

5th year

2020 Annual Report



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Part I - Introduction

Mission and Vision

Our mission

Our mission is to become a participation bank that understands the expectations and needs of its customers in the best way possible and offering most reliable solutions and value propositions through the most appropriate channel, carries out its activities with world-class sustainable profitability and efficiency being aware of principles of participation banking and ethics, facilitates access to financial services focusing onto the customer satisfaction.

Our vision

At Ziraat Katılım, our vision is to become a global, reputable and leading participation bank that strengthens participation banking not only in Turkey, but in the region, constantly generates value, offers customers more the more as they share at every stage.

Our Strategies

To be an Effective Participation Bank

- To allocate resources to investments that will create value with the financing it provides,
- To be fair and transparent in profit sharing,
- To create customercentric processes in order to achieve operational excellence.

To Run Participation Banking For Everyone

- “To be the “Moral Participation Bank” with which customers and personnel feel a sense of peace and are happy to work with or for,
- To offer services which meet universal service standards with the same high quality wherever they are,
- To manage the financing of production and trade in a manner that adds value.

To Improve Participation Banking

- To integrate into the international participation banking financial architecture,
- To contribute to the development of the participation banking sector in our country,
- To be a pioneer in the participation banking sector by developing new products and services.

Corporate Profile

CARRYING THE TITLE OF TURKEY'S FIRST STATE OWNED PARTICIPATION BANK, ZIRAAT PARTICIPATION MEETS THE NEEDS AND EXPECTATIONS OF ITS CUSTOMERS BY OFFERING SOLUTION AND VALUE PROPOSITIONS FROM THE MOST ACCURATE AND MOST APPROPRIATE CHANNELS.

Ziraat Participation was founded with a share capital of TL 675,000,000 fully paid by the Undersecretariat of Treasury in accordance with the approval of Banking Regulation and Supervision Agency dated 10 October 2014 numbered 6046 published at the Official Gazette numbered 29146 dated 15 October 2014. The Bank's trade registration was made on 16 February 2015.

Ziraat Participation obtained its operating license with the decision 6302 of Banking Regulation and Supervision Agency dated 12 May 2015 published at the Official Gazette numbered 29355 dated 14 May 2015. The Bank started its participation banking operations with its principle of "Achieving More by Sharing" as of 29 May 2015.

Ziraat Participation carries out its activities in line with its flawless and sustainable growth strategy. The bank, which has 1,261 personnel who are specialised in their fields, further expanded its geographical coverage during the year with the opening of 11 new branches in Turkey and one new branch abroad, increasing the total number of branches to 105. Ziraat Participation offers high value-added products, services and solutions to its customers with 86 ATMs as well as its mobile channels, whose share in transactions is constantly increasing.

A strong capital structure and strategies focused on profitable, healthy and sustainable growth are the most important elements supporting Ziraat Participation's activities. The bank's equity size, reaching TL 3.7 billion, provides the strength required for sustainable growth.

Ziraat Participation's total assets increased by 65% in comparison with 2019 year-end and reached a balance sheet size of TL 60.2 billion. Net profit of Ziraat Participation was realized as TL 639 million with an increase of 24% with a steady growth in 2020.

With its well-established and solid structure, modern and innovative management approach, and experienced and expert personnel, Ziraat Participation works in strong cooperation with Ziraat Bank, which has been the driving force of the Turkish banking sector for 157 years, within the framework of its correspondent agreement.

The branches and ATMs of Ziraat Bank, which has the most widespread service network in the Turkish banking sector, provide Ziraat Participation customers with easy access to products and services in accordance with the principles of participation banking.

Ziraat Participation offers its customers services through different channels with innovative applications in the field of Internet Banking, Mobile Banking, the Call Center and Payment Systems in addition to the branches with traditional distribution channels. Within the scope of its Digital Banking activities, the Bank meets the financial needs of its customers with the Ziraat Mobile application at the most convenient points and with an approach focussed on high customer satisfaction.

Behind Ziraat Participation's continuously developing business model lies an approach focused on customer satisfaction, digitalization and efficiency. As it works towards becoming an effective, leading and respected participation bank, the Bank continues to take firm steps without compromising its asset quality, creating added value in line with its disciplined and sustainable growth strategy.

Highlights from 2020

TOTAL ASSETS

TL 60.187 MILLION

Total assets increased by 65% from TL 36,392 million in 2019 to TL 60,187 million in 2020.

LOANS

TL 42.206 MILLION

The volume of loans increased by 46% during 2020, from TL 28,991 million in 2020 to TL 42.206 million.

NUMBER OF EMPLOYEES

1,261

The number of employees of Ziraat Katılım increased from 1.129 at the end of 2019 to 1,261 by the end of 2020 on the back of the ongoing growth.

NUMBER OF BRANCHES

105

In 2020, the total number of branches reached 105 with the opening of 11 new branches in Turkey.

INTERNET BANKING

67%

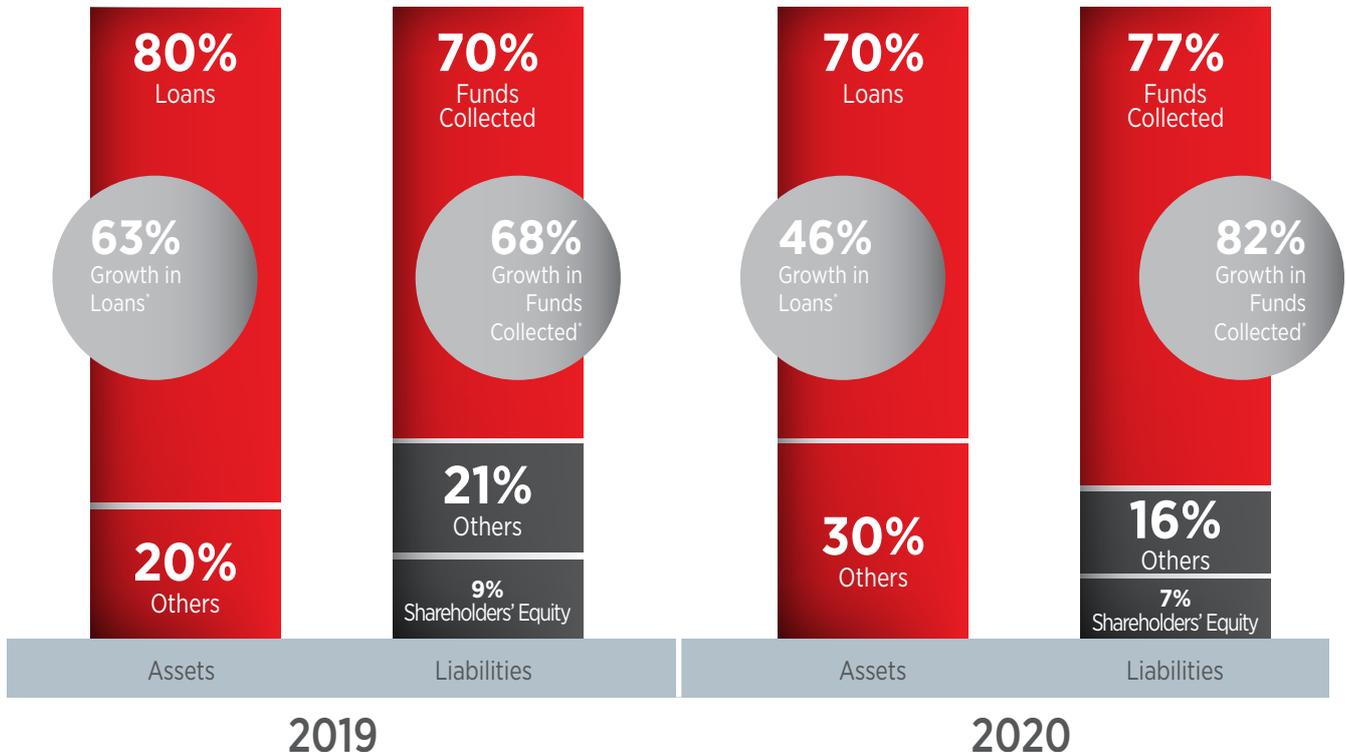
In 2020, the number of customers using internet banking increased by 67% and reached 279 thousand people.

DIGITAL PRODUCTS



Products offered to customers through digital channels are being developed constantly.

BALANCE SHEET COMPOSITION



*Annual rate of change

Highlights of 2020



ZİRAAT PARTICIPATION SUDAN STARTED OPERATIONS

Expanding its branch network throughout Turkey, Ziraat Participation opened its first branch abroad in Sudan's capital, Khartoum. Ziraat Participation, which will act as a bridge in the development of foreign trade and strengthening economic relations between Turkey and Sudan, started operations. Operating within the Ziraat Finance Group, Ziraat Participation continues to work towards becoming a universal, respected and leading participation finance institution which creates synergy not only in Turkey but also in its region, and offers more to its customers by constantly generating value and by sharing at every stage.

“LIVZYM BIOTECHNOLOGY” IN THE COMMON INVESTMENTS MODEL

The opening ceremony was held for “Turkey's First Domestic Industrial Enzyme Factory LIVZYM Biotechnology”, the realisation of which Ziraat Participation contributed to through its capital partnership. The Minister of Industry and Technology, Mustafa Varank, and the Minister of Agriculture and Forestry, Dr. Bekir Pakdemirli, the Ziraat Participation General Manager Mr. Metin Özdemir, the Founder of LIVZYM Biotechnology, Dr. Serdar Uysal, the Deputy General Manager of Loan Allocation and Management Mr. Tahir Demirkıran and many senior officials attended the opening ceremony.

LIVZYM is the first industrial enzyme factory to be established in a region stretching from Africa to Russia. Enzymes, which have a large annual global market volume, are used as technological intermediates in the food, detergent, paper, textile, leather and feed industries. LIVZYM has managed to produce enzymes with exactly the same characteristics as other enzymes which are imported by Turkey from abroad, through domestic and national means.

2 AWARDS BY INTERNATIONAL FINANCE

Ziraat Participation was deemed worthy of the awards of “Best Participation Bank” and the “Fastest Growing Participation Bank” of 2020, within the scope of the “International Finance 2020 Awards” organized worldwide by International Finance Magazine, which is one of the leading finance and business analysis publications in the UK.



ISLAMIC FINANCE AWARDS 2020 - BEST CUSTOMER SERVICE QUALITY AWARD

Ziraat Participation received the "Participation Bank Providing the Best Customer Service Quality in Turkey" award at the Islamic Finance Awards 2020 award ceremony, which has been held since 2007 by the internationally renowned World Finance magazine.

GOLD AWARD FOR THE PARTICIPATION BANK TO USE SOCIAL MEDIA MOST EFFECTIVELY

Ziraat Participation won the title of Turkey's "Participation Bank to Use Social Media Most Effectively" for the second time in succession. During the Social Media Awards Turkey 2020, which is organized in cooperation with BoomSonar and Marketing Türkiye, and where brands, agencies, projects and individuals which have left their mark on social media are evaluated among 33,000 brands and 12 billion interactions, Ziraat Participation was again handed the gold award for being the most influential participation bank in social media in the Participation Banks category in 2020, repeating its achievement in 2019.

TURKEY'S "MOST TECHNOLOGICAL PARTICIPATION BANK"

Nielsen Turkey identified Turkey's most technological brands in 23 categories by conducting an online questionnaire through digital methods. Ziraat Participation won the "Most Technological Participation Bank" award at "TechBrands Turkey", which was held in cooperation with Nielsen Turkey and Pazarlamasyon, where the most technological brands of Turkey were selected.



Shareholding Structure

The main shareholder of Ziraat Katılım is Ziraat Bank.

31 December 2020		
Shareholder	Paid-in Capital (TL Thousand)	Share %
T.C. Ziraat Bankası A.Ş.	1,750,000	99.99999976
Türkiye Sigorta A.Ş.*	-	0.00000006
Türkiye Hayat ve Emeklilik A.Ş.*	-	0.00000006
Ziraat Teknoloji A.Ş.	-	0.00000006
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.00000006
Total	1,750,000	100.00

* Ziraat Sigorta A.Ş. was transferred to Turkey Wealth Fund under the name of Türkiye Sigorta A.Ş. on 27.08.2020.

Ziraat Hayat ve Emeklilik A.Ş. was transferred to Turkey Wealth Fund under the name of Türkiye Hayat ve Emeklilik A.Ş. on 24.08.2020.

The TL 1,750,000,000 paid-in capital of Ziraat Katılım was fully provided by Undersecretariat of Treasury. Ziraat Katılım's capital is divided into 1,750,000,000 shares, each valued at TL 1.00.

The Chairman and members of the Board, members of the Audit Committee, General Manager and Assistant General Managers do not own shares.

CHANGES IN ARTICLES OF ASSOCIATION IN 2020

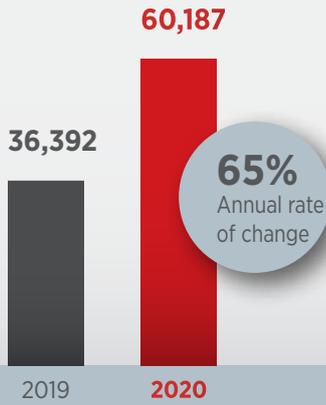
There were no changes in Articles of Association of the Bank in 2020.

Financial Indicators

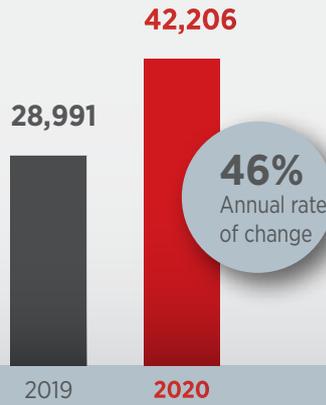
(TL million)	2019	2020	Change (%)
Total Assets	36,392	60,187	65
Liquid Assets and Banks	3,810	10,274	170
Securities Portfolio	2,952	6,896	134
Loans*	28,991	42,206	46
Funds Collected	25,457	46,386	82
Shareholders' Equity	3,167	3,734	18
Profit Shares Income	3,594	4,191	17
Profit Shares Expense	2,226	2,123	(5)
Income Before Tax	705	792	12
Net Profit/Loss	517	639	24

* Non-performing Loans and Expected Loss Provision are not included.

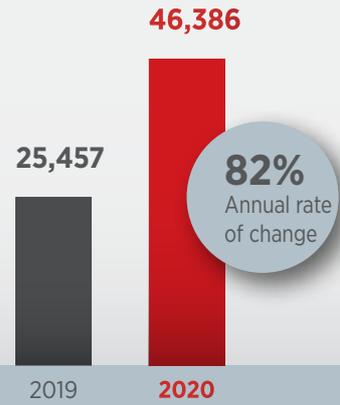
TOTAL ASSETS (TL million)



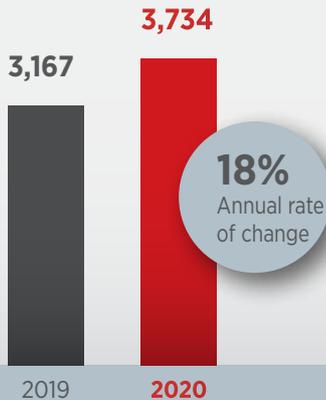
LOANS (TL million)



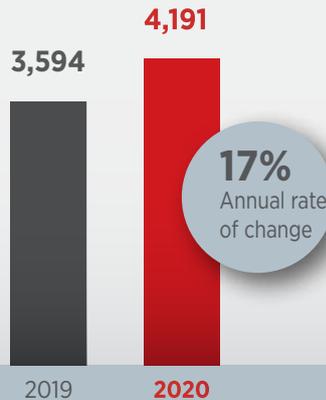
FUNDS COLLECTED (TL million)



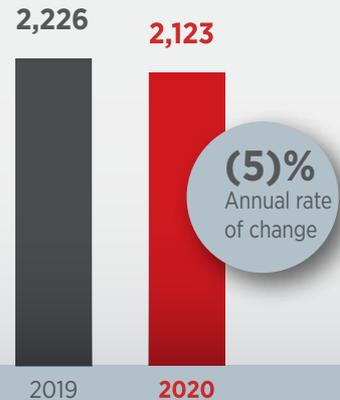
SHAREHOLDERS' EQUITY (TL million)



PROFIT SHARES INCOME (TL million)



PROFIT SHARES EXPENSE (TL million)



Milestones in the History of Ziraat Katılım

2015

- As the first publicly funded participation bank, the Bank began operations on 29 May 2015, in a grand opening with the participation of President Recep Tayyip Erdoğan.
- Ziraat Katılım became the first participation bank to receive Participation Banking Activity Ratification Certificate approving compliance of the general framework of our operations with the Principles of Participation Banking.

2016

- Ziraat Katılım proudly completed its first year, a full of firsts, with a net profit of TL 30.7 million.
- The first profit-loss sharing partnership was carried out in different sectors.
- The first Sukuk issuance was undertaken by establishing an Asset Leasing company.
- The first Murabaha Syndication took place.

2017

- Ziraat Katılım continued to take firm steps on its way to reach its goals of sustainable profitability and efficiency and recorded a profit of TL 159 million.
- Ziraat Katılım founded its second subsidiary ZKB Varlık Kiralama A.Ş.
- FILIKA (Limited Financing Card) has been offered to customers.
- Transition to TFRS 9 has been completed.
- A project financing transaction has been performed through “İstisna” product in the participation banking sector.
- Ziraat Katılım has started the Gold Days.

2018

- Ziraat Katılım rounded off the year 2018 with stable growth and wrote a net profit of TL 323 million.
- Ziraat Katılım entered a cooperative agreement that represents a first for the banking sector and our country, with the “Joint Investments Model”.
- Ziraat Katılım became the first participation bank to mediate in the issuance of the Gold Lease Certificate.
- The number of branches increased to 80 branches in 41 different cities.
- Agreements were signed for the establishment of the Ziraat Katılım Sudan Branch.
- The necessary permits were obtained for the transfer of Ziraat Finansal Kiralama A.Ş. to Ziraat Katılım.
- In accordance with the agreement made between all public banks including Ziraat Katılım, the “free use of a Common ATM” system was implemented with the protocol signed.

2019

- Ziraat Katılım continued its healthy growth in 2019 with its effective and efficient balance sheet management and completed the year with a net profit of TL 516.7 million.
- Ziraat Katılım realized a Murabaha Syndication transaction at an amount of USD 250 million for the third time.
- Ziraat Finansal Kiralama A.Ş. was transferred to Ziraat Katılım as of 1 March 2019.
- Subordinated loans were obtained from T.C. Ziraat Bankası A.Ş. and Turkey Wealth Fund.
- Virtual POS product was offered to customers.
- “Mobile Financing” option was launched to conduct financing transactions through Participation Mobile application.

2020

- Ziraat Participation reached an asset size of TL 60.2 billion in 2020.
- The Sudan Branch, its the first foreign branch, entered operation.
- Work on the new payment system, FAST (Instant and Continuous Transfer of Funds), has been completed. The system allows the Bank's customers to perform money transfers between their accounts in different banks 24 hours a day, 7 days a week.
- With its subsidiaries Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., Ziraat Participation realized approximately TL 12.6 billion in lease certificate issuances in TL terms in the local market.

BANKING TRANSACTIONS MADE SIMPLER THAN EVER WITH KATILIM MOBILE!



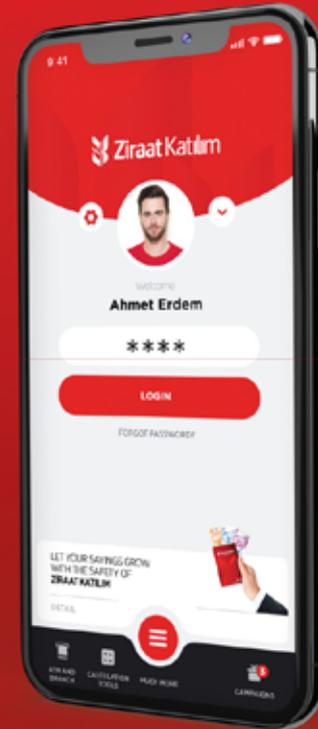
Virtual card



FAST-EFT-Remittance
are free



There's no account
maintenance fee



24/7 instant payment system FAST
is operated by the Turkish Central Bank.

