305
Additions	1,303	1,143
Disposals (-), Net	-	-
Amortization Cost (-)	1,342	1,302
<b>Closing Net Book Value</b>	<b>25,107</b>	<b>25,146</b>

**1.15 Information on deferred tax asset**

As of 31 March 2020, deferred tax is offset as TL 460,059 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 March 2020 is TL 489,590 (31 December 2019 – TL 399,960) and deferred tax liability is TL 29,531 (31 December 2019 – TL 41,863 TL).

	Current period	Prior period
Reserve for employee benefits	27,108	41,047
Retirement pay liability	24,707	23,220
Deferred income	62,618	56,469
Impairment provision for subsidiaries, fixed assets and assets held for sale	3,023	2,523
Rediscounts for derivative instruments held for trading (net)	2,442	52,909
TFRS 9 Provisions	286,126	214,057
Precious metals valuation difference	24,980	1,454
Financial Loss From Decommissioning	-	-
Difference in valuation of securities	51,366	-
Other	7,220	8,281
<b>Deferred tax asset</b>	<b>489,590</b>	<b>399,960</b>
The difference between the registered value of tangible assets and tax value	(4,528)	-
Accruals of derivative financial instruments held for trading (net)	(9,344)	(9,665)
Revaluation difference of financial assets at fair value through profit or loss	(12,082)	(28,833)
Other	(3,577)	(3,365)
<b>Deferred tax liability</b>	<b>(29,531)</b>	<b>(41,863)</b>
<b>Deferred tax asset, (net)</b>	<b>460,059</b>	<b>358,097</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

Table of deferred tax asset movement:

	<b>31 March 2020</b>	<b>31 December 2019</b>
As of January 1	358,097	346,640
Deferred tax (expense)/income	16,138	95,752
Deferred tax accounted under other comprehensive income	85,824	(84,295)
<b>Deferred tax asset</b>	<b>460,059</b>	<b>358,097</b>

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

	<b>Current period</b>	<b>Prior period</b>
Opening Balance	473,326	270,382
Additions	-	270,818
Transfers from Tangible Asset	-	-
Disposals (-), Net	7,806	67,874
Transfer to Tangible Assets	-	-
Amortization Cost (-)	-	-
Provision For Impairment (-)	-	-
<b>Closing Net Book Value</b>	<b>465,520</b>	<b>473,326</b>

**1.17 Information on other assets:**

As of balance sheet date, the Bank's other assets amount to TL 1,766,060 (31 December 2019 – TL 1,596,430). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**SECTION FIVE**

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

**2.1 Information on funds collected**

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

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated	Total
								profit sharing accounts	
<b>I. Real persons current accounts-TL</b>	<b>12,788,042</b>	-	-	-	-	-	-	-	<b>12,788,042</b>
<b>II. Real persons profit sharing accounts TL</b>	-	7,170,473	10,887,751	739,796	-	794,154	1,162,822	21,106	<b>20,776,102</b>
<b>III. Other current accounts-TL</b>	<b>4,780,421</b>	-	-	-	-	-	-	-	<b>4,780,421</b>
Public sector	204,177	-	-	-	-	-	-	-	204,177
Commercial sector	4,524,975	-	-	-	-	-	-	-	4,524,975
Other institutions	38,521	-	-	-	-	-	-	-	38,521
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	12,748	-	-	-	-	-	-	-	<b>12,748</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	12,215	-	-	-	-	-	-	-	12,215
Participation banks	533	-	-	-	-	-	-	-	533
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>604,826</b>	<b>1,361,835</b>	<b>92,309</b>	-	<b>232,355</b>	<b>69,281</b>	-	<b>2,360,606</b>
Public sector	-	257	81	624	-	3,350	-	-	4,312
Commercial sector	-	551,346	1,220,514	74,366	-	217,680	67,595	-	2,131,501
Other institutions	-	52,968	135,531	17,269	-	11,298	371	-	217,437
Commercial and other institutions	-	255	5,690	50	-	27	1,315	-	7,337
Banks and participation banks	-	-	19	-	-	-	-	-	19
<b>V. Real persons current accounts-FC</b>	<b>13,258,965</b>	-	-	-	-	-	-	-	<b>13,258,965</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>5,808,693</b>	<b>9,959,296</b>	<b>1,466,045</b>	-	<b>1,197,220</b>	<b>1,499,476</b>	<b>2,021</b>	<b>19,932,751</b>
<b>VII. Other current accounts-FC</b>	<b>6,457,107</b>	-	-	-	-	-	-	-	<b>6,457,107</b>
Commercial residents in Turkey	5,724,874	-	-	-	-	-	-	-	5,724,874
Commercial residents in Abroad	257,223	-	-	-	-	-	-	-	257,223
Banks and participation banks	<b>475,010</b>	-	-	-	-	-	-	-	<b>475,010</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	474,636	-	-	-	-	-	-	-	474,636
Participation banks	374	-	-	-	-	-	-	-	374
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>694,713</b>	<b>2,939,145</b>	<b>156,142</b>	-	<b>93,607</b>	<b>57,685</b>	-	<b>3,941,292</b>
Public sector	-	11	-	-	-	-	-	-	11
Commercial sector	-	642,801	2,462,679	99,451	-	82,984	57,685	-	3,345,600
Other institutions	-	17,902	163,364	20,603	-	10,184	-	-	212,053
Commercial and other institutions	-	33,990	133,428	10	-	439	-	-	167,867
Banks and participation banks	-	9	179,674	<b>36,078</b>	-	-	-	-	215,761
<b>IX. Precious metal funds</b>	<b>8,722,042</b>	<b>3,117,595</b>	<b>2,235,014</b>	<b>287,999</b>	-	<b>158,013</b>	<b>6,033</b>	<b>116</b>	<b>14,526,812</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>46,006,577</b>	<b>17,396,300</b>	<b>27,383,041</b>	<b>2,742,291</b>	-	<b>2,475,349</b>	<b>2,795,297</b>	<b>23,243</b>	<b>98,822,098</b>

There are no 7 day notification accounts of the Bank.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

There are no 7 day notification accounts of the Bank.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	20,834,846	17,752,145	12,596,471	10,782,495
FC accounts	17,767,998	16,294,727	28,225,384	24,484,448
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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

The headquarters of the Bank is in Turkey.

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

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

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	14,898	9,044
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**2.2 Information on derivative financial liabilities held for trading:**

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	23,408	13,494	13,191	974
Swap transactions	264,699	69,967	116,499	163,745
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>288,107</b>	<b>83,461</b>	<b>129,690</b>	<b>164,719</b>

**2.3. Information on funds borrowed:**

**2.3.1 Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	1,262,565	4,191,384	923,177	4,354,444
From Foreign Banks, Institutions and Funds	-	82,252	-	114,056
<b>Total</b>	<b>1,262,565</b>	<b>4,273,636</b>	<b>923,177</b>	<b>4,468,500</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,262,565	916,624	923,177	1,469,612
Medium and Long-Term	-	3,357,012	-	2,998,888
<b>Total</b>	<b>1,262,565</b>	<b>4,273,636</b>	<b>923,177</b>	<b>4,468,500</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

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

As of 31 March 2020, other liabilities amount to TL 846,543 (31 December 2019 – TL 897,094), sundry creditors amount to TL 511,174 (31 December 2019 - TL 388,179), both of them do not exceed 10% of the balance sheet total.

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	130,930	9,035	124,506	87,233
1 to 4 years	267,675	75,206	263,799	141,347
More than 4 years	142,547	253,995	139,376	97,598
<b>Total</b>	<b>541,152</b>	<b>338,236</b>	<b>527,681</b>	<b>326,178</b>

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

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

None (31 Aralık 2019 – None).

**2.5.1.1. Explanations on financial leasing obligations**

None (31 Aralık 2019 – None).

**2.5.1.2. Explanations on operating lease:**

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	129,337	-	129,728
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>129,337</b>	<b>-</b>	<b>129,728</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**2.7 Information on provisions:**

**2.7.1** Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 March 2020, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 5 (31 December 2019 – TL 5) and TL 3 for leasing receivables (31 December 2019 – TL 192) is offset against loans and receivables.

**2.7.2** Information on other provisions:

	Current Period	Prior Period
Non-Cash Loans That Are Not Converted Into Cash	409,216	422,274
Special Provisions for non-cash loans	119,629	127,145
General Provisions for non-cash loans	282,265	150,934
Provision for Profits will be Allocated to Participation Accounts	2,813	2,332
Other (*)	98,843	86,271
<b>Total</b>	<b>912,766</b>	<b>788,956</b>

(\*) The other part of the main period amounting to TL 27,043 (December 31, 2019 - TL 27,573) is TL 5,775 (31 December 2019 - TL 6,500) for the expense of TL 66,025 (31 December 2019 - TL 51,035) is the amount for impairment loss.