 **Ziraat Katılım**
Growth through sharing



Customer
Communication
Center
www.ziraatkatilim.com.tr

 /ziraatkatilim

79%Increase in the
number of users**108%**Increase in
number of
transactions

The number of users of Participation Mobile rose from 73,343 in 2019 to 130,985 in 2020. The number of Participation Mobile transactions jumped from 1.6 million in 2019 to 3.5 million in 2020. On the other hand, the total transaction volume nearly tripled from TL 10.1 billion in 2019 to TL 29.1 billion in 2020.

**OFFERING
EASY
SOLUTIONS**

Chairman's Assessment



THE POSITIVE RESULTS FROM THE WORK TO DEVELOP COVID-19 VACCINES HAVE PRECIPITATED AN INCREASE IN RISK APPETITE REGARDING THE FUTURE IN THE FINANCIAL MARKETS.

Hüseyin AYDIN
Chairman of the Board of Directors

“ ZIRAAT PARTICIPATION BANK HAS SET A STRATEGIC PRIORITY OF DISBURSING FUNDS PROVIDED FROM TURKEY AND ABROAD IN A MANNER TO BE MOST EFFICIENT FOR THE COUNTRY'S ECONOMY WHILE CONTRIBUTING TO INCREASING THE SHARE OF PARTICIPATION BANKING IN THE FINANCIAL SECTOR AS ITS STRATEGIC PRIORITY. ”

The Covid-19 virus, which first emerged in China in 2020 before spreading all over the world, has taken a heavy toll on the global economy and social life. Thanks to the economic measures and incentives taken by countries in the first wave of the pandemic, the global economy started to recover and social life has largely returned to normal. Expectations of a period of strong growth due the realisation of pent-up in the second half of the year led to a rapid increase in commodity prices. In addition, the positive results in the progress achieved in creating Covid-19 vaccines led to an increase in risk appetite in the financial markets when looking to the future.

The U.S. economy suffered one of the steepest contractions in its history due to the closure of the economy in the second quarter of 2020, and the rate of unemployment in U.S. rose to double digit levels. However, the continued implementation of expansionary monetary policies and the low interest rates implemented by the U.S. Federal Reserve (Fed) limited the negative effects of the pandemic on both the U.S. and the global economy. In addition, the incentive packages implemented by the U.S. government supported the economy and achieved a rapid recovery in the third quarter of the year. The election of Joe Biden as the president in the last quarter of the year removed uncertainties regarding the presidential election and brought the prospect of new economic incentives to the agenda.

MEASURES TAKEN BY OUR GOVERNMENT TO ALLEVIATE THE NEGATIVE EFFECTS OF THE PANDEMIC HAVE HELPED ENSURE ECONOMIC RECOVERY, WHILE SOCIAL SPENDING HAS ALSO EASED THE PRESSURES OF THE PANDEMIC, ESPECIALLY ON THE LOW-INCOME SEGMENT.

The European economy was also negatively affected by the pandemic during 2020 with double-digit contractions recorded in the second quarter of the year. Massive stimulus packages were announced by European countries, with the European Central Bank (ECB) also expanded the liquidity it provided. A second wave of the outbreak emerged in the last quarter of the year, leading to short-term shutdowns in the economy. However, early progress in the vaccination rollout in Europe has injected optimism for a recovery in the European economy. The rapid appreciation of the Euro during the year can be considered a positive development for our country, given that our biggest export market is the European continent. In the final days of the year, the Brexit process was completed, ushering in the process of Britain leaving the norms and rules of the European Union in the new year.

The pandemic, which negatively affects social life in Turkey, has also had negative effects on the economy. Measures taken by our Government to alleviate the negative effects of the pandemic have helped ensure economic recovery, while social spending has also

eased the pressures of the pandemic, especially on the low-income segment. With the pandemic being brought under control in the third quarter of the year, economic activity has gained pace as expectations for the future have turned positive. In addition, with the encouragement of the institutions managing the economy, the banking sector acted to delaying real sector loan payments, thus helping ease financing difficulties.

Ziraat Participation Bank has set a strategic priority of disbursing the funds provided from Turkey and abroad in a manner which is most efficient for the country's economy and contributing to increasing the share of participation banking in the financial sector. In 2020, the banking sector expanded by approximately 36% in terms of asset volume, the participation banking sector increased by approximately 54% and our Bank increased by 65% in terms of asset volume with the contribution of the base effect. In terms of profit, the banking sector recorded an increase of 19% compared to the previous year, the participation banking sector achieved an increase of approximately 52% and our Bank recorded a rise of 24% when compared to the previous year.

In line with the goal of increasing its share in the financial sector, the share of participation banking in the sector increased from 6.3% to 7.2% in 2020. Maintaining this positive performance in participation banking will contribute to the deepening of the Turkish financial system and helping it become better hedged against risks.

Holding the title of being Turkey's first public participation bank, Ziraat Participation Bank continued to branch out in 2020, exceeding its target of 100 branches, despite the economic stagnation due to the pandemic. Our Bank has continued to comply with the measures taken since the beginning of the pandemic and has continued to provide financial solutions to our customers without compromising the quality of service. Ziraat Participation Bank has maintained its activities with devotion in order to contribute to participation banking, increase its support to our economy and create more added value. In the coming periods, it will continue to work to contribute more to our economy.

On behalf of myself and our Board of Directors, I would like to thank our employees for their devoted performances in the challenging conditions in 2020, our customers for their confidence in our Bank and our business partners and correspondents, who have always been there for us.

Mr. Hüseyin AYDIN
The Chairman of the Board of Directors

CEO's Assessment



“ ZIRAAT PARTICIPATION CONTINUED ITS ACTIVITIES METICULOUSLY IN 2020 IN LINE WITH ITS VISION OF BEING AN EFFECTIVE PARTICIPATION FINANCIAL INSTITUTION IN THE INTERNATIONAL MARKETS AS WELL AS IN ITS REGION. ”

Dear Stakeholders,

A HEALTHY FINANCIAL PERFORMANCE IN 2020

Ziraat Participation continued its activities meticulously in 2020 in line with its vision of being an effective participation financial institution in the international markets as well as in its region.

Our Bank, which is the pioneer of its sector, completed 2020 with a healthy growth performance, achieving its targets for profitability and efficiency.

2020 was a year in which economic activity was disrupted globally due to the Covid-19 pandemic, with many sectors such as manufacturing,

distribution and tourism being negatively affected and the negative effects of market volatility being felt deeply. Ziraat Participation achieved its goals in this environment with its carefully structured strategy, flexible business model and strong financial structure.

As of the end of 2020, Ziraat Participation had increased its total assets by 65% compared to the end of the previous year and reached a balance sheet size of TL 60.2 billion. Our Bank rounded off 2020 with a profit of TL 639 million as a result of the successful execution of the business cycle structured with a service understanding which prioritizes customer satisfaction and is focused on efficiency.

WE ARE STEPPING UP THE SUPPORT WE OFFER IN REAL SECTOR FINANCING

Ziraat Participation continues to work to contribute to the participation finance system, increase its support for our economy and create more added value.

Responding to the needs and expectations of its customers by offering the most appropriate solutions and value suggestions through the most appropriate channels, Ziraat Participation continued to support the financing of the real sector, especially SMEs, in 2020. As of the end of 2020, the cash funds disbursed by Ziraat Participation had increased by 46% compared to the end of the previous year, reaching TL 42.2 billion, while non-

cash funds grew by 40% to reach TL 16 billion. In total, Ziraat Participation's support for the Turkish economy reached TL 58.2 billion, with TL 46.4 billion obtained by achieving an 82% increase in funds collected compared to the previous year.

WE PROTECT AND IMPROVE OUR ASSET QUALITY

Ziraat Participation's growth strategy is shaped by an approach which is focussed on maintaining and improving its asset quality. The Bank's allocation and fund disbursement processes and early warning and risk monitoring infrastructure are constantly developed in this direction.

The volume of funds disbursed continued to grow rapidly in 2020. During this period, when effective risk management policies have been implemented, the ratio of non-performing receivables stood at 2.7%, well below the sector average. In 2020, Ziraat Participation's capital adequacy ratio stood at 14.8%.

WE ACHIEVED SUCCESSFUL RESULTS IN LEASE CERTIFICATE ISSUANCES

Ziraat Participation successfully completed the issuance of 23 lease certificates, amounting to TL 12.6 billion in total, in 2020. Our Bank, which plays an active role in the capital markets as part of its strategy to enrich its resource structure, obtained lease certificate issuance ceiling approval of TL 12 billion from the CMB in order to carry out lease certificate issuances in TL in the local market with its subsidiaries, Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş.

Within this framework, since its establishment, our Bank had issued a total of TL 25.6 billion comprised of various amounts as of the end of 2020.

ZIRAAT PARTICIPATION SUDAN ENTERS OPERATION

Expanding its branch network throughout Turkey, Ziraat Participation opened its first branch abroad in Khartoum, the capital of Sudan. As the first Turkish Bank to open in the African continent, our Ziraat Participation Sudan branch started its operations on 27 August 2020. We hope that our new branch will contribute to the development of foreign trade and the strengthening of economic relations between Turkey and Sudan.

Operating within the Ziraat Finance Group, Ziraat Participation will continue to work towards becoming a universal, respected and leading participation finance institution which creates synergy not only in Turkey but also in its region, and which offers more to its customers by sharing at every stage through constantly generating value.

WE CONTRIBUTE TO PRODUCTION AND EMPLOYMENT BY ESTABLISHING FINANCIAL PARTNERSHIPS.

Our Bank also provides financing through Financial Partnership within the framework of participation finance system principles. With the capital partnership of Ziraat Participation, LIVZYM Biotechnology, Turkey's first domestic Industrial Enzyme Factory, started its activities with a ceremony held on 26 June 2020.

LIVZYM is the first industrial enzyme factory established in the region extending from Africa to Russia. With an annual global market size of USD 8 billion, enzymes are used as technological intermediates in the food, detergent, paper, textile, leather and feed industries.

With our LIVZYM investment, Ziraat Participation aims to produce the imported substitute products through domestic and national means, to contribute to employment and reduce foreign dependency. The Financial Partnership established with LIVZYM Biotechnology is expected to serve as a pioneer in other initiatives in the field of biotechnology in our country and to add value to the country's economy with its production capacity.

Continuing to use its resources effectively to support investments and initiatives, our Bank will also finance profitable and sustainable investments in the coming periods through Project Finance and Financial Partnerships.

FULL SUPPORT PROVIDED TO THE ECONOMIC STABILITY SHIELD PACKAGE

A wide range of measures have been taken around the world with the aim of minimizing the damage wrought by the Covid-19 pandemic on economic life, which was affected by the pandemic throughout the entire year. Ziraat Participation believes that keeping the wheels of its production infrastructure and labour market turning is the common goal for all stakeholders of the economy. With this approach, in line with the "Economic Stability Shield" implementation, significant support was mobilised to fend off a deterioration in cash flows which our citizens and the business world may experience during this period.

In this context, we received the applications to postpone payment instalments from commercial and individual customers, and we implemented appropriate term structuring practices for the existing financing of our customers for whom cash flow had been disrupted or where disruption was anticipated, as well those who could face payment problems as a result.

CEO's Assessment

Provided that the companies which pay their personnel salaries through our Bank maintain their employment at the end of February 2020, we have provided additional limits equivalent to the personnel salary expenses of up to 3-months if needed.

We urgently met the needs for additional limits of our customers who have a financing limit at our bank, for the working capital and Direct Debiting System which may arise due to the current conditions.

BUSINESS CONTINUITY FINANCING SUPPORT PACKAGE PUT IN PLACE

A protocol was signed between Credit Guarantee Fund and our Bank to finance the economic needs of our Bank's legal customers, who were directly or indirectly affected by the pandemic, at affordable conditions within the scope of the Economic Stability Shield measures.

We created the "Business Continuity Financing Support Package" which provides the KGF guaranteed financing within the framework of the Treasury Backed Guarantee System. At the end of February 2020, real / legal person businesses which maintain the number of their registered employees and have not reduced employee numbers, and which had been directly or indirectly affected by the pandemic, were eligible to benefit from the support package.

WE CREATED THE CHEQUE PAYMENT SUPPORT PACKAGE.

Again, within the framework of the protocol signed between the KGF and our Bank, we aimed to contribute to the continuation of the commercial activities of our corporate customers who use the cheque payment tool in their commercial activities, and who are cheque drawers.

In order to provide our customers with the appropriate source of financing for the cheque fees they are obliged to pay, we created the KGF guaranteed "Cheque Payment Support Package" within the framework of the Treasury Backed Guarantee System. Through this support package, we provided benefit to our real/legal entity customers, who are cheque drawers, and who have been directly or indirectly affected by the pandemic.

MORE THAN TL 5 BILLION IN SUPPORT PACKAGES

Within the framework of the Treasury Backed Guarantee System, we provided TL 5 billion in financing to our customers within the scope of our "Business Continuity Financing Support Package" and "Cheque Payment Support Package" applications which offer the KGF guaranteed financing. Through these financing packages, we met a wide range of our customers' needs, from personnel salary payments and cheque payments to raw material purchases and service purchases, with very favourable dividend rates as well as the opportunity for financing with a grace period.

A COMPREHENSIVE TOURISM SUPPORT FINANCING PACKAGE

In order to provide cash for the purchase of goods subject to contract or invoice, or to pay for fixed expenses and salary/rent fees with the letter of guarantee in TL of the enterprises operating in the tourism sector and their suppliers, the KGF guaranteed "Tourism Support Financing Package" was prepared within the framework of the Treasury Backed Guarantee System.

Within the scope of this package, the amount of support which we offered our customers with a grace period of 1 year and attractive dividend rates exceeded TL 170 million.

FINANCING SUPPORT PROVIDED TO SMEs

The protocol on corporate equity backed guarantees signed previously between the Credit Guarantee Fund (KGF) and our Bank aims to uphold the competitiveness and sustainability of SMEs and to promote a culture of enterprise.

In 2020, the sub-protocol of the "KGF COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises) 2nd Period Program and the Portfolio Guarantee System (PGS) Equity", which is aimed at supporting the SMEs' access to finance, was signed. Within the scope of this program, the financing support program with a grace period of up to 12 months was implemented for real and legal entity enterprises, which fit the definition of being an SME and which are established in accordance with the law of the Republic of Turkey.

“ IT WAS A VERY ACTIVE YEAR FOR ZIRAAT PARTICIPATION IN THE FIELD OF PAYMENT SYSTEMS. IN PARTICULAR, WE STEPPED UP OUR EFFORTS TO ADAPT TO CHANGES IN CONSUMERS’ SHOPPING STYLES AND PAYMENT METHODS WITH THE COVID-19 PANDEMIC. ”

5,000 CUSTOMERS BENEFIT FROM BASIC NEEDS SUPPORT FINANCING

Within the scope of the Economic Stability Shield, we prepared the “Basic Needs Support Financing” within the framework of the Treasury Backed Guarantee System in order to finance the basic needs of our individual customers, who have been directly or indirectly affected by the pandemic, in the areas of health, rent and utilities (such as electricity, water and natural gas) at affordable conditions. More than 5,000 customers have benefited from this financing support.

SUPPORT PROVIDED TO DISASTER ZONES.

The “Elazığ and Malatya Emergency Support Loan Protocol” was signed between KOSGEB and our Bank in order to provide financial support to enterprises affected by the earthquake which struck on 24 January 2020 in the Elazığ and Malatya provinces.

Within the scope of the protocol, all financing debts of our Bank’s customers who lost their first-degree relatives were cancelled and all repayments on commercial or personal financing whose homes or places of businesses had been destroyed or severely damaged were postponed for a period of between 6 months and one year without any profit share being taken.

In addition, the commercial and personal financing instalments of our customers in the mentioned provinces and districts affected by the economic fallout of the earthquake were postponed for three months without any profit share being taken.

KAD-SIS PROTOCOL SIGNED WITH THE ISTANBUL GOLD REFINERY

On 4 August 2020, our Bank and İstanbul Altın Rafinerisi A.Ş. (IAR-İstanbul Gold Refinery) signed a protocol regarding the Jeweller Gold Valuation System (KAD-SİS). The KAD-SİS project, in which public banks are stakeholders under the leadership of the Ministry of Treasury and Finance, is aimed at stepping up collections of scrap gold, reaching wider masses and bringing gold kept “under the mattress” into the economy.

With this system, as of August 26, 2020, Ziraat Participation customers’ have been able to transfer “under the mattress” gold to their Bank accounts through IAR contracted jewelers through special software and hardware.

Gold collection days had been organized with the limited number of specialists assigned at our Bank’s branches at certain times. Under the KAD- SIS system, physical gold collection can be carried out throughout the country, including on weekends, through jewellers contracted by the İstanbul Gold Refinery.

ZIRAAT PARTICIPATION BANK CARD INTRODUCED

It was a very active year for Ziraat Participation in the field of Payment Systems. In particular, we stepped up our efforts to adapt to changes in consumers’ shopping styles and payment methods with the Covid-19 pandemic.

Speed and hygiene were the most important factors in payment preferences during this period, and this played an important role in shaping our existing products and newly developed products and services.

2020 was a unique year for us, as we brought our Bank’s first credit card product to the market. We are delighted to present a card product under the Bankkart brand, allowing our customers to benefit from its many features and advantages.

Despite the pandemic and intensive competition in the sector, our card has attracted a significant amount of customer interest and satisfactory feedback. We take firm steps towards in adaptation to new features and technologies which will benefit our customers by evaluating all the feedback we receive from our customers.

CEO's Assessment

OUR WEBSITE WAS RENEWED

In line with Ziraat Participation's digitalization strategy, the corporate website, which was developed entirely with the Open Source Code, was renewed by considering customer experience and innovative designs.

In line with the needs and expectations of our customers, advanced search options and user oriented menus were added to our website.

Ziraat Participation aims to create value in the field of software with open source software, create sustainable digital transformation and bring effective solutions to global technologies.

In order to contribute to the development of the software ecosystem in Turkey, our bank also renewed its infrastructure by implementing the open source code based software strategy on its website.

24/7 MONEY TRANSFER WITH THE FAST SYSTEM

The new FAST (Instant and Continuous Transfer of Funds) payment system offers quick and easy money transfer using key information such as mobile phone number, e-mail, national ID number and passport number without the need for an account number or long IBAN number with the Central Bank's "Easy Address" application.

Ziraat Participation is included in the FAST system, which provides the opportunity to perform these transfers for 24/7.

DIGITAL APPROVAL PROJECT PUT INTO USE

The "Digital Approval" project, which enables the forms received from our customers with a signature at our branches to be approved by customers by using the Mobile Banking and Mobile Approval facilities, is available for our individual customers. Signing up to the Internet and Mobile Banking channel can now be carried out from the branch using the SMS code sent to the customer, without the need for an application form.

API SUPPORT PROVIDED TO PROJECTS IN THE FIELD OF FINANCE

Infrastructure work was completed for the opening of our Banking Services (API) to our external customers so that individuals or organizations aiming to develop applications in the field of banking and finance can carry out application development work, and all entrepreneurs, who have an idea or project in the field of banking and finance are able to develop the most innovative and trending applications through this infrastructure.

OPEN SOURCE OPERATING SYSTEM COMPLETED IN ALL OUR BRANCHES.

Within the scope of the "Nationalization in Technology" strategy, our migration work to the open source operating system on the client computer was completed in all our branches. This work is aimed at rapidly increasing the performance of client computers, decreasing hardware costs and eliminating operating system software license costs.