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

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 122,892 (31 December 2019 – TL 115,461), vacation pay liability amounting to TL 29,839 (31 December 2019 – TL 712), performance premium amounting to TL 22,590 (31 December 2019 – TL 109,912), retirement bonuses on payment of TL 64,371 (31 December 2019 – TL 63,437), committee fee amounting to TL 6,202 (31 December 2019 – TL 12,231) and other fees amounting to TL 217 (31 December 2019 – TL 196).

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

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

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

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

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

	Current Period	Prior Period
Balance at the beginning of the period	115,461	86,381
Provisions recognized during the period	9,459	30,613
Paid during the period	(2,028)	(7,319)
Actuarial loss	-	5,786
<b>Balances at the end of the period</b>	<b>122,892</b>	<b>115,461</b>

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**2.8 Explanations on tax liability:**

**2.8.1 Explanations on current tax liability:**

**2.8.1.1** Information on tax provisions: 105,143 (31 December 2019 - TL 224,425)

**2.8.1.2** Information on taxes payable:

	<b>Current Period</b>	<b>Prior Period</b>
Taxation of marketable securities	28,646	39,489
Taxation of immovable property	2,064	1,796
Banking Insurance Transaction Tax (BITT)	29,644	29,327
Foreign Exchange Transaction Tax	9,369	4,532
Value Added Tax Payable	1,720	2,663
Income tax deducted from wages	15,427	12,624
Other	2,885	4,058
<b>Total</b>	<b>89,755</b>	<b>94,489</b>

**2.8.1.3** Information on premiums (\*):

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums-Employee	8,942	7,430
Social Security Premiums-Employer	9,612	8,000
Unemployment insurance-Employee	640	532
Unemployment insurance-Employer	1,544	1,263
<b>Total</b>	<b>20,738</b>	<b>17,225</b>

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

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

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

None (31 December 2019 – None).

**2.10 Information on subordinated loans:**

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**2.11 Information on shareholders' equity:**

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

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

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

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

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

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

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

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

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

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

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

None. (31 December 2019- None)

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	86,103	(171,603)	136,954	82,154
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>86,103</b>	<b>(171,603)</b>	<b>136,954</b>	<b>82,154</b>

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

**2.12 Information on minority shares:**

None (31 December 2019 – None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

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

**3.1.1** Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 31 March 2020 amounts to TL 3,189,532 (31 December 2019 – TL 2,656,398); payment commitments for cheque books amounts to TL 1,437,496 (31 December 2019 – TL 1,305,235).

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

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

As of 31 March 2020, the Bank has guarantees and surety ships constituting of TL 10,452,091 (31 December 2019 – TL 10,006,666) of letters of guarantee; TL 80,476 (31 December 2019 – TL 55,035) of acceptances and TL 1,659,360 (31 December 2019 – TL 1,374,009) of letters of credit. Also, banks has other acceptances amounting to TL 479,891 (31 December 2019 – TL 465,592).

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

**3.1.3** Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	12,671,818	11,901,302
<b>Total</b>	<b>12,671,818</b>	<b>11,901,302</b>

**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 Group I and II:**

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

**3.2 Information on derivative transactions:**

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

**3.3 Information on credit derivatives and their risks:**

None.

**3.4 Information on contingent liabilities and assets:**

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

**3.5 Information on services provided to others names and accounts:**

None.

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

**4.1 Information on profit share income:**

**4.1.1 Information on profit share received from loans:**

	Current period		Prior period	
	TL	FC	TL	FC
<b>Profit share on loans</b>	<b>1,222,660</b>	<b>221,403</b>	<b>1,309,351</b>	<b>156,148</b>
Short term loans	240,908	21,085	425,561	30,587
Medium and long-term loans	965,054	199,710	878,788	125,561
Profit share on non-performing loans	16,698	608	5,002	-
Premiums received from resource utilization support fund	-	-	-	-

**4.1.2 Information on profit share received from banks:**

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	16,224	23,060	3,730	53,404
Branches and head office abroad	-	150	-	348
<b>Total</b>	<b>16,224</b>	<b>23,210</b>	<b>3,730</b>	<b>53,752</b>

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

As of the period in the bank's assets, TL 270,835 was received in dividends. (1 January – 31 March 2019; TL 131,738)

**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	234	155

**4.2 Information on profit share expenses:**

	Current period		Prior period	
	TL	FC	TL	FC
<b>Banks</b>	<b>4,905</b>	<b>1,766</b>	<b>2,832</b>	<b>7,390</b>
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	4,905	1,681	2,832	3,050
Foreign banks	-	85	-	4,340
Branches and head office abroad	-	-	-	-
Other Institutions	21,200	135,483	90,972	135,965
<b>Total</b>	<b>26,105</b>	<b>137,249</b>	<b>93,804</b>	<b>143,355</b>

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

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	140,378	190,011

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

None (1 January - 31 March 2019: None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**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:**

<b>Current period</b>		<b>Profit Sharing Accounts</b>						<b>Accumulated profit-sharing accounts</b>	<b>Total</b>
<b>Account name</b>	<b>Up to 1 month</b>	<b>Up to 3 months</b>	<b>Up to 6 months</b>	<b>Up to 9 months</b>	<b>Up to 1 year</b>	<b>Above 1 year</b>			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing Account	139,912	227,116	15,358	-	15,448	22,892	387	421,113	
Public-sector profit-sharing account	6	1	14	-	2	-	-	23	
Commercial sector profit sharing account	11,153	25,868	1,860	-	234	358	-	39,473	
Other institutions profit sharing account	946	2,766	397	-	99	40	-	4,248	
<b>Total</b>	<b>152,017</b>	<b>255,751</b>	<b>17,629</b>	<b>-</b>	<b>15,783</b>	<b>23,290</b>	<b>387</b>	<b>464,857</b>	
<b>FC</b>									
Banks	-	269	12	-	-	-	-	281	
Real person's non-trading profit sharing account	12,694	22,829	3,576	-	3,103	4,732	16	46,950	
Public-sector profit-sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	1,103	4,406	185	-	195	32	-	5,921	
Other institutions profit sharing account	129	479	67	-	37	-	-	712	
Precious metal accounts	2,810	2,256	288	-	223	-	-	5,577	
<b>Total</b>	<b>16,736</b>	<b>30,239</b>	<b>4,128</b>	<b>-</b>	<b>3,558</b>	<b>4,764</b>	<b>16</b>	<b>59,441</b>	
<b>Grand Total</b>	<b>168,753</b>	<b>285,990</b>	<b>21,757</b>	<b>-</b>	<b>19,341</b>	<b>28,054</b>	<b>403</b>	<b>524,298</b>	

<b>Prior period</b>		<b>Profit Sharing Accounts</b>						<b>Accumulated profit-sharing accounts</b>	<b>Total</b>
<b>Account name</b>	<b>Up to 1 month</b>	<b>Up to 3 months</b>	<b>Up to 6 months</b>	<b>Up to 9 months</b>	<b>Up to 1 year</b>	<b>Above 1 year</b>			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	192,763	303,836	17,818	-	9,500	11,002	700	535,619	
Public sector profit sharing account	5	68	-	-	4	-	-	77	
Commercial sector profit sharing account	14,920	31,523	4,351	-	661	425	-	51,880	
Other institutions profit sharing account	2,124	2,666	420	-	207	84	-	5,501	
<b>Total</b>	<b>209,812</b>	<b>338,093</b>	<b>22,589</b>	<b>-</b>	<b>10,372</b>	<b>11,511</b>	<b>700</b>	<b>593,077</b>	
<b>FC</b>									
Banks	6	607	-	-	-	-	-	613	
Real person's non-trading profit sharing account	30,616	50,775	8,076	-	4,450	3,489	14	97,420	
Public sector profit sharing account	-	6	-	-	-	-	-	6	
Commercial sector profit sharing account	2,882	21,712	922	-	68	65	-	25,649	
Other institutions profit sharing account	252	3,144	26	-	1	-	-	3,423	
Precious metal accounts	3,657	3,989	592	-	208	-	-	8,446	
<b>Total</b>	<b>37,413</b>	<b>80,233</b>	<b>9,616</b>	<b>-</b>	<b>4,727</b>	<b>3,554</b>	<b>14</b>	<b>135,557</b>	
<b>Grand Total</b>	<b>247,225</b>	<b>418,326</b>	<b>32,205</b>	<b>-</b>	<b>15,099</b>	<b>15,065</b>	<b>714</b>	<b>728,634</b>	