In addition, the video conferencing system with an open source was implemented. The transfer of in-house and external files was provided with the repository product, which is an open source file sharing system. The open source asset inventory and configuration management processes and systems were put into practice.

COVID-19 MEASURES IMPLEMENTED FOR OUR CUSTOMERS AND EMPLOYEES

Ziraat Participation has taken all necessary measures to prevent its customers and employees from being affected by the virus within the scope of the Covid-19 pandemic, which has profoundly affected the world since March 2020, and provided effective service to its customers without sacrificing quality.

“ **THE VEFA GROUP WAS ESTABLISHED UNDER THE ROOF OF ZIRAAT PARTICIPATION, WHICH WAS CREATED BASED ON THE SPIRIT OF “SHARING”, AN IMPORTANT AND INDISPENSABLE PART OF OUR NATIONAL VALUES, AND SET OUT WITH THE SLOGAN OF “MORE AS WE SHARE”.** ”

Central infrastructures were strengthened so all Bank personnel could work remotely, and the necessary software and hardware equipment were installed and delivered to the end users. The measures, which are taken within the scope of Covid-19 actions at our Bank’s Head Office departments and in all branches, have been implemented meticulously.

ZIRAAT PARTICIPATION VEFA GROUP ESTABLISHED.

The Vefa Group was established under the roof of Ziraat Participation, which was created based on the spirit of “sharing”, an important and indispensable part of our national values, and set out with the slogan of “More as We Share”.

The Vefa Group was established in order to stand by those in need and show solidarity with victims of all kinds of disasters across the country and in case of other extraordinary situations or difficulties which may be encountered in life such as accident, fire, serious illness and death. The Vefa Group will also take responsibility for providing support in any adversity which our colleagues may

be exposed to either individually or with their families.

Ziraat Participation presses ahead with its social responsibility activities throughout Turkey through the Vefa Group. In the wake of the earthquakes which struck Elazığ and Malatya in 2020, food parcels were distributed to families in need in the earthquake region, and in the districts of Kâğıthane, Başakşehir, Ümraniye, Sultanbeyli, Pendik and Kartal in Istanbul at the same time.

Acting with a sense of solidarity during the pandemic, the Ziraat Participation Vefa Group distributed tablets in 8 different provinces and 25 districts across Turkey in order to help students receive distance learning due to the Covid-19 pandemic. The activities of the Ziraat Participation Vefa Group within the scope of social responsibility will continue in the future.

NEW RECRUITS JOIN OUR HUMAN RESOURCES.

Ziraat Participation enriched its human resources, which it regards as its most valuable asset, with new participations in 2020.

In 2020, a year in which we rapidly expanded the organizational structure of our bank, 177 new colleagues joined us in line with the needs of our branches

and Head Office departments, and the number of our personnel reached 1,261 by the end of the year.

In 2020, 11 new branches were added to the Ziraat Participation branch network in Turkey, with one more branch abroad, taking the total number of branches to 105.

WE THANK ALL OUR STAKEHOLDERS FOR THEIR CONTRIBUTION TO OUR ACHIEVEMENTS.

Ziraat Participation will maintain its devoted efforts to further increase our contribution to the real economy within the framework of our values and ethical principles.

We have determined the production of increasing value for the Turkish economy and supporting sustainable development in multiple faceted ways as our ultimate goal. In line with this goal, we will resolutely press forward with our projects to expand the participation finance system.

On behalf of myself and the Ziraat Participation management team, I would like to thank all of our stakeholders, especially our employees, who have contributed to the successful results we have achieved.

Respectfully,

Mr. Metin ÖZDEMİR
The General Manager

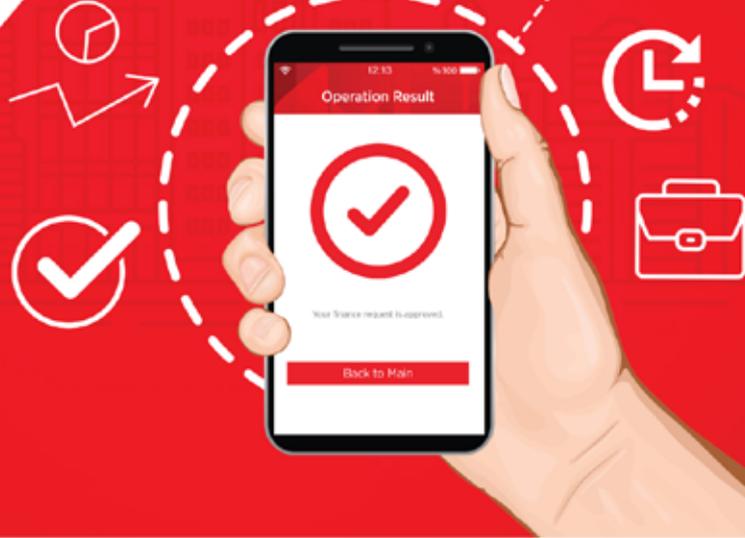
MOBILE FINANCING

THE EASIEST WAY TO GET THE FINANCE YOU NEED



Do you need finance?

But do you not have the time?



A smooth-running business with the on-the-go mobile finance solution!
You have urgent finance needs for your business but you do not have the time to go to the bank. You can submit your finance request in the Katılım Mobile app without leaving your workplace, and you can complete your finance transaction online quickly and easily without having to go to the branch for your signed approval.

 **Ziraat Katılım**
Growth through sharing



**Customer
Communication
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38%

Increase in
the number of
customers using
Mobile Finance

100%

Increase in
number of
transactions

A total of 183 customers were using Mobile Finance in 2020. The number of Mobile Financing transactions doubled from 350 in 2019 to 701 in 2020. On the other hand, the total transaction volume jumped from TL 100.4 million in 2019 to TL 242.2 million in 2020.

**MEETING
NEEDS
QUICKLY**

Macroeconomic Outlook

WORLD ECONOMY

The effects of the Covid-19 virus on the global economy, the vaccine development process, the expansionary monetary policies of central banks and the incentive packages of governments played an important role in shaping the global economy in 2020.

While the pandemic has caused a serious contraction in the global economy, progress in vaccine development offers promise for the future. Central banks of developed economies announced bond purchase programs in large amount, while interest rates fell sharply.

Commodity prices, which fell rapidly due to the pandemic, underwent a rapid increase in prices due to the release of pent-up demand in the second half of the year. In the last quarter of the year, with the reintroduction of lockdown restrictions, consumption and expenditures decreased to some extent. However, the positive results in the development of a coronavirus vaccine have kept risk appetite alive in the forward looking financial markets.

The U.S. economy contracted by more than 30% in the second quarter of the year. In the third quarter of the year, it overcame this contraction, recording record growth of 33.4%. The U.S. Federal Reserve (Fed) continued to take expansionary steps in monetary and fiscal policies to mitigate the negative effects of the pandemic on the economy and to support growth. The U.S. administration also agreed on an additional stimulus package to mitigate the pandemic's impact on the economy, as well as a financial package that includes large amounts of public funding and tax exemptions. The U.S. unemployment rate, which

reached double digits during the pandemic, resumed a downward trend in the second half of the year. However, it still remains well above the pre-pandemic levels. While the Fed has left its policy rate unchanged of late, long-term interest rates remain low and market expectations indicate that the environment of low interest rates will continue for some time to come.

The European economy was hit especially hard by the Covid-19 pandemic. While employment and revenue losses were observed during the year, there were serious contractions in many service sectors, especially in tourism. Tightening restrictions due to the pandemic piled pressure on foreign demand and exports. While monetary and fiscal expansion continued in the Euro Zone, no changes were made in interest rates.

The President of the European Central Bank (ECB), Christine Lagarde, stated that the ECB could expand the Emergency Bond Purchase Program in order to mitigate the negative effects of the restrictions imposed on the economy due to the pandemic. The size of the program was increased by EUR 500 billion and its duration was extended until March 2022. The European economy, which contracted in the second quarter of the year, recorded significant growth in the third quarter of the year and started to recover

THE EFFECTS OF THE COVID-19 VIRUS ON THE GLOBAL ECONOMY, THE VACCINE DEVELOPMENT PROCESS, THE EXPANSIONARY MONETARY POLICIES OF CENTRAL BANKS AND THE INCENTIVE PACKAGES OF GOVERNMENTS PLAYED AN IMPORTANT ROLE IN SHAPING THE GLOBAL ECONOMY IN 2020.

again. The Eurozone PMI data point to a recovery while there have been signs of recovery in industrial production figures. As a result, although macroeconomic figures remain negative when compared to their pre-pandemic levels, optimism about the future continues.

The Covid-19 pandemic has also adversely affected the economies of developing countries. In particular, the decline in commodity prices has taken its toll on economies of commodity exporters. However, the recovery trend observed in the global economy in the second half of the year brought with it an increase in commodity prices. In addition, the continuation of serious supply cuts in oil production was another factor supporting the recovery in oil prices.

The expansionary monetary policy approaches taken by developed countries and their tendency to keep policy rates low have also paved the way for a shift in capital flows towards developing countries.



THE SUCCESS OF THE TURKISH HEALTH AUTHORITIES AND THE TURKISH GOVERNMENT IN PANDEMIC MANAGEMENT ALLOWED THE PANDEMIC TO BE BROUGHT UNDER CONTROL RAPIDLY. WITH THE MEASURES TAKEN, SOCIAL LIFE RETURNED TO NORMAL AND ECONOMIC ACTIVITY QUICKLY RETURNED TO ITS PRE-PANDEMIC LEVELS.



THE TURKISH ECONOMY

The first case of Covid-19 in Turkey was declared in the first quarter of the year and there was an increase in the number of cases in the second quarter. However, the success of the Turkish health authorities and the Turkish government in pandemic management allowed the pandemic to be brought under control rapidly. With the measures taken, social life returned to normal and economic activity quickly returned to its pre-pandemic levels. With the contribution of vaccine rollout in the coming period, expectations for the Turkish economy are optimistic with positive expectations being priced in by the financial markets. While the recent normalization steps in monetary policy and CBRT's tight monetary policy implementation in the last quarter of the year paved the way for a recovery in the value of the TL, the country risk premium decreased significantly.

As in all world economies, the Turkish economy contracted in the second quarter of the year. However, it recovered very quickly with the effect of the increase in demand. Contrary to the economies of most countries in the world, Turkey is expected to end the year with positive growth figures. During the year, social spending and cash support was provided to mitigate the negative effects of the pandemic on low-income households and certain sectors. In addition, by using various fiscal policies, work was conducted to stimulate demand at reasonable levels in sectors experiencing contraction.

A slight increase was observed in the current account deficit due to the high loan growth provided to support domestic demand during the pandemic period.

Increasing global commodity prices and costs in the second half of the year negatively affected inflation expectations and pricing behaviour. However, the institutions managing our economy decided in favour of a strong monetary tightening in order to keep a tight grip on expectations regarding inflation.

In addition, the Monetary Policy Committee assessed that the permanent establishment of an inflation environment would positively affect macroeconomic and financial stability by decreasing country risk premiums, the onset of reverse currency substitution, an upward trend in foreign exchange reserves and a permanent decline in financing costs.

The tightening of monetary policy in the coming period is expected to bring about a permanent decline in inflation and the establishment of price stability. Despite some deterioration in the fiscal balance due to the programs announced and the public spending to mitigate the effects of the pandemic, economic

AS IN ALL WORLD ECONOMIES, THE TURKISH ECONOMY CONTRACTED IN THE SECOND QUARTER OF THE YEAR. HOWEVER, IT RECOVERED VERY QUICKLY WITH THE EFFECT OF THE INCREASE IN DEMAND.

activity has approached its pre-pandemic period. Thanks to the planned and organized measures taken by the Turkish health authorities and incentives provided by the government, Turkey has achieved success in tackling the pandemic compared to other countries. The city hospitals built and investments undertaken in the health sector in recent years have been among the key factors behind this success.

Evaluation of 2020: Strategies, Developments and Future Goals

WITH THE NEW PRODUCTS AND SERVICES THAT WILL CONTRIBUTE TO THE DEVELOPMENT OF PARTICIPATION BANKING, ZIRAAT PARTICIPATION PROVIDES THE MOST APPROPRIATE SOURCE OF FINANCING FOR ITS STAKEHOLDERS AND ENHANCES ITS SERVICE QUALITY DAY BY DAY.

In order to meet the financial needs of its customers through the right channels at the right time and with the right value proposition, Ziraat Participation has ensured product, service and distribution channel diversity in line with participation banking principles. The Bank has continued to be the reliable solution partner of its customers in corporate and retail banking business lines by increasing service quality.

Ziraat Participation maintained its strong financial and operational performance in 2020, generating a profit of TL 639 million, an increase of 24% over the previous year.

Ziraat Participation is determined to continue to increase the support it provides in financing to the real sector and its contributions to economic growth in the future, in line with Turkey's 2023 targets.

CORPORATE AND ENTREPRENEURIAL BANKING

Providing the most appropriate solutions and value propositions for the needs and expectations of its individual and corporate customers through the most appropriate channels, Ziraat Participation continues to increase its product variety.

In order to assist vulnerable customers who were ravaged by the earthquake which struck the Elazığ and Malatya provinces on January 24, 2020, Ziraat Participation signed the "Elazığ and Malatya Emergency Support Loan Protocol" with KOSGEB to provide financial support under appropriate conditions.

Within the scope of this protocol;

- Cancellation of all financing debts of Bank customers who had lost first degree relatives
- Repayments on commercial / personal financing for our customers whose homes or places of business had been destroyed or severely damaged were postponed for a period of between 6 months and one year without any profit share being taken.
- The commercial and personal financing instalments of our customers in provinces and districts affected by the economic fallout of the earthquake were postponed for three months without any profit share being taken.

Ziraat Participation took a series of measures aimed at minimizing possible damage from the Covid-19 pandemic on economic life, a worldwide phenomenon which also affected our country as well.

In this context, our bank branches continued to operate between 9AM and 5PM believing that sustaining the country's production infrastructure and labor market was the common goal of all stakeholders of the economy.

In line with the "Economic Stability Shield" implementation, the following support was provided to prevent any deterioration in cash flows which our citizens and business world could experience during this period:

- Requests by our commercial and personal customers to defer instalment payments were received.
- Appropriate maturity restructuring practices were put into effect for the current financing of our customers whose cash flows had been disrupted or were foreseen to be disrupted, or who may have problems in payments.
- Provided that the companies paying their personnel salaries through Ziraat Participation maintained their employment at the end of February 2020, extensions of up to 3 months of personnel salary expenses were provided where necessary.
- Additional limit requirements of customers with financing limits at Ziraat Participation for working capital and the Direct Debit System which may arise due to current conditions were met immediately.



“WITHIN THE SCOPE OF THE “TOURISM SUPPORT FINANCING PACKAGE”, THE EXTENT OF SUPPORT PROVIDED TO CUSTOMERS WITH A GRACE PERIOD OF UP TO 1 YEAR AND WITH PREFERENTIAL PROFIT SHARE RATES HAS EXCEEDED TL 170 MILLION.”



Within the framework of the Treasury Backed Guarantee System contributions provided to customers continued increasingly.

Within the scope of the Economic Stability Shield measures, a protocol was signed between KGF and Ziraat Participation within the framework of the Treasury-Backed Bail System in order to finance the basic needs of legal customers who were directly or indirectly affected by the pandemic, with appropriate conditions.

Within the scope of this protocol, various support packages were prepared to meet the variable needs of customers. These packages are listed below:

“Work Continuation Financing Support Package”: As of the end of February 2020, real / legal person businesses which maintain their registered number of employees and do not reduce them and which are directly or indirectly affected by the pandemic, were eligible to benefit from this support package.

“Cheque Payment Support Package ”: This package is planned to help maintain commercial activities of legal customers who use cheque payments in their commercial activities, and allow them to pay their cheque obligations using an appropriate source of financing. Real / legal person businesses which are cheque issuers (excluding individual customers) directly or indirectly affected by the pandemic benefited from the support package.

Tourism Support Financing Package”: The package, aimed at helping tourism companies and their suppliers maintain their operational and employment capabilities, is aimed at covering the fixed expenses and expenses of tourism companies in respect to their salary / rental payments with a cash or TL guarantee letter for the purchase of goods linked to a contract or a particular invoice.

Within the framework of the Treasury-Backed Surety System, customers were provided with over TL 5 billion in financing through the “Work Continuation Financing Support Package” and the “Cheque Payment Support Package”, which offer KGF-guaranteed financing. Within these financing packages, a range of our customers’ needs, including personnel salary payments, cheque payments, raw material purchases and service purchases were granted preferential profit share rates and periodic financing opportunities without payment.

Within the scope of the “Tourism Support Financing Package”, the extent of support provided to customers with a grace period of up to 1 year and with preferential profit share rates has exceeded TL 170 million.

“Basic Needs Support Financing”:

This package has been prepared in order to finance the basic needs of individual customers in areas of health, rent and invoices (electricity, water, natural gas) under appropriate conditions. More than 5,000 customers have already benefited from this financial support.

A range of products to meet the diverse needs of customers

Within the scope of the protocol on corporate equity guarantees which had been signed between Kredi Garanti Fonu A.Ş and Ziraat Participation, the “KGF COSME 2nd Term Program PGS Equity” sub-protocol was signed in order to ensure the competitiveness and sustainability of SMEs, to encourage the enterprise culture and to support SMEs’ access to finance.

Within the scope of this program, a financing support program with a maximum 12-month grace period was put into practice for real and legal person enterprises established in accordance with the laws of the Republic of Turkey and which fit the definition of being SMEs.

For the financing of public lodging sold by the General Directorate of National Real Estate the “Public Lodging Finance” product was prepared within the framework of the protocol signed between the institution and Ziraat Participation in February. With this product, customers who have the right to purchase public lodging in all provinces were offered financing opportunities.

Evaluation of 2020: Strategies, Developments and Future Goals

Under the leadership of the Ministry of Treasury and Finance of the Republic of Turkey, the KAD-SIS (Jeweller Gold Valuation System) project, in which public banks are stakeholders, was aimed at increasing scrap gold collection activities, reaching wider masses and bringing gold which had been kept “under the mattress” into the economy.

With this system, as of August 26, 2020, Ziraat Participation customers’ are able to transfer “under the mattress” gold to their Bank accounts through IAR authorized jewellers through special software and hardware.

Physical gold collection can be carried out, including on weekends, through the contracted jewellers of the Istanbul Gold Refinery. Since the transition to the system, approximately 47 kilograms of gold had been collected as of December 31, 2020.

Within the framework of the New Economy Program set out by the Ministry of Treasury and Finance of the Republic of Turkey, in order to increase the savings base of the Turkish economy and develop the non-banking financial sector, the project of bringing public insurance companies together under a single roof has been prepared as a part of the reforms planned in the insurance and private pension sector. Within the scope of this project, Ziraat Sigorta A.Ş., through which Ziraat Participation carries out its agency activities, changed its title to Turkey Insurance A.S., and Ziraat Hayat ve Emeklilik A.Ş. changed its title to Türkiye Hayat ve Emeklilik A.Ş.

PERSONAL BANKING

Ziraat Participation continues to be the first choice for its customers in the retail banking business line with its innovative applications, competent personnel and extensive service network.

Dedicated to developing retail banking products which are compatible with new technologies, Ziraat Participation works to a basic principle of increasing the variety of products and services offered by taking into account customer demands and needs.

The Bank implemented a wide array of innovations in payment systems in 2020 in order to provide its customers with a fast, safe and enjoyable shopping experience at all times.

The Ziraat Participation Bankkart, the Bank’s first credit card product in 2020, was made available to credit card customers. In the intensively competitive environment in the payment systems sector, this product attracted a significant amount of interest. The Ziraat Participation credit card provides customers with a fast and secure shopping experience at the highest level.

Ziraat Participation’s number of debit cards increased 40% compared to the previous year, with debit card turnover increasing by 90% compared to the previous year, and the volume of transactions carried out with debit cards exceeded TL 1 billion.

ZIRAAT PARTICIPATION CONTINUES TO BE THE FIRST CHOICE FOR ITS CUSTOMERS IN THE RETAIL BANKING BUSINESS LINE WITH ITS INNOVATIVE APPLICATIONS, COMPETENT PERSONNEL AND EXTENSIVE SERVICE NETWORK.

The share of Ziraat Participation debit cards in participation banks increased by 2% in terms of the number of cards and turnover. Ziraat Participation was one of the top five banks in terms of debit card usage activity, with a 39% usage rate.

Ziraat Participation’s network of businesses continued to grow. The number of POS and new generation Payment Recorder Devices (PRD) increasing by 73% and the POS turnover increasing by 94% compared to the previous year.

The Bank, which started to offer Zero Housing Financing for the financing of new homes at the beginning of 2020, continues to attract applications for this financing.

The cooperation between Ziraat Participation and Turkish automotive brands, realised at the end of 2019, continued with the aim of supporting domestic production. In this vein, a Special Vehicle Financing Package for Domestic Production was offered to customers who will purchase zero mileage domestic production passenger and commercial vehicles.

Ziraat Participation will unwaveringly press ahead in its activities, facilitating its customers’ access to financing and ensuring that financing is available under favourable conditions in the coming periods.

“ ZIRAAT PARTICIPATION HAS STEPPED UP ITS WORK TO INTEGRATE ALTERNATIVE DISTRIBUTION CHANNELS INTO ITS BANKING PRODUCTS AND SERVICE DELIVERY PROCESS. ”

DIGITAL BANKING

Ziraat Participation has stepped up its work to integrate alternative distribution channels into its banking products and service delivery process.

In 2020, the Bank continued to develop new products and services in alternative distribution channels, which provide considerable benefit in reaching wider customer masses in numerical terms.

The design and experience of Katılım Mobil was renewed in order to offer the best digital customer experience.

The “Digital Approval” application was made available to individual customers in order to approve forms received with signatures from the customers in the branches through Katılım Mobile.

With the facility to carry out tax and social security payments using data matrix technology in Katılım Mobil, payments can be performed quickly and easily.

The password retrieval and renewal processes in digital channels has been improved, facilitating digital channel access.

With the Ziraat Participation Bankkart product, it has become possible to carry out related transactions through the Internet Branch, Participation Mobile and Customer Contact Center.

With the FAST (Instant and Continuous Transfer of Funds) new payment system, customers can perform money transfers between their accounts in different banks 24 hours a day, 7 days a week.

In line with Ziraat Participation’s digitalization strategy, the Corporate website, developed entirely with Open Source Code, was renewed by taking the customer experience and innovative applications into consideration

Ziraat Participation; continues to work on the use of biometric verification methods to be used in distance customer applications, which are being used increasingly in banking with technological developments.

New project studies of the Bank that will enable to use of biometric data in digital channels more intensively will continue in 2021.

Ziraat Participation participated in the “BiGA Digital Gold” project prepared for the use of blockchain technology in the financial sector.

In order to improve operational processes and to enhance the customer experience, the Bank ensured that customer notifications received from 14 different channels were reported and analysed using “Artificial Intelligence Supported Text Analytics”

Within the scope of the “Open banking” application, Ziraat Participation completed the infrastructure work to open its banking services (API) to external customers. The “Open banking” application is aimed at ensuring

individuals or organizations aiming to develop applications in the field of banking and finance can carry out these activities, and all that the entrepreneurs who have an idea or project in the field of banking and finance can develop innovative and trending applications by using this infrastructure.

Within the scope of “Open Banking”, Ziraat Participation started work on Account Information and Payment Order Initiation services under the leadership of the Central Bank and the BKM (Bankalararası Kart Merkezi A.Ş.- Interbank Card Center). This work is expected to be completed in 2021.

Common (Joint) ATM Project (TAM ATM) which is carried out by public banks is progressing rapidly. In this context, Ziraat Participation carried out the first pilot ATM installation and brought it into use. The Bank plans to expand its rollout of ATMs throughout Turkey in 2021.

Ziraat Participation aims to successfully continue its technological investments in digital channels in 2021.

Evaluation of 2020: Strategies, Developments and Future Goals

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

In line with the real sector and foreign trade financing strategy...

Ziraat Participation expanded its asset size by 65% in 2020, while pursuing a strategy to finance majorly the real sector and foreign trade.

Ziraat Participation pressed ahead with its resource diversification in asset liability management with the main resource being participation funds, and it established a liability base of the balance sheet taking into consideration optimum cost and term.

Ziraat Participation has effectively deployed interbank borrowing and financing products to fulfill the required reserve liability and to meet its liquidity needs in line with the principles of participation banking, and to assess the surplus and fulfillment of reserve requirements.

Correspondent Relations

Ziraat Participation has correspondent relationships with many banks and financial institutions

Since its establishment, Ziraat Participation has completed the legislative harmonization process with many banks, established swift correspondent relationships, and signed mutual wakala / murabaha agreements with many banks. Within the framework of these agreements, the Bank has obtained foreign funds to increase resource diversity through interbank murabaha and wakala transactions.

Working to rapidly meet the demands of its customers in the field of foreign trade, Ziraat Participation had reached 42 different correspondent accounts in 16 different currencies at the correspondent banks as of the end of 2020..

Ziraat Participation plays an active role in the capital markets as a part of its strategy to enrich the resource structure. The Bank obtained issuance approval with a ceiling of TL 12 billion from the Capital Markets Board to issue a TL denominated lease certificate in the local market with its affiliates, Ziraat Katılım Varlık Kiralama and ZKB Varlık Kiralama. Within this framework, issuances were made in different amounts with a total of nearly TL 12.6 billion.

In 2020, Ziraat Participation continued to provide long term resources from the World Bank and various other development banks, for financing SMEs and foreign trade financing and to maintain its financing support for SMEs and the real sector.

Ziraat Participation aims to complete the following steps in 2021:

- Significantly increase the number of correspondent banks and the level of foreign trade volume,
- Use a murabaha syndicated loan with the participation of international banks,
- Continue issuing lease certificates in the domestic markets,

ZIRAAT PARTICIPATION STARTED TO ISSUE AN “EXPORT VALUE ACCEPTANCE DOCUMENT (İBKB)”, STATING THAT THE COSTS RELATED TO EXPORT TRANSACTIONS CARRIED OUT BY EXPORTERS ARE BROUGHT TO THE COUNTRY.

- Add depth to the capital markets by carrying out corporate lease certificate issuances in favor of third parties other than Ziraat Participation,
- Provide increasing support to the real sector by maintaining a supply of resources from international institutions for the financing of SMEs and foreign trade,
- Mediate new transactions within the scope of country loans.

Credit and Foreign Trade Operations

Ziraat Participation started to issue an “Export Value Acceptance Document (İBKB)”, stating that the costs related to export transactions carried out by exporters are brought to the country.

This transaction is carried out within the scope of the amendments realized with the Communiqué (Communiqué No: 2019-32) /56) on the Amendment of the Communiqué (Regarding Export Costs) (Communiqué No: 2018-32 / 48) on the Decree No.32 on Protecting the Value of Turkish Currency published in the Official Gazette dated 31 December 2019 and numbered 30995.

“ ZIRAAT PARTICIPATION’S SUDAN BRANCH BECAME OPERATIONAL AND STARTED TO CARRY OUT INTERNATIONAL PAYMENT TRANSACTIONS. ”

It has been ensured that the customs declaration information can be received digitally from the Customs Data Warehouse System (GÜVAS) under the Ministry of Commerce. The follow-up of open export accounts where Ziraat Participation is an intermediary bank can also be carried out through this system.

Ziraat Participation’s Sudan Branch became operational and started to carry out International Payment transactions.

The period for responding to banks in electronic mortgage cancellation transactions was extended by the General Directorate of Land Registry and Cadastre. Due to the extension of the period, the completion of the release transactions was automated, and the transaction was completed automatically in the system with the user’s approval according to the return time of the Land Registry Directorate.

It is made possible that more than one vehicle guarantee can result in a single flow.

Integration was achieved in electronic mortgage transactions, and transactions got underway with pilot branches

OPERATIONAL TRANSACTIONS

Ziraat Participation conducts its operations with the objective of reducing the work load of branches by standardizing participation banking product and service offering processes.

In this context, the Bank implements many projects which will contribute to operational efficiency.

Letters of Confiscation responded to via KEP (Registered E-mail)

Steps were taken to ensure that an automatic reply is given to the letters of confiscation, which are notified to Ziraat Participation via the National Electronic Notification System) via KEP. Letters of confiscation, which had previously been sent to the courier company and physically submitted to the debt collection office will be processed online with the development software. Within the scope of the Bank’s digitalization strategies, a step was taken towards protecting the environment by minimizing the amount of paper and stationery used in transactions.

Measures to ease operational workload

Cheque transactions, whose flow is initiated by the branches and sent to the Operations Center for detailed information data entries, have been taken from the Head Office’s business pool by the branches with less work intensity (workload) and were entered. By directing the transactions that are intense in OPM to branches with lower transaction volume and concluding them in a short time, the workload in branches with a heavy workload was distributed to other branches and an effective pool management was achieved.

The MOPI EFT flow was created in order to carry out detailed data entry and approval processes of the EFTs, whose flow had been initiated by the branches, in the OPM, the Head Office work pool. With this development, thanks to the MOPI EFT system, detailed EFT data entries of all branches were opened to our branches which are not occupied with the Head Office work pool.

Monthly branch routine invoice payments were brought within the scope of automatic payments and representation expenditure expenses were taken to the Head Office, reducing workloads.

Thanks to the integration between the Public Information System and Ziraat Participation, inquiries can be carried out into salaries and other payments of personnel working in the public institutions, and paid online on the system.

Evaluation of 2020: Strategies, Developments and Future Goals

ZIRAAT PARTICIPATION HAS COMPLETED AND COMMISSIONED THE FOLLOWING IMPORTANT PROJECTS WITHIN THE SCOPE OF ITS IT ACTIVITIES.

Collective Tax Payments

Work was taken to ensure that the tax payments of the Revenue Administration were automatically collected by the system, based on the instructions to be issued by the taxpayers over their national ID or Tax number information.

With this system, corporate or individual customer tax payments can be carried out collectively with the information provided by the customer

FAST/KOLAS

FAST (Instant and Continuous Transfer of Funds), the 24/7 money transfer system commissioned by the Central Bank of Turkey, and KOLAS (Easy Addressing System), which enables money transfer by mobile phone, e-mail, the National ID number, Tax Number,

foreigner ID number or passport number was commissioned as a pilot application on 18 December 2020.

INFORMATION TECHNOLOGIES

Ziraat Participation aims to increase its efficiency, quality and speed by improving customer experience in the field of IT. The Bank has achieved significant progress by integrating the innovation and change management required by the times into its systems and processes.

Ziraat Participation has completed and commissioned the following important projects within the scope of its IT activities.

The work mentioned within the scope of the Transition to Open Source Systems was completed:

- In all branches, client machines were switched to an open source operating system.
- An Open Source video conference system was put in place.
- The “Depo” product, which is an open source file sharing system, allowed the sending of internal and external files.
- Open source asset inventory and configuration management processes and systems were implemented.
- The corporate website was renewed with the open source code.
- Credit card infrastructure was implemented with the Ziraat Participation Bankkart project.
- The telecommunication center remote working infrastructure was established
- Central infrastructures were strengthened so all Bank personnel could work remotely, and necessary software and hardware equipment was installed and delivered to the end user.

- The system infrastructure of the Sudan Branch was established and brought online. The branch website was prepared and brought into service.
- The profit sharing ratio of participation accounts opened through digital channels was privatized.
- Call Center / IVR-Participation Mobile Approval Integration was carried out.
- A payment infrastructure was established with Katılım Mobile QR, enabling donation, social security and tax collection transactions.
- It was made possible to conduct order money transfer transactions transmitted from the branches via the Operation Center and Participation Mobile.
- With the Participation My Customer Project, it is possible to monitor customer information on an end-to-end basis in real time.
- Through integration with new brands, the ÖKC (Payment Recorder Device) POS park was enlarged
- Integration work was completed in order to respond to the confiscation notifications delivered to the Bank via the UETS (National Electronic Notification System) via the KEP (Registered E-mail).
- Steps were taken to ensure that collective MTV (Motor Vehicle Tax) payments could be carried out.
- The Public Common ATM Project was completed.
- The school Collection System was established.
- Integration with the Public Personnel Electronic Salary Payment System was completed.
- Working in conjunction with the Digital Transformation Office, the first and second phases of the National Data Dictionary project were completed.



FINANCIAL MANAGEMENT

In line with our Bank's growth targets, asset items, resource diversity, and the income-cost balance are analyzed with sub-breakdowns in the balance sheet and income statement. Any extraordinary increase in revenues and / or expenses is immediately reported to the Senior Management through effective income and expense management monitoring.

Within the scope of budgeting and analytical balance sheet studies, the web-based Management Reporting System, which was put into practice at the Bank in 2019 reached 51 with the new reports issued in 2020

The web-based Management Reporting System, which was implemented at the Bank in 2019 within the scope of budgeting and analytical balance sheet work, had reached 51 reports with the new reports created in 2020. With the Province-based sector analysis report, which was distributed in 2020 and made available for use, the developments of our Bank, Participation Banking and Banking sector are analysed with statistical data and quarterly web-based visual presentations.

Our legal reporting project, which was launched in 2020 with the aim of providing fast and accurate data, was completed. This ensured that the reporting to public authorities could be completed in less than 10 minutes. All reports placed in the model are prepared on a daily basis. The time spent for report preparation, which had been carried out manually before the project, are used for report checks and error detection after the project becomes widespread. In this respect, the efficiency and effectiveness of our legal reporting processes increased significantly.

The performance system, which is based on fair, competitive and numerical factors, continued to add new measurement models and similar projects to its existing structure in 2020, in order to ensure that our employees could achieve common goals by uniting around the same vision and strategy.

In this context, on the main banking system, the following projects were taken into the scope of application.

- The Service Contract application project, aiming to effectively manage the profitability of the portfolio / branch, to reflect income to the transaction branch / the portfolio manager who makes the transaction, based on the effort and time spent on the other unit's customer,
- The Performance measurement project based on the number of reports prepared by the Project and Company Analysis department employees and their and scores,
- The automatic performance bonus calculation project within the framework of the principles determined according to the success rankings formed as a result of the individual performance evaluations of our Bank employees,
- The project to estimate target numbers with the artificial intelligence based statistical analysis by segmenting the branches and portfolios according to their similar characteristics.

ZİRAAT KATILIM, THE PERFORMANCE SYSTEM, WHICH IS BASED ON FAIR, COMPETITIVE AND NUMERICAL FACTORS, CONTINUED TO ADD NEW MEASUREMENT MODELS AND SIMILAR PROJECTS TO ITS EXISTING STRUCTURE IN 2020, IN ORDER TO ENSURE THAT OUR EMPLOYEES COULD ACHIEVE COMMON GOALS BY UNITING AROUND THE SAME VISION AND STRATEGY.

WE SHARE MORE WITH YOU



Our savings in Turkish Lira or foreign currency can be invested in Participation Accounts with maturities of 1, 3, 6 or 12 months or more than 1 year or with flexible maturity. Thus, your savings are secured with the safety of Ziraat Katılım and you can benefit from profit shares earned in compliance with the principles of Participation Banking.

 **Ziraat Katılım**
Growth through sharing



Customer
Communication
Center
www.ziraatkatilim.com.tr

 /ziraatkatilim

61%

Increase in the
Total Participation
balance

17%

New customer
acquisition

76.113

Total number of
customers (at the
end of 2020)

SHARING WITH THE CUSTOMER

Human Resources

ZIRAAT PARTICIPATION IS AWARE THAT THE GREATEST CONTRIBUTION TO ITS SUCCESS IN ACHIEVING SUSTAINABLE GROWTH AND EFFECTIVE PERFORMANCE COMES FROM ITS HUMAN RESOURCES.

Ziraat Participation focuses on implementing the most modern practices possible in the field of human resources, creating new employment and supporting the training and development of human resources.

In line with its targets of sustainable development and growth, Ziraat Participation continued to provide effective services to its customers, with 1,261 employees and 104 local branches and 1 branch abroad, in 2 countries and 46 provinces as of the end of 2020.

Using modern human resources applications, the Bank recruited 177 employees in 2020 and continued to support employment.

Ziraat Participation represents our country by opening branches abroad, as well as its activities to expand and develop the interest-free finance system within the borders of our country through branching efforts. In this direction, 11 new branches started to operate in 2020 in Turkey as well as one new branch abroad.

Having adopted the principle of offering equal opportunities to its employees, Ziraat Participation has prioritized raising the managers of the future from its in-house human resources. Accordingly, those who completed the Manager Candidate Program successfully were promoted to managerial positions in 2020 as well.

By using the in-house performance management system effectively, job position promotions actively continued in 2020.

Ziraat Participation holds advancement exams every year to provide employees a fair advancement opportunity in their careers. In this context, the Bank continued its collaboration with Sabahattin Zaim University and held an online professional-title promotion examination. Employees that were successful in the exam were promoted to a higher position.

Ziraat Participation cares about its employees' opinions and suggestions in human resource practices and methods and obtains their feedback. Accordingly, the Bank conducted Internal Customer Satisfaction Survey in 2020 as in prior years which it uses to assess and make improvements as needed.

In addition, the Sharing Platform application, where employees offer their suggestions, also continued in 2020, and among the 164 suggestions submitted, those deemed appropriate were implemented.

Ziraat Participation continued its work and activities within the scope of Occupational Health and Safety throughout 2020. Right from the beginning of the process, the Bank has taken measures against the Covid-19 pandemic, which appeared in our country as of the first quarter of the year. Ziraat Participation, which successfully implemented the remote working model through the effective deployment of technology, has succeeded in gradually reducing the number of employees working physically at the branches and departments without causing disruption to service.



IN LINE WITH ITS MISSION OF RAISING QUALIFIED HUMAN RESOURCES FOR THE PARTICIPATION BANKING SECTOR, ZIRAAT PARTICIPATION PROVIDES “PARTICIPATION BANKING” TRAINING TO ITS PERSONNEL THROUGH INTERNAL TRAINERS.



ZIRAAT PARTICIPATION FOLLOWS UP AND MANAGES THE PROFESSIONAL DEVELOPMENT OF ITS EMPLOYEES IN A PLANNED MANNER. CONTINUING WITH IN-HOUSE AND EXTERNAL TRAINING IN THIS CONTEXT, THE BANK PROVIDED A TOTAL OF 2,652 PERSON DAYS OF TRAINING TO 1,250 PARTICIPANTS THROUGH 82 DIFFERENT TRAINING PROGRAMS IN 2020.

Ziraat Participation follows up and manages the professional development of its employees in a planned manner. Continuing with in-house and external training in this context, the Bank provided a total of 2,652 person days of training to 1,250 participants through 82 different training programs in 2020.

Within the scope of efforts to increase the share of technology in training, the online (distance learning) training platform project was implemented in early 2020 in response to the Covid-19 pandemic. In addition to online live training, video trainings also continued.

In line with its mission of raising qualified human resources for the participation banking sector, Ziraat Participation provides “Participation Banking” training to its personnel through internal trainers.

In view of today’s conditions, where international communication is a fact of life its importance is increasing day by day, the Bank provided its employees with English and Arabic training support in order to improve the language abilities of its human resources.

A three-year (2021-2022-2023) collective bargaining agreement was signed with the Öz-Finans İş Trade Union, where the majority of the Ziraat Participation personnel received authorization from the relevant ministry as a member. With the collective bargaining agreement, the social and financial rights of the Bank’s employees were expanded and additional benefits were provided.