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

	Current period	Prior period
<b>Net</b>	<b>551,891</b>	<b>235,622</b>
<b>Income</b>	<b>10,174,539</b>	<b>8,390,906</b>
Gain on capital market transactions	27,339	18,077
Gain on derivative financial instruments	1,686,081	619,544
Foreign exchange profit	8,461,119	7,753,285
<b>Losses (-)</b>	<b>(9,622,648)</b>	<b>(8,155,284)</b>
Losses on capital market transactions	(3,669)	(5,064)
Losses on derivative financial instruments	(1,681,913)	(407,447)
Foreign exchange losses	(7,937,066)	(7,742,773)

**4.6 Information on other operating income:**

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

	Current Period	Prior Period
Reversal of prior period provisions	210,849	357,456
Income from sale of assets	7,805	1,781
Revenues from real estates sold under the lease certificate.	-	-
Income from the real estate sales' gains by rent certificates	784	724
Other Income	1,886	1,383
<b>Total</b>	<b>221,324</b>	<b>361,344</b>

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

	Current Period (*)	Prior Period
<b>Expected Credit Loss</b>	<b>836,476</b>	<b>648,135</b>
12 month expected credit loss (Stage 1)	340,101	30,926
Significant increase in credit risk (Stage 2)	148,609	237,768
Non-performing loans (Stage 3)	347,766	379,441
<b>Marketable Securities Impairment Expense</b>	<b>26,286</b>	<b>3,486</b>
Financial Assets at Fair Value through Profit or Loss	26,286	933
Financial Assets at Fair Value Through Other Comprehensive Income	-	2,553
<b>Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other (**)</b>	<b>126,222</b>	<b>43,653</b>
<b>Total</b>	<b>988,984</b>	<b>695,274</b>

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**4.8 Information on other operating expenses:**

	Current Period	Prior Period
Personnel expenses	320,515	275,855
Provision for retirement pay liability	7,431	6,720
Depreciation expenses of fixed assets	49,302	44,741
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	7,483	10,012
Depreciation expenses of assets held for sale	-	-
Other operating expenses	91,879	75,394
Rent expenses	1,033	1,718
Maintenance expenses	14,241	13,163
Advertisement expenses	11,937	12,223
Communication expenses	14,968	12,351
Heating, electricity and water expenses	8,113	6,275
Cleaning expenses	1,826	1,953
Vehicle expenses	2,385	2,205
Stationery expenses	2,757	2,532
Other expenses	34,619	22,974
Losses on sales of assets	81	131
Deposit insurance fund expenses	69,539	15,739
Other	51,813	48,287
<b>Total</b>	<b>598,043</b>	<b>476,879</b>

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

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

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

**4.10 Information on tax provision for continued and discontinued operations:**

Current period tax provision for the period amounting to TL 105,129 (1 January-31 March 2019 - TL 45,410), deferred tax income of TL 134,484 (1 January-31 March 2019 - TL 194,309) and TL 150,622 (1 January-31 March 2019 - TL 175,094) deferred tax expense is recognized.

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

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

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

**4.12.1** The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of 31 March 2020, net profit share income is TL 1,134,435 (1 January-31 March 2019 - TL 780,614), net fees and commission income is TL 84,205 (1 January-31 March 2019 - TL 112,398).

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

None (1 January - 31 March 2019 - None).

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

None (1 January - 31 March 2019 - None).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

As of 31 March 2020, other fees and commissions received is TL 158,498 (1 January - 31 March 2019 – TL 148,303), TL 35,684 of this amount is related with credit card fees and commissions (1 January - 31 March 2019 – TL 46,287) and TL 31,545 of this amount is related with POS machine commissions (1 January - 31 March 2019 – TL 35,265).

As of 31 March 2020, other fees and commissions given is TL 110,167 (1 January - 31 March 2019 – TL 71,640), TL 26,823 (1 January - 31 March 2019 – TL 41,491) of this amount is related with POS clearing commissions and installation expenses, TL 7,533 (1 January - 31 March 2019 – TL 5,148) of this amount is related with fees and commissions paid for credit cards.

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

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

**6. Explanations and Disclosures Related to Statement of Cash Flows**

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

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

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

Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	178,601	18,527	1,868	7,206	780,512	723
Balance at end of period	164,651	20,423	1,415	7,952	1,347,371	309
Profit share and commission income	190	44	33	12	2,868	1

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

Prior period:

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Current and profit sharing accounts						
Balance at beginning of period	181,714	62,800	151,321	35,032	390,698	255,239
Balance at end of period	221,957	181,714	197,684	151,321	270,606	390,698
Profit share expense	1,034	277	382	967	4,220	4,372

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current Period	Current period
<b>Transactions at Fair Value through Profit or Loss</b>						
Balance at beginning of period	259,035	40,710	287,483	-	-	-
Balance at end of period	75,460	259,035	528,933	287,483	-	-
Total Profit / Loss	265	991	(35)	-	-	-
<b>Hedging Transactions</b>						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Borrowings						
Balance at beginning of period	8,324,759	5,646,443	68,696	802,108	-	-
Balance at end of period	8,893,730	8,324,759	-	68,696	-	-
Profit share expense	139,344	189,734	-	17,208	-	-

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

As of 1 January - 31 March 2020, the Bank has paid TL 31,149 to top management (1 January - 31 March 2019 TL 23,989).

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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

The Bank has obtained the necessary legal permissions as of 05/05/2020, Neova Sigorta A.Ş. completed the share transfer transactions and concluded the purchase. Neova Sigorta A.Ş., which has purchased 78,864,212 shares by paying 745,860 TL with the purchase transaction, and 7% before sales increased its partnership share to 100% by owning all the shares. In the unconsolidated financial statements, the Bank will classify its subsidiary, which is followed by the financial assets at fair value through other comprehensive income before purchasing. Payment for share transfers, PDP announcement and press release were made.

In accordance with the BRSA Decision No. 9000 dated 18 April 2020, in order to minimize the negative impact of the process we experienced due to the COVID-19 outbreak on our economy, market, production and employment, and to ensure the most efficient use of the resources available to banks according to the second paragraph of Article 43 and 93 of the Banking Law (Law) No. 5411, it has been decided that the Banks shall calculate Asset Ratio (AR) on a weekly basis, and as of the end of each month, the monthly average of the Asset Ratio should not fall below 100% for deposit banks and below 80% for participation banks. In accordance with subparagraph (a) of the first paragraph of Article 148 of the Law, as of the end of the relevant month, it was decided to calculate the excess amount that constitutes a contradiction to be taken as the amount of change in the share that will bring the ratio to 100% and 80%, respectively, for banks with an active ratio below 100% and participation banks below 80%. This regulation is valid as of May 1, 2020.

Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued sukuk with a nominal value of TL 300,000 on 15 April 2020 and a maturity of 77 days with a cost of 8.48%

Bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. issued sukuk on 22 April 2020 with a nominal value of TL 300,000 thousand and a maturity of 86 days with a cost of 8.78%.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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**SECTION SIX**

**OTHER EXPLANATIONS**

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

**SECTION SEVEN**

**LIMITED REVIEW REPORT**

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

The unconsolidated financial statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 20 May 2020 is presented preceding the financial statements.

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

**SECTION EIGHT**

**INTERIM REPORT**

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

**1.1 About Kuveyt Türk**

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

**1.2 Financial Informations Summary:**

<b>UNCONSOLIDATED BALANCE SHEET</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
CASH BALANCES AND CENTRAL BANK	17,178,024	18,893,086
BANKS	4,322,143	6,990,830
LOANS	25,261,295	19,273,123
FINANCE LEASE RECEIVABLES (Net)	66,473,322	55,218,449
TANGIBLE ASSETS (Net)	3,522,599	2,707,520
OTHER ASSETS	3,599,538	3,014,394
<b>TOTAL ASSETS</b>	<b>118,305,650</b>	<b>104,439,345</b>
FUND COLLECTED	98,822,098	85,494,387
FUNDS BORROWED	5,536,201	5,391,677
MARKETABLE SECURITIES ISSUED (Net)	-	-
FINANCE LEASE PAYABLES (Net)	338,236	326,178
SUBORDINATED LOANS	3,661,344	3,380,983
OTHER LIABILITIES	3,122,642	3,024,830
EQUITY	6,825,129	6,821,290
<b>TOTAL LIABILITIES</b>	<b>118,305,650</b>	<b>104,439,345</b>