Ziraat Participation's Covid-19 Strategy and Contribution to its Stakeholders



ZIRAAT PARTICIPATION STARTED TO TAKE ACTION FROM THE MOMENT THE FIRST CASE OF THE COVID-19 PANDEMIC WAS RECORDED. THE BCE (BUSINESS CONTINUITY AND EMERGENCY) COMMITTEE, WHICH WAS ESTABLISHED BY ZIRAAT PARTICIPATION IN ORDER TO COMBAT THE EMERGENCY SITUATION, MANAGED AND COORDINATED ALL THE WORK.

Ziraat Participation started to take action from the moment the first case of the Covid-19 pandemic was recorded. The BCE (Business Continuity and Emergency) Committee, which was established by Ziraat Participation in order to combat the emergency situation, managed and coordinated all the work.

- The work carried out in this context and the measures taken at the Bank are set out below:
- Ensuring sanitising activities in common areas and the washbasins of the Head Office buildings were more frequent.
- Products with microbiological analysis reports and product safety reports were selected when choosing hand washing foams for washbasins, and put in place.

- All Head Office buildings have undergone anti-bacterial and anti-viral disinfection processes, which contain the substance called silver ionizer. In addition to this practice, which is effective for a period of 6 months, the Head Office buildings were subjected to an additional sanitising process to cover all working and common use areas.
- Disinfection processes were carried out with a special disinfectant material which provides antiviral protection for the carpets in the Head Office buildings.
- Thermal imaging devices were purchased for the Eminönü and Maltepe Head Office buildings and all branches. Fever measurements of the employees and guests exhibiting a temperature of over 37.5°C using the thermal imaging device are carried out manually. When the fever is confirmed to be above 37.5°C as a result of a manual measurement, the person is prevented from entering the building and directed to the nearest health institution.
- Steps were taken to ensure that personnel transportation vehicles used by employees were disinfected on a regular basis with cleaning carried out more frequently. Personnel transport vehicles were re-arranged according to social distancing rules.
- Informative visuals were posted in the cleaning areas and common areas.
- Employees were informed with the text under the heading of "Informing about Covid-19 and measures to be taken" on the Bank portal.
- The workplace doctor provided information to employees on a face-to-face basis for 15 minutes on each floor at the Head Office buildings.



- Remote access authorization was defined for personnel and the necessary equipment was provided.
- Steps were taken to ensure that tea, coffee and other refreshments were provided using disposable materials (such as cups, forks, spoons, etc.) at the Bank.
- All employees were informed regarding the use of masks and gloves. It is obligatory to wear masks in common areas such as the working environment, elevators, kitchens, prayer rooms and personnel transportation vehicles.



- Protective materials and sanitiser were sent to all branches. Branches which did not receive cargo were given the opportunity to obtain these materials from their regions and locations.
- The ATMs at branch entrances are cleaned every 2 hours throughout the day.
- Necessary notifications for directing customers to non-branch channels are carried out over social media, through SMS texts and by e-mail. In this vein, withdrawal limits from the ATMs were increased to TL 5,000.
- At the branches, customers are allowed to be admitted to the waiting hall and kept waiting by taking into account social distancing.
- Steps were taken to ensure that the branches where cases were detected, and personnel with Covid-19, were put under isolation with services continuing through the mobile branch.
- Steps were taken to ensure that personnel working at the Head Office observed seating arrangements in accordance with social distancing, with sittings according to certain groups and periods. The salad bar service was suspended for individual use, with salads instead provided in a package.
- Posters setting out the measures to be taken were placed in the Head Office buildings and in the branches.
- Departures abroad were subjected to approval, and a mandatory 14-day leave on returns was put in place.
- Training and interviews were carried out online.
- A scenario was created for back-up need in which employees who are disadvantaged, or disabled or pregnant, or on breastfeeding leave were sent on leave.
- In order to meet reporting and leave requests, back-up, inventory and scenario work was carried out.
- Social distancing was maintained by drawing strips between the counters and customers. The spread of the virus was prevented with the placement of plexi-glass on the counters.
- Customer visits have been postponed except for obligatory reasons.
- Due to the difficulty of cleaning suits and hygienic reasons, the dress code of wearing Business Casual was removed temporarily, with the opportunity to wear Smart Casual provided.

Affiliates

Ziraat Participation's First Partnership

Ziraat Katılım Varlık Kiralama A.Ş., which was Ziraat Participation's first partnership with a subsidiary status, was established on 22 January 2016 with a capital of TL 50,000.

Ziraat Katılım Varlık Kiralama A.Ş.

Ziraat Katılım Varlık Kiralama A.Ş. was established on 22 January 2016 with a capital of TL 50,000, paid entirely by Ziraat Participation with the authorization obtained from the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board (CMB). The foundation purpose of the Company is to exclusively issue lease certificate within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013.

The company's head office is located in Fatih, İstanbul.

As of 31 December 2020, the company had no personnel.

Lease certificates with TL 500,000,000 nominal value, 99-day term, redemption date of 6 January 2021 and ISIN code "TRDZKVK12114" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 29 September 2020 and started to be traded only between qualified investors.

Lease certificates with TL 350,000,000 nominal value, 104-day term, redemption date of 26 January 2021 and ISIN code "TRDZKVK12122" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 14 October 2020 and started to be traded only between qualified investors.

Lease certificates with TL 500,000,000 nominal value, 98-day term, redemption date of 12 February 2021 and ISIN code "TRDZKVK22113" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 6 November 2020 and started to be traded only between qualified investors.

Lease certificates with TL 500,000,000 nominal value, 98-day term, redemption date of 24 February 2021 and ISIN code "TRDZKVK22139" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 18 November 2020 and started to be traded only between qualified investors.

Lease certificates with TL 600,000,000 nominal value, 97-day term, redemption date of 11 March 2021 and ISIN code "TRDZKVK32112" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 4 December 2020 and started to be traded only between qualified investors.

Lease certificates with TL 700,000,000 nominal value, 98-day term, redemption date of 26 March 2021 and ISIN code "TRDZKVK32138" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 18 December 2020 and started to be traded only between qualified investors.

Lease certificates with TL 210,000,000 nominal value, 92-day term, redemption date of 19 March 2021 and ISIN code "TRDZKVK32120" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 17 December 2020 and started to be traded only between qualified investors.

Lease certificates with TL 590,000,000 nominal value, 182-day term, redemption date of 17 June 2021 and ISIN code "TRDZKVK62119" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 17 December 2020 and started to be traded only between qualified investors.

Payments of redemption of TL 700,000,000 and coupon payments of TL 15,411,480 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 8 July 2020 with TL 700,000,000 nominal value, 98-day term, redemption date of 14 October 2020 and ISIN code "TRDZKVK2013" have been completed on 14 October 2020.

Payments of redemption of TL 600,000,000 and coupon payments of TL 13,946,280 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 28 July 2020 with TL 600,000,000 nominal value, 101-day term, redemption date of 6 December 2020 and ISIN code "TRDZKVKK2015" have been completed on 6 December 2020.

Payments of redemption of TL 700,000,000 and coupon payments of TL 20,110,160 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 12 August 2020 with TL 700,000,000 nominal value, 98-day term, redemption date of 18 November 2020 and ISIN code "TRDZKVKK2023" have been completed on 18 November 2020.

Payments of redemption of TL 300,000,000 and coupon payments of TL 10,293,690 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on

25 August 2020 with TL 300,000,000 nominal value, 101-day term, redemption date of 4 December 2020 and ISIN code "TRDZKVKKA2017" have been completed on 4 December 2020.

Payments of redemption of TL 700,000,000 and coupon payments of TL 22,773,940 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 14 September 2020 with TL 700,000,000 nominal value, 95-day term, redemption date of 18 December 2020 and ISIN code "TRDZKVKKA1928" have been completed on 18 December 2020.

ISIN Code of Lease Certificate	TRDZKVK12114
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 500,000,000
Nominal Value of Sale	TL 500,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	06.01.2021 - 99 days
Redemption Plan of the Lease Certificate	Issued Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 12.80%, Annual Compound Rate 13.40873%, Return Rate 3.47178%
ISIN Code of Lease Certificate	TRDZKVK12122
Type of Lease Certificate	Lease Certificate
Satış Şekli	Sale to Qualified Investors
Nominal Value of Issuance	TL 350,000,000
Nominal Value of Sale	TL 350,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	26.01.2021 - 104 days
Redemption Plan of the Lease Certificate	Issued Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 13.00%, Annual Compound Rate 13.61555%, Return Rate 3.70411%

Affiliates

ISIN Code of Lease Certificate	TRDZKVK22113
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 500,000,000
Nominal Value of Sale	TL 500,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	12.02.2021 - 98 days
Redemption Plan of the Lease Certificate	Issued Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 14.40%, Annual Compound Rate %15.17540%, Return Rate 3.86630%
ISIN Code of Lease Certificate	TRDZKVK22139
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 500,000,000
Nominal Value of Sale	TL 500,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	24.02.2021 - 98 days
Redemption Plan of the Lease Certificate	Issued Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 14.90%, Annual Compound Rate 15.73082%, Return Rate 4.00055%
ISIN Code of Lease Certificate	TRDZKVK32112
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 600,000,000
Nominal Value of Sale	TL 600,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	11.03.2021 - 97 days
Redemption Plan of the Lease Certificate	Issued Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate %16,95, Annual Compound Rate %18,03291, Return Rate %4,50452

ISIN Code of Lease Certificate	TRDZKVK32138
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 700,000,000
Nominal Value of Sale	TL 700,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	23.03.2021 - 98 days
Redemption Plan of the Lease Certificate	Issued Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 17.10%, Annual Compound Rate 18.19796%, Return Rate 4.59123%

ISIN Code of Lease Certificate	TRDZKVK32120
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 210,000,000
Nominal Value of Sale	TL 210,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	19.03.2021 - 92 days
Redemption Plan of the Lease Certificate	Issued Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 17.10%, Annual Compound Rate 18.22476%, Return Rate 4.31014%

ISIN Code of Lease Certificate	TRDZKVK62119
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 590,000,000
Nominal Value of Sale	TL 590,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	17.06.2021 - 182 days
Redemption Plan of the Lease Certificate	Issued Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 17.15%, Annual Compound Rate 17.88743%, Return Rate 8.55151%

ZKB Varlık Kiralama A.Ş.

ZKB Varlık Kiralama A.Ş., which is Ziraat Participation's second partnership with a subsidiary status, was established on 8 September 2017 with a capital of TL 50,000.

ZKB Varlık Kiralama A.Ş. was established on 8 September 2017 with a capital of TL 50,000, paid entirely by Ziraat

Participation with the authorization obtained from the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board (CMB) to exclusively issue lease certificate within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013. The company's head office is located in Fatih, Istanbul.

As of 31 December 2020, the company had no personnel.

Lease certificates with TL 42,000,000 nominal value, 360-day term, and ISIN code "TRDZKVB12113" and which will be redeemed in installments in the form of coupons and principal installments were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 28 January 2020 and started to be traded only between qualified investors.

The Report on Compliance of Annual Report



CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Ziraat Katılım Bankası A.Ş.

1. Qualified Opinion

We have audited the annual report of Ziraat Katılım Bankası A.Ş. (the "Bank") and its subsidiaries for the 1 January 2020-31 December 2020 period.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section below, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated and unconsolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Qualified Opinion

As expressed in Basis for Qualified Opinion section of our auditor's report dated 19 February 2021 on the full set consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2020 - 31 December 2020; a portion of free provision amounting to TL 35.000 thousand has been reversed in current period, out of total free provision of TL 80.000 thousand provided in prior years by the Bank management. Thus, the amount of free provision in the accompanying consolidated and unconsolidated financial statements which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation is TL 45.000 thousand as at 31 December 2020.

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the scope of "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We expressed a qualified opinion in the auditor's reports dated 19 February 2021 on the full set consolidated and unconsolidated financial statements of the Bank for the 1 January 2020 - 31 December 2020 period.

4. Board of Director's Responsibility for the Annual Report

The Bank management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No.26333 dated 1 November 2006 are as follows

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report, financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Bank after the operating year,
- the Bank's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of the TCC and "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 provisions regarding whether or not the consolidated and unconsolidated financial information and the analysis made by the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Zeynep Uras, SMMM
Partner

İstanbul, 9 March 2021

PART II - Management and Corporate Governance Practices

Ziraat Katılım Board of Directors



Hüseyin AYDIN
Chairman of the Board

Hüseyin Aydın graduated from the Faculty Economics, Ankara Economics and Business Sciences Academy in 1981. He began his career as an assistant inspector at Ziraat Bank and served as a director in various departments at Ziraat Bank until 27 March 2003. After working as an Executive Board Member at Halkbank, as a Board Member at Pamukbank and as Vice Chairman at Ziraat Bank, he served as Chief Executive of Halkbank between 31 May 2005 - 14 July 2011. Having joined Ziraat Bank as the CEO on 15 July 2011, Mr. Aydın also serves as the Chairman of the Banks Association of Turkey. Hüseyin Aydın is assigned as the Chairman of the Board of Directors of our Bank since 18 February 2015.



Fikrettin AKSU
Vice Chairman of the Board

Fikrettin Aksu graduated from Department of Business Management of the Kütahya Management Sciences Faculty at the Eskişehir Academy of Economic and Commercial Sciences, in 1979. After working at various institutions between 1980-1984, he started his career at T.C. Ziraat Bankası A.Ş. in 1984. After working in various positions at the Bank between 1984-2014, he started working at Ziraat Hayat Emeklilik A.Ş.; having served as the General Manager of Ziraat Sigorta A.Ş. he served as the General Manager of Ziraat Yatırım Menkul Değerler A.Ş., and served as the President of the Human Resources Group between October 2018 and December 2019. He has been serving as the Head of the Internal Operations Group since December 2019. As of 19 June, 2020, he has been serving as the Deputy Chairman of Ziraat Participation Board of Directors, the Audit Committee and a member of the Corporate Governance Committee.



Metin ÖZDEMİR
Member of the Board, CEO

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and from 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir functioned as a member of İstanbul Metropolitan Municipal Council between 2004 and 2014. Mr. Özdemir was a member of the Ziraat Bank's Board of Directors and acted as a member of the Corporate Governance Committee and the Remuneration Committee from April 2012 until 27 May 2019. Mr. Özdemir has been a member of the Board of Directors of Ziraat Participation since 18 February 2015 and was appointed as the CEO on 12 June 2017. Mr. Özdemir, who has been serving in the Board of Directors and Remuneration Committee of our Bank, has been the Chairman of the Credit Committee since 25 July 2017. Additionally, Mr. Özdemir is also the Chairman of Participation Banks Association of Turkey (TKBB) and Chairman of the Board of Directors of the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI).



Taner AKSEL
Member of the Board

Taner Aksel graduated from Faculty of Economics and Administrative Sciences at Anadolu University in 1983. He started his banking career in 1985 as an inspector at the Pamukbank Inspection Board and worked as a manager in the commercial and corporate branches. Mr. Aksel, who started working at Halk Bank in 2002, served as a Regional Coordinator, the Head of the Corporate and Commercial Marketing Department, the Deputy General Manager of Corporate Marketing and as the Assistant General Manager of SME Banking until October 2015. After the establishment of Halk Faktoring A.Ş., an affiliate of Halkbank, he served as the Chairman of the Board of Directors, as a Member of the Board of Directors in Halk Leasing A.Ş. and as a Member of the Board at Halk Sigorta. Since 2016, he has been working on the efficiency analysis of business processes both in Turkey and abroad for commercial and SME-scale companies to increase their profitability, project feasibility and implementation of business development models. Mr. Aksel, who has been serving as a Member of the Board of Ziraat Participation as of 19.06.2020, is also a Member of the Credit Committee and the Remuneration Committee.



Ahmet BUÇUKOĞLU
Member of the Board

Born in Kayseri in 1955, he graduated from the Department of Economics and Finance of the Faculty of Political Sciences at Ankara University in 1980. He started his career at T.C. Ziraat Bankası A.Ş. in 1982. Between 1982 and 2014, he served as an Assistant Inspector, Inspector, Agricultural Loans Assistant Manager, Head of the Intelligence Department, Branch Manager and Regional Manager. Between 2014 and 2018, he served as the General Manager and Chairman of the Board of Directors at the Development Bank of Turkey. Buçukoğlu, who has been serving as a Member of the Board of Ziraat Participation since 19 June, 2020, is also an alternate member of our Bank's Credit Committee.



Hasan DURSUN
Member of the Board

Hasan Dursun graduated with a major in Economics and Political Sciences and Finance from the Faculty of Economics at Istanbul University in 1977. He started his career on October 1, 1977 in the Sümerbank Purchase and Sale Organization Customs and Transport Service. Mr. Dursun worked at the Istanbul Exchange Branch of the Central Bank of the Republic of Turkey between 1978-1981. After working as an Assistant Inspector and Inspector at the Turkish İmar Bank between 1981-1986, he worked as the Deputy Manager of Tütünbank Loans between 1986-1987 and as the Branch Manager at Faisal Finans, Anadolu Finans and Albaraka Türk between 1987-2016. After his retirement in 2016, Mr. Dursun, who worked in managerial positions in private companies, served as a Board Member at Bereket Emeklilik A.Ş. Mr. Dursun, who has been serving as a Member of the Board of Ziraat Participation as of 19 June, 2020, also serves as a Member of the Credit Committee and Corporate Governance Committee.

Ziraat Katılım Senior Management



Dr. Ahmet ORTATEPE
Executive Vice President- Credit Policies

Mr. Ortatepe was born in Adana in 1968. He graduated from Marmara University Faculty of Economics and Administrative Sciences, Department of Business Administration. He received his master's degree from Istanbul University Faculty of Business Administration in 1993 and his doctoral degree from Marmara University Faculty of Business Administration in 2001. Mr. Ortatepe started his banking career at Pamukbank as a Foreign Exchange clerk and promoted to Branch Manager at the same bank in 2001. He started working in Turkish Economy Bank as Commercial Branch Manager in 2003. Following his positions at T.C. Ziraat Bankası A.Ş. as Dolayoba Commercial Branch Manager and Şişli Corporate Branch Manager, he was appointed as Department Manager of Credit Allocation and Management in 2016 and served as CEO and Member of the Board of Directors at Ziraat Finansal Kiralama A.Ş. in 2018. Mr. Ortatepe was acting as a Member of the Board of Directors at Ziraat Yatırım Menkul Değerler A.Ş. since 2018 and was appointed as Executive Vice President-Credit Policies at Ziraat Participation since 6 May 2019.



Mehmet Said GÜL
Executive Vice President-Information Technologies and Operations

Mehmet Said Gül was born in Kahramanmaraş in 1973. He graduated from Hacettepe University Faculty of Engineering Department of Computer Engineering in 1995. He started his banking career as a programmer at Anadolu Finans Kurumu in 1997. After serving for many years as system analyst and software development service manager, he continued his career as Software Development Manager at Türkiye Finans Katılım Bankası A.Ş. in 2006. He worked as the Information Systems Coordination Manager as of 2009. In 2014, Mr. Gül worked at the establishment of Ziraat Participation and acted as a consultant at Ziraat Bank and Ziraat Participation's Information Technologies Department Head. In 2015, he was appointed as the Group Director of the Information Technologies and Operational Transactions at Ziraat Participation. Since 23 August 2017 Mr. Gül is the Executive Vice President in charge of Information Technologies and Operations.



Osman KARAKÜTÜK
Executive Vice President-Treasury Management and International Banking

Born in Ankara in 1975, Osman Karakütük graduated from Ankara University Faculty of Political Science. He completed his undergraduate studies in Sakarya University and worked at the CBRT Headquarters as a clerk between 1998-1999. In 1999, he started working at Ziraat Bank as an Assistant Inspector and then promoted to Inspector, Chief Inspector, Vice President of the Inspection Board, Branch Manager, İzmir 1st Region Manager, Head of Branch Operations and Head of Channel Management, respectively. Mr. Karakütük was appointed as Ziraat Katılım Bankası A.Ş. Vice President in charge of Financial Coordination and Human Resources on 15 August 2017 and he has been serving as the Vice President in charge of Treasury Management and International Banking since 24 August 2017.