<b>UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<b>31 March 2019</b>	<b>31 March 2019</b>
PROFIT SHARE INCOME	1,841,555	1,763,288
PROFIT SHARE EXPENSE	707,120	982,674
NET PROFIT SHARE INCOME/EXPENSE	1,134,435	780,614
NET FEES AND COMMISSION INCOME/EXPENSE	84,205	112,398
PERSONNEL EXPENSES	327,946	282,575
DIVIDEND INCOME	-	803
NET TRADING INCOME / LOSS	551,891	235,622
OTHER OPERATING INCOME	221,324	361,344
EXPECTED LOSS PROVISIONS (-)	836,476	648,135
OTHER OPERATING EXPENSES (-)	152,508	47,139
INCOME/ LOSS BEFORE TAX	270,097	194,304
TAX CHARGE	404,828	318,628
PROFIT SHARE INCOME	(88,991)	(64,625)
<b>CURRENT PERIOD INCOME/LOSSES</b>	<b>315,837</b>	<b>254,003</b>

	<b>31 March 2020</b>	<b>31 December 2019</b>
Total Loans/Total Assets*	59.17%	55.46%
Total Loans/Fund Collected*	70.83%	67.75%
Average Equity Profit **	18.52%	19.45%
Average Assets Profit **	1.13%	1.37%
Capital Adequacy Ratio	21.47%	19.32%

\* Finance Lease Receivables is included in total loans.

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

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**1.3 Message from the Chairman**

The new type of coronavirus (SARS-COV-2), which had a global impact in a short time after a period in which the protectionist policies that formed the basis of the Chinese trade war ended and the Brexit process became clear, became the most important element that was the focus of the global economy in the first quarter of 2020 it has increased.

The measures started to be implemented in parallel with the rapid increase in the number of cases and deaths caused disruptions in the global supply chain. The International Monetary Fund (IMF) predicted that the world economy will shrink by 3% this year by revising the growth forecast for 2020 downwards due to the impact of economic stagnation due to the virus outbreak.

**Need for liquidity increased**

With the extraordinary meetings, the Federal Reserve Board (FED) has reduced its policy rate by 150 basis points in total to the 0-0.25% band and announced that it will purchase unlimited bonds. The FED, on the other hand, made moves to meet increasing dollar liquidity need. It has provided coordination and cooperation decision to increase dollar liquidity through swap line and repo transactions established with some central banks. In addition, the FED announced a \$ 2.3 trillion support package to support small and medium-sized businesses and local governments suffering from the coronavirus outbreak.

**The service sector is more affected**

The Euro Area PMI Index decreased to 31.4 points, the lowest level in history as of March. When the service sector pioneer data directly affected by the process are analyzed, the PMI data of the service sector decreased to 28.4, the historical bottom level. The European Central Bank (ECB) has announced comprehensive monetary policy measures to support the economy. In order to reduce the pressure on the financial markets and the economy, a 750 billion Euro emergency bond purchase program was launched.

**Real sector was supported in Turkey**

In the last quarter of 2019, a 6 percent growth in the economy of Turkey, in the first quarter of 2020 has continued its momentum in economic activity. In the fight against the virus, the economy was supported by additional measures, especially the Economic Stability Shield package, which reached 200 billion TL. On the one hand, the CBRT continued to support liquidity with gradual reductions in policy interest, while continuing to support the real sector in coordination with the BRSA.

**Kuveyt Türk will increase its contribution to sustainable growth**

With the completion of the normalization process for the virus on a global scale, a recovery in economic activity is expected in the second half of 2020. The banking sector, which has an important place in the struggle of the economy during the epidemic period, continues to support the real economy in this process. Kuwait Turkish Participation of the financial sector as well as one of the major actors will continue to contribute to sustainable growth in Turkey's economy.

Hamad Abdulmohsen ALMARZOUQ  
Head of the BOD



# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

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

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### 1.4 Message from the General Manager

The first quarter of 2020 is a period when the global struggle with the outbreak of the new type of coronavirus (SARS-COV-2) has come to the fore after a period in which the developing country markets diverged positively with the incoming data flow regarding the positive conclusion of the US-China trade negotiations and the relative stabilization in geopolitical tensions. It has been. Economic precautionary packages were also launched in coordination with the struggle in the field of health. Central banks and governments have announced packages of support for the economy through monetary policies and financial incentives.