Tahir DEMİRKIRAN
Executive Vice President-Loan
Allocation and Management

Born in 1967 in İstanbul, Tahir Demirkıran graduated from İstanbul University Faculty of Economics, Department of Economics. He started his career as Assistant Specialist of Financial Analysis and Intelligence at Pamukbank in 1995. He worked as a Specialist and Credits Service Manager at the same bank. Later he served as Financial Analysis and Credits Department Manager, Commercial Branch Manager and Commercial Credits Department Head at Türkiye Halk Bankası A.Ş. and as Board of Directors Member at Halk Leasing. In 2015, he worked as Retail Loan Allocation and Management Group Director at Ziraat Bank. He was appointed as Executive Vice President responsible for Loan Allocation and Management in Ziraat Participation on 12 February 2016 and is still carrying out the duty.



Temel Tayyar YEŞİL
Executive Vice President-Marketing

Temel Tayyar Yeşil was born in Samsun in 1971 and graduated from Erciyes University Economy department of Faculty of Economics and Administrative Sciences. Mr. Yeşil started his banking career at Pamukbank T.A.Ş. as Assistant Specialist in 1998. He worked as an officer and manager in the Loans and Project Evaluation departments of Türkiye Halk Bankası A.Ş. He acted as Kayseri Commercial Branch Manager between 2010 and 2012. Mr. Yeşil started to work at Ziraat Bank as Loan Allocation and Management Department Head in 2012 and continued as the Regional Coordinator in 2016. He has been appointed as Ziraat Katılım Bankası A.Ş. Vice President in charge of Marketing on 18 July 2017 and is still carrying out the duty.

Managers under the Internal Systems

Name	Position	Education
Emin Hocaoğlu	Vice President of the Internal Audit Board	Undergraduate
Osman Çetiner	Head of Internal Control and Compliance Division	Undergraduate
Seher Elif Ekici	Head of Risk Management Division	Undergraduate

*He has been acting as the Head of the Audit Board since 12.03.2020.

THE CVs OF MANAGERS UNDER INTERNAL SYSTEMS

Emin HOCAOĞLU

Vice President of the Audit Board

He was born in 1986 in Istanbul. He graduated from Istanbul University, Faculty of Economics, Department of Economics in 2008. In 2010, he completed Anadolu University Foreign Trade Program. He is continuing his postgraduate program in Financial Markets and Investment Management at Marmara University. Immediately after his undergraduate graduation, he started his professional life in the purchasing department of Eczacıbaşı-Monrol Nuclear Products Company, one of the companies in the healthcare group of the Eczacıbaşı group. In a change of career, he switched to the banking sector and started to work as an Assistant Auditor at T.C. Ziraat Bank A.Ş. after working as an Assistant Auditor at Şekerbank A.Ş. for 6 months. Following his 8-year duty in the Ziraat Bank Audit Board, he started to work at Ziraat Katılım Bankası A.Ş. as the Assistant President of the Audit Board on 4 March 2019. He was appointed as the Vice President of the Audit Board on 12 December 2020 and he has been continuing his duty since then.

Osman ÇETİNER

Head of Internal Control and Compliance

Osman Çetiner was born in Antalya in 1973. He graduated from Uludağ University Faculty of Economics Department of Finance and received his SMMM license in 2005. In 2014, he also received the Independent Auditor license from Public Oversight Authority. He started his banking career at Kuveyt Türk Katılım Bankası A.Ş. in 1999 as Assistant Specialist of Accounting in Finance Service. He worked at Kuveyt Türk Katılım Bankası A.Ş. at various positions for a total of 16 years, 7 years at managerial positions. He took a role at Turkey's first lease certificate issuance in 2010 by Kuveyt Türk Katılım Bankası in 2010. He was a part of Ziraat Participation's establishment and started to work as Financial Coordination Department Head at Ziraat Participation as of 8 April 2015. He is serving as Ziraat Participation's Head of Internal Control and Compliance since 20 December 2017.

Seher Elif EKİCİ

Head of Risk Management

Seher Elif Ekici was born in Istanbul in 1981. She graduated from Marmara University Faculty of Business Administration, Department of Business Administration in English. She completed her associate degree at Anadolu University Faculty of Theology and is currently studying for her master's degree on Islamic Economics and Finance at Marmara University. She received her SMMM license in 2009. She started her professional career at KPMG Independent Audit firm in 2003 and worked as an auditor in 2003-2004. Later, she started her banking career in 2005 at Anadolu Finans Kurumu Financial Control service under Financial Affairs Department. She took a role in the merger of Anadolu Finans and Family Finans. Between 2007 and 2015 she acted as Specialist, Supervisor and Manager at Risk Management Center Department of Türkiye Finans Katılım Bankası. Ms. Ekici started to work at Ziraat Bank as a Manager on 3 February 2015. She was a part of the establishment of Ziraat Participation and she has been serving as Head of Risk Management Division since 23 June 2015.

Information on the Activities of the Committees

CREDIT COMMITTEE

Composed of the Bank's General Manager and at least two members to be elected from the Board of Directors who fulfill the requirements for the General Manager (except time); the Credit Committee is established to perform the duties regarding credits, which will be granted by the Board of Directors. Two alternate members are elected among the Board members who fulfill the requirements for the General Manager (except time) to serve in place of a member of the Credit Committee who cannot participate in any meeting. The Board may delegate its powers for the credit allocation to the Credit Committee or to the General Directorate.

Members

Taner Aksel
Member of the Board

Hasan Dursun
Member of the Board

Alternate Members

Ahmet Buçukoğlu
Member of the Board

The Credit Committee took 135 decisions in 14 meetings held in 2020.

AUDIT COMMITTEE

The Board of Directors appoints at least two members of the Board who do not have executive responsibilities and whose qualifications are determined by the Banking Regulation and Supervision Agency (BRSA) to form the Audit Committee to assist the fulfillment of the Board's audit and supervision activities.

Members

Fikretin Aksu
Member of the Board

Ahmet Buçukoğlu
Member of the Board

The Audit Committee took 26 decisions in 14 meetings held in 2020.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is formed under the Presidency of a member of the Board who will be determined by the Board of Directors. The main task of the committee is to monitor the compliance of the Bank's corporate governance principles, to carry out improvement activities in this regard and to provide recommendations to the Board of Directors.

Members

Fikretin Aksu
Member of the Board and Chairman of the Corporate Governance Committee

Hasan Dursun
Member of the Board

The Corporate Governance Committee did not hold a meeting in 2020.

REMUNERATION COMMITTEE

The Corporate Governance Committee consists of at least two members who will be determined by the Board of Directors. The Committee monitors and audits remuneration practices on behalf of the Board of Directors. In addition, the Committee performs the tasks specified in the relevant regulations issued by the Banking Regulation and Supervision Agency (BRSA).

Members

Metin Özdemir
Member of the Board and CEO

Taner Aksel
Member of the Board

The Remuneration Committee took 1 decision in 1 meeting held in 2020.

Number of Board Meetings

The Board of Directors took 140 decisions in 27 meetings held in 2020.

Evaluations of the Advisory Committee on the Bank's Activities in 2020 and the Compliance of the Activities with the Principles and Standards of Interest-Free Banking

The Advisory Committee carries out its activities under the Board of Directors in accordance with Article 4 of the Communiqué on Compliance with the Principles and Standards of Interest-Free Banking published on 14 September 2019. In the organizational structure, the Advisory Committee, which carries out its activities under the Board of Directors, acts in accordance with the principle of independence while making its decisions.

Within the scope of Compliance with the Principles and Standards of Interest-Free Banking, the organizational structure of Ziraat Participation Bank consists of the Advisory Committee and the Advisory Committee Coordination Service Management departments. The Compliance and Secretariat activities are carried out by the Advisory Committee Coordination Service Management under the Internal Control and Compliance Department.

In accordance with the Communiqué on Compliance with the Principles and Standards of Interest-Free Banking, the Advisory Committee prepared this report in order to provide information on the activities during the period to be included in the annual report of Ziraat Participation and to evaluate the compliance of the Bank's activities with the principles and standards of interest-free banking.

The Advisory Committee Coordination Service carried out its 2020 activities within the scope of business plan requirements and interest-free banking principles and standards. Within the scope of the Communiqué on

Compliance with the Principles and Standards of Interest-Free Banking, the Advisory Committee Coordination Service prepared its annual program with the Advisory Committee, and in this context, it planned to hold meetings at least twice a month.

During the 2020 operating period, 36 Advisory Committee meetings were held and 78 decisions were taken. These decisions taken were announced throughout the Bank by the Advisory Committee Coordination Service. Afterwards, compliance checks were made.

The Advisory Committee met the Audit Committee to discuss the internal audit findings as stipulated in the communiqué and negotiate the actions to be taken. In these meetings, the reports prepared on interest-free banking compliance and audit activities and the actions taken for the findings included in the reports were discussed.

Based on the information and documents presented to the meeting agenda, the Advisory Committee conducted examinations and observations on the following issues within the scope of its powers and duties;

- a) Interest-free banking principles and the standards and their implementation,
- b) Compliance of internal regulations with interest-free finance principles and standards,
- c) To evaluate and approve the standard contracts and annexes regarding the Bank's products and services in terms of interest-free banking principles and standards.

In view of the reporting, internal negotiations and other issues regarding the implementation of the Advisory Committee decisions, the following were observed;

- a) The necessary sensitivity has been demonstrated regarding compliance with the decisions of the Advisory Board and the Advisory Committee,
- b) The standard contracts and their annexes, transactions and relations regarding Ziraat Participation products and services, which were examined between January 1, 2020 and December 31, 2020, are compliant with the decisions of the Advisory Board and the Advisory Committee,
- c) Any revenues obtained from any sources and means which are not compliant with the Principles and Standards of Interest-Free Banking are calculated with the technological infrastructure within the framework of the decisions of the Advisory Committee, and this revenue, which is purified, is spent in ways that are considered appropriate by the Advisory Committee
- d) A sound surveillance and control mechanism was established in order to ensure that participation accounts are managed in line with the interests of the account holders, and the profit distribution system is managed by expert personnel,
- e) At the point of implementation of the decisions taken, compliance is observed and Internal Audit activities are also carried out,
- f) It has been observed that training and educational seminars were organized for the Bank's personnel in order for the establish and develop the Interest-Free Banking culture within the Bank.

The CVs of Advisory Committee Members

Mehmet ODABAŞI **The Chairman of the Advisory Committee**

Mr. Odabaşı graduated from the Faculty of Theology at Marmara University in 1998. He completed a master's degree in the Department of Islamic Law at the Social Sciences Institute of the same university in 2005.

Continuing his doctoral thesis studies in the field of Islamic Law at Marmara University, Mr. Odabaşı also provides consultancy services at different interest-free financial institutions. He still continues his scientific and applied studies in the field of interest-free banking and insurance.

Necmettin KIZILKAYA **Advisory Committee Member**

He graduated from the Faculty of Theology at Marmara University in 2001 before going on to complete a Master's degree in the Department of Islamic Law at the same university. He completed his doctorate studies at the Social Sciences Institute from Selçuk University in 2011.

Mr. Kızılkaya's work is more focused on the Islamic Law and the Economy. He is especially interested in the History of Islamic Law, Modernization and Fiqh, the 19th Century Economic and Legal Transformations, Islamic Legal Literature, the Islamic Economy and Contemporary Fiqh Issues. Mr. Kızılkaya, who has published many studies in various languages in the field of Islamic Law, is still working as a faculty member in the Department of Islamic Law, Faculty of Theology at Istanbul University.

Süleyman KAYA **Advisory Committee Member**

Mr Kaya graduated from the Faculty of Theology at Marmara University in 1998. He completed a Master's degree in the Department of Islamic Law at Marmara University in 2000 and completed his doctorate in 2007.

He completed his master's degree in the Department of Economic History of the same university in 2003. He is currently working as a faculty member at the Department of Islamic Law in the Faculty of Theology, at Istanbul University.

Information on General Assembly held in 2020

Ordinary General Assembly for 2019 was held on 19 June 2020. There were no Extraordinary General Assembly meetings in 2020. 2019 General Assembly was held to discuss routine topics in accordance with regulations and General Assembly decisions were implemented in 2020.

Ordinary General Assembly Agenda

Decision was taken to hold Ordinary General Assembly of Ziraat Participation for 2019 on 19 June 2020 Friday at 14:30 at the Headquarters of the Bank at Hobyar Eminönü Mah. Hayri Efendi Cad. No: 12 Fatih/İstanbul to discuss the agenda presented below:

1. Opening of the meeting and establishment of the Chair.
2. Preparation of the General Assembly minutes and authorization of Meeting Chairmanship for signing the minutes.
3. Reading and discussion of the Board of Directors Annual Report for 2019 and presentation of Independent Auditor's Report to the General Assembly.
4. Discussion and approval of 2019 year-end financial statements
5. Discussion and approval of 2019 Profit Distribution Table proposed by the Board of Directors.
6. Grant of release to each member of the Board of Directors.
7. Selection of the Board of Directors Members.
8. Determining and approving the salaries and other rights of the Members of the Board of Directors,
9. Approval of the audit company that will carry out independent audit activities in 2020 in accordance with the Article 399 of the Turkish Commercial Code,
10. Within the scope of the Communiqué on Compliance with the Principles and Standards of Interest-Free Banking, the approval of the members of the Advisory Committee appointed by the Board of Directors Decision No. 24/1, dated 06.11.2019,
11. Giving authorization for "Recording of provisions which applies to participation accounts as expense, provided that provisions of Turkish Commercial Code are reserved" in accordance with Article 19/2 of the "Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside".
12. Authorization of the Board of Directors to take decisions on utilizing the Bank's equity for providing for potential losses which may be incurred in participation fund pools set up to process funds collected in participation accounts in accordance with Article 6 paragraph 10 of "Regulation on Procedures and Principles for the Acceptance and Withdrawal of Deposits and Participation Funds and Deposits, Participation Funds, Custody and Receivables Undergoing Lapse of Time" issued by the BRSA.
13. Authorization of the Members of the Board of Directors for subjects within the scope of Articles 395 and 396 of the Turkish Commercial Code.
14. Wishes and closing.

Summary Report by the Board of Directors

Acting with the necessary responsibility, Ziraat Participation Bank continued to support the real sector in 2020. By facilitating access to finance in order to create value for its customers and ensure efficient and sustainable growth, it has developed and grown in many areas such as assets, loans, the funds collected and equity size, as well as the branch and ATM network.

Despite the unfavorable economic conditions on a global scale, 2020 has been a positive year for Ziraat Participation in terms of growth and profitability. Ziraat Participation demonstrated its influence in the industry in many areas, particularly in terms of total assets and profitability. The Bank's total assets reached TL 60.2 billion and net profit was TL 639 million.

Ziraat Participation continues to work by focusing on efficiency and productivity in its balance sheet. With its total assets reaching TL 60.2 billion with an increase of 65% year-on-year and a net profit of TL 639 million, it carries on contributing to its customers and our country's economy for a long time.

Ziraat Participation continued to offer its customers solution-oriented products at favorable costs. Acting with its sustainable growth principle, the Bank increased its cash credit balance by 46% to reach TL 42.2 billion. Total cash and non-cash credits reached TL 58.2 billion.

Opened its first branch abroad in Khartoum, the capital of Sudan, Ziraat Participation continued to provide its services without compromising quality through 105 branches with 1,261 personnel, 86 ATMs, Call Center, mobile and internet branches with qualified technological infrastructure.

Ziraat Participation is the first publicly-owned participation bank to start participation banking operations in line with the principle of More When Shared (Paylaştıkça Daha Fazlası). Ziraat Participation continues to contribute to the national economy with its strong capital structure and in line with the balanced growth and sustainable profitability principles. Working to bring dynamism and depth to the sector, it meets the needs of its customers with its products in accordance with the principles of participation banking.

With its balance sheet structure based on financing which grows with sustainable profitability, efficiency and customer-focused structuring target, Ziraat Participation continues to work to provide the best service for its customers and our country.

Yours respectfully,
The Ziraat Participation Board of Directors

Human Resources Practices and Policies and the Expectations Regarding 2020

Ziraat Participation Human Resources supports its employees' development and transformation by providing them the opportunity to work based on principles of efficiency, customer focus and profitability. While providing this support, the Bank follows the technological opportunities offered by the changing world and will continue to implement this technology end-to-end in its career and talent development management processes at an increasing rate.

Ziraat Participation will continue to represent our country by opening branches abroad, as well as expanding and developing the interest-free finance system within the borders of our country through its branch network activities.

To provide its branches with capabilities to offer more effective services, branch visits are planned with the awareness of Human Resources being near branch employees and with the objectives of resolving branch employees' problems and listening to their suggestions.

In a business world where customer satisfaction is becoming more important, practices and applications determined based on internal customer satisfaction surveys held at specific periods of the year will be implemented.

Foreign language training support for employees will continue in order to make the foreign language level of human resources more qualified.

Transactions Carried out with Ziraat Participation's Risk Group

Ziraat Participation's relations with the institutions involved in the risk group in which it is included covers all types of banking transactions compliant with the Banking Law and within the framework of regular bank-customer relation and within the market conditions. The transactions consist primarily of lending, current and participation accounts.

The amounts of the transactions that Ziraat Participation carried out with its risk group in 2020 and the explanations regarding this matter are mentioned in the footnote numbered VII of the fifth section of the year-end financial statements, which take place within the annual report.

Companies from which Support Services are Obtained

1. Banking and Peripheral Systems Software and Infrastructure Services from Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Ziraat Teknoloji A.Ş., Intertech Bilgi ve Pazarlama Tic. A.Ş.
2. Cash Group Services from Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
3. Swift Transactions and Black List Control Application Services from Fineksus Bilişim Ticaret A.Ş.
4. Securities Buying and Selling Application Services from Active Bilgisayar Hizm. Tic. Ltd.
5. Security Services from Ekol Grup Güvenlik Koruma ve Eğitim Hizm. Ltd.
6. Customer Relations Center services from T.C. Ziraat Bankası A.Ş.
7. Check Printing Services from Güzel Sanatlar Basım Ltd.
8. Printing Office Services from Bilişim Alternatif Dağıtım Kanalları ve Hizmetleri A.Ş.
9. Card Payment Transaction Services from Kartek Kart ve Bilişim Teknolojileri Tic. A.Ş.
10. Mortgage Processing and Registration Services from Uz Gayrimenkul Yatırım Danışmanlık A.Ş., AVI Gayrimenkul Yatırım Danışmanlık A.Ş., FU Gayrimenkul Yatırım Danışmanlık A.Ş. and BBS Danışmanlık Gayrimenkul ve Eğitim A.Ş.
11. Motorcycle Courier and Delivery Services from Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş. and Telekurye ve Dağıtım ve Kurye Hizmetleri A.Ş.
12. Insurance Platform Services from Acerpro Bilişim Teknolojileri A.Ş.

Part III - Financial Information and Risk Management

The Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

The activities of internal audit, internal control, compliance and risk management in our Bank are carried out respectively by the Supervisory Board, Directorate of the Internal Control and Compliance Department and Directorate of the Risk Management Department, under the Audit Committee.

The following is aimed with the organization that is established in a way to include all units and branches:

- To continue banking operations in a secure manner in line with the legislation, policy, principles and objectives,
- To achieve sustainable profitability targets, to perform the financial and administrative reporting in a timely and secure manner,
- To define Ziraat Participation's legal, nominal and financial risks, to measure, report, and monitor the risks and to minimize the concerned risks by controlling them.

The Functioning of Internal Audit

The Supervisory Board audits whether the operations carried out by the Bank's all units and branches are in accordance with the law and other relevant legislation and the Bank's strategies, policies, principles and objectives; the effectiveness of internal control and risk management systems within the framework of risk-based audit approach.