#### **Stable growth continues**

Serving for more than 30 years with its products and services developed in line with participation finance principles, Kuveyt Türk maintained its steady growth in the first quarter. While the total fund size has increased by 15.6 percent compared to the end of 2019, it has been 98.8 billion TL, while the fund size has increased by 20.8 percent to 70 billion TL. Kuveyt Türk increased its net profit in this period by 24.3 percent compared to the same quarter of the previous year, to TL 316 million. Increasing its equity to 6.8 billion TL and asset size to 118.3 billion TL, Kuveyt Türk maintained its first place among participation financial institutions in terms of asset size.

#### **The main focus was the health of customers and employees**

In the first quarter of 2020, when social dynamics started to transform due to the coronavirus epidemic, Kuveyt Türk shaped its main focus within the health of its customers and employees. In line with the recommendations of the relevant authorities that manage the process, measures were taken quickly and the whole process was closely monitored. In this context, Kuveyt Türk managed to meet its customers' financial needs through digital environments with its fast and solution-oriented infrastructure.

#### **Installments were postponed without dividends or expenses**

Kuveyt Türk offered its customers the flexible term and restructuring options required in line with their demands, which experienced a deterioration in main income activities during the coronavirus epidemic process. In this process, which is planned to be carried out without compromising from the customer priority service perspective, Kuveyt Türk has decided to postpone the installments until the end of April without evaluating the demands of its customers and taking profit or expense. Kuveyt Türk also continued to provide new financing support to the real sector, which constitutes the most fundamental element of the economic structure in this process.

#### **TL 20 million donation to fight pandemic**

Kuveyt Türk Finance Group participated in the National Solidarity Campaign launched by the Presidency to support real needy people affected by the coronavirus outbreak. "We're Enough Contact Turkey" was launched with the slogan and Family, Ministry of Labor and Social Services to Kuwait in the campaign before the Turkish Finance Group has also donated TL 20 million.

#### **Innovative idea and project production center: Innhouse**

Attracting attention with its innovative products and services, Kuveyt Türk has established an innovation center that stands out with its distinctive, original and functional architectural design and opened it to use in the first quarter of the year. Kuveyt Türk aims to produce innovative ideas and projects that prioritize the customer experience, raise working standards and shape the financial sector of the future, at the center named Innhouse. In addition to customer experience and design-oriented workshops, studies on financial technologies and digital transformation will be prioritized at Innhouse, which is designed with a bio-innovation approach.

#### **Safe System**

Kuveyt Türk, which prioritizes facilitating the lives of its customers, also developed the "I will buy Safe System" in the first quarter of the year in order to perform transactions safely in the purchase and sale of vehicles and housing. Kuveyt Türk has started to provide services to anyone who wants to buy and sell vehicles and residences, whether it is their own customer or not, and has not demanded any expenses from those who use the service under the first launch.

#### **Reputation of the Year Award to Kuveyt Türk**

Meanwhile, Marketing sixth with Turkey and Akademetre cooperation has become one of the most important standards of regulation and marketing sectors covered by The One Awards, Integrated Marketing Awards, "participation banking" category of Turkey's leading financial institution in Kuwait Turk "creditable of the year" award.

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

Ufuk UYAN

Member of BOD and General Manager

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**

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

As of 31 March 2020, unconsolidated financial statements asset size is TL 118 million 306 thousand, amount of the utilization of funds is TL 69 million 996 thousand and funds collected amount is TL 98 million 822 thousand. Due to the effect of the first three months' profit of TL 316 thousand, the ratio of shareholder equity increased 0.06% by reaching TL 6 million 825 thousand. As of 31 March 2020, unconsolidated capital adequacy ratio has been realized as 21,47%.

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

**1.6 Announcement regarding important developments within 3 months**

The Bank has issued sukuk with a total nominal value of TL 1,085,000 thousand with four separate transactions over KT Kira Sertifikaları Varlık Kiralama A.Ş. with a minimum 8.38% and maximum 9.17% cost in different maturity periods.

The bank assigned the risk of TL 110,353, which was allocated one hundred percent of its non-performing loans, to the asset management company at a cost of TL 28,800.

**1.7 Assessment of the expectations related to the subsequent interim period**

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