In line with the BRSA's Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, the Regulation on Audit of Bank Information Systems and Banking Processes to be Performed by Independent Audit Organizations, the Regulation on Information Systems and Electronic Banking Services of Banks, the Communiqué on Compliance with the Principles and Standards of Interest-Free Banking, especially the Law on Banking, and other relevant external legislative provisions and the Bank's in-house regulations, the Bank's activities, transaction steps and work processes, which constitute the primary and secondary processes, were evaluated by the Board of Auditors in terms of accuracy, effectiveness and efficiency.

The audits of the Branch, Head Office unit, banking processes, information systems (COBIT), support service companies, which were included in the internal audit plan, were completed. The audit results were also shared with our Senior Management and the Banking Regulation and Supervision Agency in accordance with the periods stipulated in the relevant legislation provisions. The 2021 Internal Audit Plan preparation works are still ongoing by taking into consideration the risks carried by the branches and units and in a manner compliant with the Bank objectives and policies.

The Management's Declaration pertaining to the 2020 operations, which is prepared in order to present assurance about the effectiveness, adequacy and compliance of internal controls on the Information Systems and Banking processes, was prepared by adding the reports regarding the audits of the companies from which information systems processes audits and support services are procured.

Due to the lockdown measures put in place to tackle the coronavirus pandemic, which started to be implemented in March 2020, branch audits, which we had aimed to carry

out in the field, were kept on hold until the lockdown measures were relaxed. In this process, a focus was placed mainly on spot (immediate) audit activities (the work we do throughout the Bank regarding a specific issue / transaction / process). Subsequently, in the summer months when the restrictions were loosened, a significant portion of the branches included in our audit plan were audited locally.

Our remaining branch audits, banking processes audits and information systems audits were carried out without disruption thanks to the convenience brought about by the remote working model that was put into use at our Bank. According to the course of the pandemic period, there was an obligatory transition in our working models in terms of the on-site audit and remote audit methods. Nevertheless, these transitions did not prevent us from continuing each of our audit activities with professional diligence and attention, which is one of our basic principles.

The web-based audit module, which is used in some of the subsidiaries within the Ziraat Finance Group, was adapted to our Bank and further developed, and has been actively used in the end-to-end audits of our branches as of the beginning of 2020.

The project of commissioning the audit module at our Bank was divided into more than one part. In the first phase, audits have been started over our audit module as of the beginning of 2020 and audit reports were produced over the system and the finding tracking mechanism was established. The second phase, which was commissioned in 2021, is aimed at expanding the scope of access to the audit module, to create findings analysis and reporting, to develop the finding tracking mechanism, to add the banking processes and information systems findings and control matrices into the audit module and to include the findings of these audits in the tracking mechanism.

With its activities, the value it generates and its recommendations, the Audit Board aims to contribute positively to the decision making processes of the Bank's Senior Management.

The Supervisory Board closely monitored the changes stipulated by the legislative regulations, the Banking Regulation and Supervision Agency decisions, the Bank's Senior Management and the Headquarters units, and regularly revised the audit points.

The Functioning of Internal Control and Compliance System

The purpose of Internal Control activities is to ensure the protection of the Bank's assets, effective and efficient conduct of the operations, unity and reliability of the accountancy and reporting system and timely access to the information.

The Internal Control system was designed in a way to cover the Head Office Units, domestic branches, foreign branches and the subsidiaries subject to consolidation as per the provision of the Article 9, paragraph 3 of the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks", which is the "Internal Control system is designed to cover the domestic and foreign branches, headquarter units, the subsidiaries subject to consolidation and all activities of the bank".

The branch control activities are carried out remotely and on-site within the framework of the control programs prepared according to the opening dates of new branches, most recent reporting dates and periodical risk situations of current branches.

In order to increase the risk and control awareness during the internal control activities of the branch and to prevent the losses arising from operational risks, the branch personnel were continuously informed.

The Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

Control activities in branches are conducted in line with main goals and strategies of the Bank in terms of scope and methods used. In addition to this, a proactive structure is adopted to provide compliance with changing strategy, risk perception and conditions on a timely basis.

In order to make control activities in branches more effective and efficient, they are performed over a web-based Control Module. Thanks to the Control Module, the Bank contributed to compliance of the Bank's operations with external legislation and competitive conditions.

Internal Control activities carried out at the Headquarters units were conducted in compliance with the Bank's main goals and strategies within the framework of law, other relevant legislation, the Bank's internal policies and rules, and common banking practices. Moreover, while carrying out the activities, a proactive approach was adopted to make sure that the compliance to changing strategy, risk perception and conditions is provided without wasting time.

Internal Control system contributed to the carrying out of the Bank's operations in compliance with the domestic and international legislations and competition conditions through the control matrixes that are prepared pursuant to the adopted proactive manner and regularly revised based on the possible changes.

The control periods of Headquarters units were determined by taking into consideration of the functions of the units, the risks they carry, job descriptions and the units' effect on the Bank's balance sheet and were revised in accordance with the needs.

Within our Bank, Internal Control activities were carried out on the following topics: functional segregation of duties; division of responsibilities; establishment of the accountancy and reporting system, the information system and the Bank's internal communication channels in a manner that they will operate effectively; the creation of work flow charts in which the controls on the Bank's work processes and work steps are indicated.

R&D studies are conducted in order to carry out technology-focused, central, and real-time internal control activities, and to help the relevant business units to take a rapid action against the common shortcomings.

The findings revealed as a result of all these activities were periodically conveyed to the Bank's relevant business units and to the Senior Management.

Information Notes were prepared for the issues which are identified during the Internal Control activities carried out in the Headquarters units and the branches and which are considered being in need of rapid action taken and the notes were quickly shared with the relevant units and/or the Senior Management.

In 2020, Recommendation Reports were continued to be prepared for the improvement of processes regarding the operations carried out in the Bank and the establishment of control points on these processes, which will be complied and implemented by the personnel from all levels, increasing the effectiveness of the controls on the processes, prevention of possible risks, ensuring customer satisfaction and taking cost reducing measures.

In addition to these issues, the compliance of all the activities, which are realized or planned to be realized by the Bank, and new transactions and products of the Bank with the Law and other relevant legislation, the Bank's in-house policies and rules and banking practices and customs is controlled within the framework of the Article 18 of the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks. Moreover, the legislation issued or amended is also examined within the Bank within the scope of compliance controls and the opinions formed are shared with the relevant work units.

Internal Control staff attended numerous trainings during the year for their professional development. In order to increase company-wide awareness for internal control activities, various trainings were organized for Bank employees and Internal Control staff has provided support for those trainings.

Within the framework of 18th article of Assessment Processes of the Banks' Internal System and Intrinsic Capital Adequacy, compliance controls were carried out under the compliance function. In this context, all the operations that the Bank performs or plans to perform with the new transactions and products were controlled in terms of their compliance to law and other relevant legislation, the Bank's internal policies and rules and the banking practices.

The compliance program for the Liabilities Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism was formed in accordance with the "Communiqué on Compliance with Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism". Activities aimed at preventing the laundering of proceeds of crime have been carried out in line with national and international regulations and standards. Accordingly, the Compliance Service Unit performs the functions of inspection, monitoring, reporting, analysis and control.

The Bank's Policy regarding the prevention of money laundering and financing of terrorism, to which the Bank's subsidiaries, foreign branch and other subsidiaries are also obliged to adhere, has been reviewed. Moreover,

the Bank's employees are provided with face-to-face and online training regarding the prevention of laundering proceeds of crime and financing of terrorism to ensure they adopt compliance culture at global standards and implement this culture at their work and activities.

As a part of the Ziraat Finance Group, the units operating both in Turkey and abroad conduct their operations in accordance with the policies and procedures established by taking local and international regulations into account, in a manner which does not expose the Bank's products and services to any operational and reputational risk in the areas of money laundering or financing acts terrorism in accordance with local and international regulations.

Regular information sharing is carried out within the framework of the coordinated strategy which is executed regarding the compliance activities of foreign branches.

In this vein, joint work was carried out to determine whether or not foreign branches comply with national and international obligations, whether there is any process and software requirement, by meeting the compliance officer of the foreign branch, and the joint work will continue to be carried out in the upcoming period.

Within the scope of sectoral activities, the Bank also participated a working group formed in OECD to prevent laundering of the proceeds of crime on an international basis during the process of National Risk Assessment Audits performed by Financial Action Task Force (FATF) which Turkey is also a member, along with sector representatives from 9 different banks.

The Advisory Committee Coordination Service carried out the Advisory Committee Secretariat and Compliance activities within the scope of the Communiqué on Compliance with the Principles and Standards of Interest-Free Banking. The activities carried out within this scope were periodically shared with the relevant work units and Senior Management.

The Functioning of Risk Management System

The main purpose of Ziraat Participation risk management system is to ensure the definition, measurement, monitoring and control of the risks, to which the Bank is exposed, through the policies and the limits determined to monitor, control, and when necessary to change the operations' nature and level in relation to the risk-return structure that the future cash flows will include.

The main approach in the risk management activities, instilling risk culture across the Bank in accordance with the provisions of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", to execute the risk management function with best practices by continuously improving the system and the human resources. The activities carried out within the framework of risk management system are given care to be carried out simultaneously with the contributions of the units that are included in the business line with which each risk type is related.

The Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

The risk management activities cover the basic headings of credit risk, market risk, operational risk, liquidity risk and other risks. The final objective is to comply with the best practices.

Within the framework of credit risk management activities, the activities for the definition, measurement, monitoring and reporting of the credit risk by using the methods in compliance with Basel II. In this context, the calculation of the amount subject to credit risk, which began legally as of 1 July 2012, is monthly reported to the BRSA in solo basis.

Due to the fact that our Bank became operational in May 2015, there is not adequate data for the measurement of credit worthiness in relation to the advance measurement methods. The credit risk limits approved by the Board are monitored; the activities to carry out scenario analysis and stress test regarding the credit portfolios are ongoing. Also, the compliance activities with the Basel III regulations and the regulations revised by the BRSA within the framework of Basel are continuing.

Operational risk management activities comprise the definition, classification, measurement, and analysis of the operational risks.

These activities are carried out as part of the Bank's "Operational Risk Management Regulation" that is prepared in accordance with the arrangements issued on 28 June 2012 by the BRSA to comply with Basel II. The compliance with the operational risk limits approved by the Board, which are determined in order to manage operational risks, is periodically monitored. The risks stem from information technologies and the actions taken are also monitored. The risk assessments are carried out for the companies from which support services are procured within the framework of the BRSA's regulations that are currently in effect.

As part of operational risk, media analysis reports relevant to reputation risk and provided daily from the Bank's Corporate Communication Service are examined.

Within the scope of market and liquidity risks management, measurement, analysis, limiting, reporting and monitoring activities are carried out pertaining to liquidity risk and dividend rate risk stemming from banking calculations. The analyses conducted are supported with stress test. The compliance to the market and liquidity risk limits, which are approved by the Board and determined to manage the concerned risks, is periodically monitored. Also, Value at Risk is calculated daily with the internal models regarding exchange risk as part of market risk and retrospective test analyses are carried out for these models.

The results of the analyses carried out within the scope of risk management activities and risk indicators are reported annually to the Board of Directors, at three months periods to the Audit Committee, at weekly and daily periods to the operational units.

In order to increase the internal systems personnel's individual and occupational development, the personnel was ensured to attend internal and external training, conference and seminars, thus, their practical knowledge level is constantly being developed..

Ziraat Katılım's Financial Standing, Profitability and Solvency

Ziraat Participation, which started its activities in 2015 with the principle of "More as We Share", carries out its activities with the aim of creating value for its customers and ensuring the efficient and sustainable growth of its customers by focusing on its customers with its strategy of increasing the share of participation banking in the sector.

In 2020, the total assets of Ziraat Participation Bank increased by 65% to reach TL 60.2 billion. Loans constitute the highest share with 70% in total assets. At Ziraat Participation Bank, which continues its activities with the goal of sustainable profitability and efficiency, cash loans increased by 46% compared to the previous year to reach

TL 42.2 billion while non-cash loans increased by 41% compared to the previous year to stand at TL 16 billion. The Bank's equity, on the other hand, increased by 18% to TL 3.7 billion.

Funds collected account for 77% of Ziraat Participation's balance sheet liabilities. Ziraat Participation has focused on increasing its profitability by reducing resource costs in the management of liabilities and the funds collected, and accordingly contributed to the high profitability achieved in 2020. Funds collected increased by 82% in 2020 in comparison with 2019 year-end and reached TL 46.4 billion. Share of funds collected in balance sheet was 77%, and it consists of 26% Private Current Accounts and 74% Participation accounts.

Ziraat Participation closed the year 2020 with a profit of TL 639 million with its principles of balanced growth sustainable financial performance and profitability. Profit share revenue at an amount of TL 4.2 billion is the most significant revenue item of the Bank. Profit share received from credits is the largest item in profit share revenues. Moreover, Return on Assets was 1.3% and Return on Equity was 18.5%.

The Bank sustained its strong capital structure, high liquidity level and funding capability in 2020. Capital adequacy ratio was 14.8% in 2020.

Ratios

%	December 2019	December 2020
Capital		
Capital Adequacy Ratio	16.6	14.8
Shareholders' Equity/Total Assets	8.7	6.2
Asset Quality		
Total Loans*/Total Assets	65.1	70.1
NPL (Gross)/Total Deposit*	2.3	2.7
Total Loans*/Total Deposit	93.1	88.8
Profitability		
Net Profit (Loss)/Average Total Assets	1.8	1.3
Net Profit (Loss)/Average Shareholders' Equity	19.2	18.5
Income-Expense Structure		
Profit Shares Income/Profit Shares Expense	161.5	197.4
Non-Profit Shares Income/Non-Profit Shares Expenses	37.0	33.7
Total Income/Total Expenses	121.5	119.6
Profit Shares Income/Total Income	90.2	86.6
Non-Profit Shares Income/Total Income	9.8	13.4
Profit Shares Expenses/Total Expenses	67.9	52.4
Non-Profit Shares Expenses/Total Expenses	32.1	47.6

*Excludes non-performing loans, includes Financial Lease Receivables.

Information about Risk Management Policies and Activities According to Type of Risk

Ziraat Participation risk management activities are continued under the basic approach of aligning the risk management function with the best practices by means of instilling risk culture, continuously improvement of the system and the human resources.

The risk management activities cover the main headings of credit risk, market risk, operational risk and balance sheet risks. Policy and application procedures regarding the afore-mentioned risks are governed by regulations approved by the Board of Directors on the basis of each risk type. Care is given to ensure that all risk management system activities are coordinated through the involved participation of the operational branches with which each type of risk is associated.

Within the scope of “Regulation on Banks’ Internal System and Intrinsic Capital Adequacy Assessment Processes”, an Intrinsic Capital Adequacy Assessment Process was formulated. The purpose of this process is to identify the required capital to cover the exposed/to be exposed risks and to set up a system that will enable the assessment of the capital requirements and levels compatible with strategic goals and the continuity of this system. Analyses are performed in line with BRSA principles and are further supported by means of risk-specific stress tests and scenario analyses.

Compliance to Basel III regulations are carried out within the framework of “Regulation on Measurement and Assessment of Banks’ Leverage Level” and “Regulation on the Capital Conservation Buffer and Loop Capital”. Additionally, the compliance efforts to the regulation amendments made within the scope of Basel by the BRSA and thirteen “Best Practice Guides” published on the Institution’s web site are ongoing.

As part of Basel III liquidity criteria, the Liquidity Coverage Ratio Report is prepared within the scope of “Regulation on the Calculation of Banks’ Liquidity Coverage Ratio” and conveyed to the BRSA.

Credit Risk

Credit risk management consists of discovering the credit risks to which the Bank is exposed and defining, measuring, monitoring, controlling, and reporting such risks. The legal reports are prepared by using the standard approach method within the framework of “Regulation on Measurement and Assessment of Banks’ Capital Adequacy”. In this context, Ziraat Participation’s credit risk exposure is monthly reported to the BRSA on solo basis.

The Leverage Ratio is conveyed to the BRSA and the CBRT in three-month periods.

The Company Assessment System is used in order to evaluate the credit worthiness of the customers who are in Ziraat Participation’s commercial portfolio. Credit risk limits and trigger values on the basis of risk groups and customer segments, which are approved by the Board of Directors, as well as limits and trigger values of non-performing loan ratio have been calculated. All these values are monitored on a weekly basis.

Market Risk

Risk measurement and monitoring activities are carried out in order to reveal the market risks to which Ziraat Participation may be exposed. The results of these activities are taken into account in the Bank’s strategic decision-making processes. The market risks and potential effects of the factors that create the risks are measured and regularly reported to the BRSA by Ziraat Participation.

Information about Risk Management Policies and Activities According to Type of Risk

The Standardized Approach methodology is used to calculate the Bank's exposure to market risk, the amount of which is included in its mandatory capital adequacy ratio. Within the context of market risk, exchange risk is also calculated on a daily basis using a VaR-based internal model. The effectiveness of the models being used is also analyzed by means of back testing.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect Ziraat Participation's financial strength from being seriously affected by increases in market volatility. Risk exposure levels are kept within prescribed limits.

Operational Risk

Works for monitoring operational risks through the Operational Risk Loss Database are ongoing. The mandatory capital needed to cover the Ziraat Participation's operational risk exposure is calculated using the Basic Indicator Approach methodology. In order to create a basic integrated risk framework, IT-associated risks and the actions taken are also monitored.

As part of the Business Continuity Plan, "Business Impact Analyses" works are completed in order both to identify the risks that might arise if the Bank's operations are interrupted and to determine their potential consequences.

In order to ensure the continuity of outsourced support services, the risks that might arise from their procurement are assessed in light of "Regulation on the Outsourcing of Support Services by Banks" issued by the BRSA.

Balance Sheet Risks

Within the scope of balance sheet risks management, risk measurement and monitoring activities are carried out in order to reveal the Liquidity and Dividend Ratio arising from Banking Account risks that the Bank may encounter, and the results are taken into account in the strategic decision-making process of Ziraat Participation.

Compliance with mandatory ratios pertaining to liquidity and profit share rate risks arising from banking business accounts is also monitored. When carrying out the liquidity risk control; funding and lending maturity mismatches, assets' and liabilities' re-pricing as well as contractual maturities, the level of primary (cash and cash-equivalent) liquidity reserves needed to conduct the Bank's normal day-to-day operations, Central Bank liquidity facilities to which recourse may be had in order to cope with unexpected liquidity requirements are monitored. In addition to the foregoing, scenario and sensitivity analyses regarding liquidity risk are performed.

Signal values are followed and risk levels are limit as part of early warning process to prevent the Bank's financial strength from increased volatility in the markets and mismatch that can be seen on cash inflows and outflows while carrying out daily activities.

Summary Balance Sheet and Income Statement

(TL thousand)

Assets	December 2016	December 2017	December 2018**	December 2019	December 2020
Liquid Assets	1,669,752	1,922,270	2,794,983	3,810,683	10,273,948
Securities Portfolio	415,842	524,210	1,303,242	2,952,183	6,895,629
Loans*	5,557,942	11,374,744	17,739,425	28,991,184	42,206,410
Other Assets	315,970	528,919	351,153	638,123	811,009
Total Assets	7,959,507	14,350,143	22,188,803	36,392,173	60,186,996
Liabilities					
Funds Collected	5,636,002	10,024,595	15,151,908	25,457,245	46,386,150
Other Funds	1,420,889	2,645,856	4,232,433	6,010,284	8,625,463
Other Liabilities	137,995	276,011	586,689	1,757,817	1,441,110
Shareholders' Equity	764,621	1,403,681	2,218,583	3,166,827	3,734,273
Total Liabilities	7,959,507	14,350,143	22,188,803	36,392,173	60,186,996
Selected Income/Expenses					
Profit Shares Income	390,742	981,392	2,090,556	3,594,457	4,191,345
Profit Shares Expense	180,885	538,306	1,319,722	2,225,532	2,122,807
Profit Shares Income/Expense	209,857	443,086	770,834	1,368,925	2,068,538
Fees and Commissions Income/Expense	14,205	30,343	60,726	94,452	92,541
Trading Income/Loss (net)	7,030	11,556	57,781	69,478	83,310
Other Operating Income	1,739	2,663	80,212	159,008	268,144
Other Operating Expense	140,579	197,531	175,188	241,143	316,932
Provision Expense	51,770	90,143	256,021	579,415	1,168,068
Income Before Tax	40,892	199,974	414,549	705,300	792,482
Tax Provision	(9,809)	(41,072)	(91,884)	(188,565)	(153,920)
Net Profit/Loss	30,673	158,902	322,665	516,735	638,562

*Beklenen Zarar Karşılıkları ve Donuk Alacaklar dâhil edilmiştir.

**Raporlanan geçmiş dönem rakamları dikkate alınmıştır.

Credit Rating Agency's Notes

Rating Agency	Category	Credit Note	Date
Fitch Ratings	Long Term Foreign Currency Credit Note	B+	14 December 2020
	Short Term Foreign Currency Credit Note	B	
	Long Term Turkish Lira Credit Note	BB-	
	Short Term Turkish Lira Credit Note	B	
	National Long Term Credit Note	AA (tur)	
	Support	4	

Ziraat Katılım Bankası A.Ş.
**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT
31 DECEMBER 2020 WITH AUDITOR'S REPORT**

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note. I. B of Section Three)

INDEPENDENT AUDITOR'S REPORT



To the General Assembly of Ziraat Katılım Bankası Anonim Şirketi;

A. Audit of the Unconsolidated Financial Statements

1. Opinion

We have audited the accompanying unconsolidated financial statements of Ziraat Katılım Bankası Anonim Şirketi (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2020, unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

As explained in Section Five Part II. 8.c.1 of Explanations and Notes to the Unconsolidated Financial Statements; In the accompanying unconsolidated financial statements prepared as of 31 December 2020, the Bank management has canceled 35.000 thousand TL of the free provision amounting to a total of TL 80.000 thousand, all of which were set as expense in the previous periods. Therefore, the accompanying unconsolidated financial statements prepared as of 31 December 2020 include free provision amounting to TL 45.000 thousand, which is set aside outside the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements" section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for loans</p> <p>The Bank has total expected credit losses for loans amounting to TL 43.359.636 thousand in respect to total loans amounting to TL 1.153.226 thousand which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2020. Explanations and notes related to expected credit losses provisions for loans are presented Section Three VII, Section Three VIII, Section Four II, Section Four IX-3, Section Five I.7 and Section Five I-6 in the accompanying unconsolidated financial statements as at 31 December 2020.</p> <p>The Bank recognizes provision for impairment in accordance with "IFRS 9 Financial Instruments" ("IFRS 9") requirements effective in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Bank exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The effects of the COVID-19 outbreak increased the importance of these estimates and assumptions used by the Bank's management in determining the loan loss provisions as of 31 December 2020, and the uncertainties caused by these effects were taken into account in the calculation of expected credit loss using expert opinion.</p> <p>The Bank uses complex models derived from more than one system to calculate the expected loan loss provision and detecting a significant increase in credit risk. Information including past events, current conditions and macroeconomic estimates which are taken into account in expected loss provision accounting should be reasonable and supportable.</p>	<p>With respect to stage classification of loans and calculation of expected credit losses, we have assessed policy, procedure and management principles of the Bank including the effects of COVID-19 outbreak within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p>For important loan portfolios, we checked appropriateness of matters considered in methodology applied by the Bank with IFRS 9 for calculation of the provision amount through stage classification of loans. For forward looking assumptions made by the Bank's management in its expected credit losses calculations including the effects of the COVID-19 pandemic, we held discussions with management and evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, loss given default model, and approaches in relation to projection of macroeconomic expectations including the effects of the COVID-19 outbreak with our financial risk experts.</p> <p>We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors).</p> <p>Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology made within the year and the performance of the impairment models used.</p> <p>We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis.</p>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p>We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists.</p> <p>For a selected sample, we checked accuracy of resultant expected credit losses calculations.</p> <p>To assess appropriateness of the Bank's determination of staging for credit risk within the framework of current regulations, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample.</p> <p>We evaluated the adequacy of the disclosures made in the unconsolidated financial statements regarding the provision for impairment of loans.</p>

4. Other Matters

The unconsolidated financial statements of the Bank for the year ended 31 December 2019 was audited by another auditor who expressed a qualified opinion based on the reason represented in the section "Basis for the Qualified Conclusion" above thereon on 20 February 2020.

5. Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

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

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

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

6. Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and 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.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Zeynep URAS, SMMM
Partner

Istanbul, 19 February 2021

Ziraat Katılım Bankası A.Ş.

**THE UNCONSOLIDATED INTERIM FINANCIAL REPORT OF
ZİRAAT KATILIM BANKASI A.Ş. AS OF 31 DECEMBER 2020**

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Related Disclosures with Auditor's Report Originally Issued in Turkish, See Note I. of Section Three)

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
Hayri Efendi Cad. Bahçekapı No:12 34112 Fatih/İSTANBUL

Phone : (212) 404 11 00
Facsimile : (212) 404 10 81
Website : www.ziraatkatilim.com.tr
E-mail : bilgi@ziraatkatilim.com.tr

The unconsolidated financial report for the year ended prepared in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND DISCLOSURES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- AUDIT REPORT

The accompanying unconsolidated financial statements and notes to these financial statements for year ended which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently audited.

Hüseyin AYDIN
Chairman of the Board

Metin OZDEMİR
Member of the Board,
General Manager

Fikrettin AKSU
Vice chairman of the BOD, Member of the
Audit Committee

Ahmet BUÇUKOĞLU
Member of the Board,
Member of the Audit Committee

Osman KARAKÜTÜK
Vice President of Treasury Management
and International Banking

Gürkan ÇAKIR
Head of Financial Management
Department

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

Name-Surname/Position: Mesut Küçük/Financial Reporting Manager
Tel No: 0 216 559 22 53
Facsimile: 0 212 404 10 81

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Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

I. HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS

Ziraat Katılım Bankası A.Ş. (“the Bank”) is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 November 2014 which was published in the Official Gazette numbered as 29146 at 15 November 2014 with a capital of TL 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TL 72.000 from TL 675.000 to 747.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL 500.000 and by increasing the amount of internal resources by TL 3.000 to TL 1.250.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 20 September 2018, the paid-in capital of the Bank has been raised from TL 1.250.000 to TL 1.750.000 by increasing the amount of cash by TL 500.000.

Main operation field of the Bank is gathering funds by the accounts named as “Private Current Accounts” and “Participation Accounts to Profit and Loss” from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Bank can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the Banking Regulation and Supervision Agency within the scope of Participation Banking fundamentals.

According to decision of the Banking Regulation and Supervision Agency dated 18 January 2019 and numbered 8210 of, with the framework Ziraat Katılım Bankası A.Ş. board of directors decisions no 6/1 dated 21 February 2019, The Parent Bank (Transferee) and Ziraat Finansal Kiralama A.Ş. (Acquired) are merged in accordance with relevant articles of the Turkish Commercial Code No. 6102. The merger was registered on 1 March 2019 by the Istanbul Trade Registry Office.

All of the shares of the of the Bank, Ziraat Katılım Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

II. EXPLANATION ABOUT THE BANK’S CAPITAL STRUCTURE AND SHAREHOLDERS WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS THROUGHOUT THE YEAR (IF ANY) AND GROUP OF THE BANK

As of 31 December 2020 and 31 December 2019, main shareholders and capital amounts as follows:

Name of Shareholders	31 December 2020		31 December 2019	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	99,9999996	1.750.000	99,9999996
Türkiye Sigorta A.Ş. ^(**)	-	0,0000001	-	0,0000001
Türkiye Hayat ve Emeklilik A.Ş. ^(**)	-	0,0000001	-	0,0000001
Ziraat Teknoloji A.Ş.	-	0,0000001	-	0,0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	0,0000001
Total	1.750.000	100,00	1.750.000	100,00

^(*) All of the Bank’s parent company T.C. Ziraat Bankası A.Ş. shares has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”) to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

^(**) Ziraat Sigorta A.Ş. was transferred to Turkey Wealth Fund under the name of Türkiye Sigorta A.Ş. on 27 August 2020. Ziraat Hayat ve Emeklilik A.Ş. was transferred to Turkey Wealth Fund under the name of Türkiye Hayat ve Emeklilik A.Ş. on 24 August 2020.

III. EXPLANATIONS ON THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE BANK

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Fikretin AKSU ^(*)	Vice chairman of the BOD, Member of the Audit Committee, Member of Corporate Management Committee
Metin Özdemir	Member of the BOD, General Manager, Member of Pricing Committee, President of Credit Committee
Taner AKSEL ^(*)	Member of the BOD, Member of Credit Committee, Member of Pricing Committee,
Ahmet BUÇUKOĞLU ^(*)	Member of the BOD, Member of the Audit Committee, Associate Member of Credit Committee,
Hasan DURSUN ^(*)	Member of the BOD, Member of Corporate Management Committee, Member of Credit Committee
Assistant General Manager	
Dr. Ahmet ORTATEPE	Credit Policies
Mehmet Said GÜL	Information Technologies and Operational Processes
Osman KARAKÜTÜK	Treasury Management and International Banking
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Branch Banking and Sales Management ^(**)

^(*) They were appointed as a member of the BOD as of 19 June 2020.

^(**) With the decision taken on 8 February 2021 regarding the organizational structuring of the Bank, the name of the “Marketing Assistant General Manager” was changed to “Branch Banking and Sales Management Assistant General Manager”.

Bank Directors have no Bank’s share capital.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Name/Trade Name	Share Amount	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	100,00	1.750.000	-
Total	1.750.000	100,00	1.750.000	-

^(*) All of the Bank's parent company T.C. Ziraat Bankası A.Ş. shares has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

V. EXPLANATIONS OF THE BANK'S SERVICES AND FIELD OF OPERATIONS

Operation field of Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates its participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

The Bank sorts out participation accounts and participation accounts based on investment proxy contracts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to nine months (nine months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, 3 months, six months and annually). Participation accounts based on investment proxies can be opened under the entire maturity group, with a maturity of less than one month.

As of 31 December 2020, the Bank operates with its 104 domestic branches (31 December 2019: 93 domestic branches) and 105 branches in total, including the Sudan branch, which started operations as of 27 August 2020 abroad. 1.261 employees domestically (31 December: 1.129).

VI. CURRENT OR LIKELY ACTUAL LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES

None.

Ziraat Katılım Bankası A.Ş.
**NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

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- I. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet commitments
- III. Statement of profit or loss
- IV. Statement of profit or loss and other comprehensive income
- V. Statements of changes in shareholders’ equity
- VI. Statement of cash flows
- VII. Statement of profit distribution

Ziraat Katılım Bankası A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
AKTİF VASSETS	Note (V-I)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		5.195.516	11.233.289	16.428.805	2.190.417	4.024.699	6.215.116
1.1 Cash And Cash Equivalents		419.033	9.854.915	10.273.948	105.170	3.705.513	3.810.683
1.1.1 Cash And Balances With Central Bank	(1)	409.579	5.067.541	5.477.120	100.139	2.794.300	2.894.439
1.1.2 Banks	(2)	12.394	4.787.374	4.799.768	5.205	911.213	916.418
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)		2.940	-	2.940	174	-	174
1.2 Financial Assets Measured At Fair Value Through Profit/Loss	(4)	980.872	-	980.872	-	-	-
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		980.872	-	980.872	-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(3)	3.767.367	1.378.365	5.145.732	2.085.220	301.717	2.386.937
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		10.412	-	10.412	7.672	-	7.672
1.3.3 Other Financial Assets		3.756.955	1.378.365	5.135.320	2.077.548	301.717	2.379.265
1.4 Derivative Financial Assets	(5)	28.244	9	28.253	27	17.469	17.496
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		28.244	9	28.253	27	17.469	17.496
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		29.455.349	13.530.498	42.985.847	18.004.119	11.534.815	29.538.934
2.1 Loans	(6)	27.553.401	10.670.016	38.223.417	17.045.982	8.862.682	25.908.664
2.2 Lease Receivables	(6)	2.851.377	2.284.842	5.136.219	1.531.983	2.124.383	3.656.366
2.3 Measured at Amortized Cost	(7)	-	779.437	779.437	-	547.750	547.750
2.3.1 Government Securities		-	779.437	779.437	-	547.750	547.750
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		949.429	203.797	1.153.226	573.846	-	573.846
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	75.240	-	75.240	104.069	-	104.069
3.1 Assets Held for Sale		75.240	-	75.240	104.069	-	104.069
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES	(9)	100	-	100	100	-	100
4.1 Associates (Net)		-	-	-	-	-	-
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)		100	-	100	100	-	100
4.2.1 Unconsolidated Financial Investments in Subsidiaries		100	-	100	100	-	100
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)	(10)	177.601	363	177.964	157.597	-	157.597
VI. INTANGIBLE ASSETS (Net)	(11)	161.257	-	161.257	120.641	-	120.641
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		161.257	-	161.257	120.641	-	120.641
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET	(13)	-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(14)	108.597	-	108.597	42.153	-	42.153
X. OTHER ASSETS	(15)	213.728	35.458	249.186	148.037	65.527	213.564
TOTAL ASSETS		35.387.388	24.799.608	60.186.996	20.767.133	15.625.041	36.392.174

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)								
	LIABILITIES	Note (V-II)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
			TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(1)	24.902.562	21.483.588	46.386.150	13.032.205	12.425.040	25.457.245
II.	FUNDS BORROWED	(2)	4.397.336	1.046.528	5.443.864	2.857.534	3.121.136	5.978.670
III.	MONEY MARKETS DEBTS	(3)	2.101.073	-	2.101.073	19.135	-	19.135
IV.	SECURITIES ISSUED (Net)	(4)	-	-	-	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	(6)	-	19.440	19.440	19	12.460	12.479
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	19.440	19.440	19	12.460	12.479
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII.	LEASE PAYABLES	(7)	111.946	15.688	127.634	97.792	12.267	110.059
VIII.	PROVISIONS	(8)	211.628	197.616	409.244	189.634	45.645	235.279
8.1	Restructuring Provisions		-	-	-	-	-	-
8.2	Reserve for Employee Benefits		56.070	-	56.070	35.712	-	35.712
8.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4	Other Provisions		155.558	197.616	353.174	153.922	45.645	199.567
IX.	CURRENT TAX LIABILITY	(9)	96.490	142	96.632	122.393	-	122.393
X.	DEFERRED TAX LIABILITY	(10)	-	-	-	-	-	-
XI.	LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
11.1	Held for Sale Purpose		-	-	-	-	-	-
11.2	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(12)	312.489	768.037	1.080.526	312.351	537.338	849.689
12.1	Loans		312.489	768.037	1.080.526	312.351	537.338	849.689
12.2	Other Debt Instruments		-	-	-	-	-	-
XIII.	OTHER LIABILITIES	(13)	571.531	216.629	788.160	363.592	76.805	440.397
XIV.	SHAREHOLDERS' EQUITY	(14)	3.734.357	(84)	3.734.273	3.166.186	642	3.166.828
14.1	Paid-in capital		1.750.000	-	1.750.000	1.750.000	-	1.750.000
14.2	Capital Reserves		261.513	-	261.513	261.513	-	261.513
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserve		261.513	-	261.513	261.513	-	261.513
14.3	Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(7.068)	-	(7.068)	(2.365)	-	(2.365)
14.4	Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(9.259)	(84)	(9.343)	56.429	642	57.071
14.5	Profit Reserves		1.098.041	-	1.098.041	555.646	-	555.646
14.5.1	Legal Reserves		60.388	-	60.388	35.234	-	35.234
14.5.2	Status Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		991.586	-	991.586	488.002	-	488.002
14.5.4	Other Profit Reserves		46.067	-	46.067	32.410	-	32.410
14.6	Profit or (Loss)		641.130	-	641.130	544.963	-	544.963
14.6.1	Prior Period Profit/Loss		2.568	-	2.568	28.228	-	28.228
14.6.2	Current Period Profit/Loss		638.562	-	638.562	516.735	-	516.735
	TOTAL LIABILITIES		36.439.412	23.747.584	60.186.996	20.160.841	16.231.333	36.392.174

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
Thousands of Turkish lira							
	Note (V-III)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)		9.924.766	13.934.400	23.859.166	5.266.395	9.101.213	14.367.608
I. GUARANTEES AND WARRANTIES	(1)	6.839.282	9.076.488	15.915.770	4.926.966	6.401.171	11.328.137
1.1 Letters of Guarantee		6.691.971	5.882.397	12.574.368	4.892.685	4.488.870	9.381.555
1.1.1 Guarantees Subject to State Tender Law		190.927	1.696.645	1.887.572	119.125	1.304.053	1.423.178
1.1.2 Guarantees Given for Foreign Trade Operations		6.156.513	-	6.156.513	4.559.726	-	4.559.726
1.1.3 Other Letters of Guarantee		344.531	4.185.752	4.530.283	213.834	3.184.817	3.398.651
1.2 Bank Acceptances		-	7.687	7.687	-	18.753	18.753
1.2.1 Import Letter of Acceptance		-	7.687	7.687	-	18.753	18.753
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		40.077	1.340.566	1.380.643	29.071	954.074	983.145
1.3.1 Documentary Letters of Credit		40.077	1.340.566	1.380.643	29.071	954.074	983.145
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		98.155	1.841.367	1.939.522	-	939.474	939.474
1.7 Other Collaterals		9.079	4.471	13.550	5.210	-	5.210
II. COMMITMENTS	(1)	564.143	97.454	661.597	334.484	65.749	400.233
2.1 Irrevocable Commitments		564.143	97.454	661.597	334.484	65.749	400.233
2.1.1 Forward asset purchase commitments		57.678	97.454	155.132	42.995	65.749	108.744
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3 Loan Granting Commitments		-	-	-	-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks	(4)	268.625	-	268.625	157.323	-	157.323
2.1.7 Tax and Fund Liabilities from Export Commitments		16.428	-	16.428	11.509	-	11.509
2.1.8 Commitments for Credit Card Limits		48.071	-	48.071	-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		1	-	1	-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Other Irrevocable Commitments		173.340	-	173.340	122.657	-	122.657

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS								
		Note (V-III)	Thousands of Turkish lira					
			Current Period (31/12/2020)			Prior Period (31/12/2019)		
			TL	FC	Total	TL	FC	Total
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	2.521.341	4.760.458	7.281.799	4.945	2.634.293	2.639.238
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Fair value hedge		-	-	-	-	-	-
3.1.2	Cash flow hedge		-	-	-	-	-	-
3.1.3	Foreign Net Investment Hedges		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		2.521.341	4.760.458	7.281.799	4.945	2.634.293	2.639.238
3.2.1	Forward Foreign Currency Buy/Sell Transactions		15.631	2.168.006	2.183.637	4.945	2.634.293	2.639.238
3.2.1.1	Forward Foreign Currency Transactions-Buy		14.299	1.068.995	1.083.294	4.945	1.317.991	1.322.936
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.332	1.099.011	1.100.343	-	1.316.302	1.316.302
3.2.2	Other Forward Buy/Sell Transaction		2.505.710	2.592.452	5.098.162	-	-	-
3.3	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		49.071.158	9.620.414	58.691.572	30.357.632	4.147.848	34.505.480
IV.	ITEMS HELD IN CUSTODY		4.288.838	3.663.765	7.952.603	4.972.403	1.315.878	6.288.281
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		3.456.809	-	3.456.809	4.448.877	-	4.448.877
4.3	Checks Received for Collection		763.292	105.777	869.069	438.873	95.040	533.913
4.4	Commercial Notes Received for Collection		66.130	47.052	113.182	55.181	13.204	68.385
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		2.607	611.077	613.684	29.472	347.982	377.454
4.8	Custodians		-	2.899.859	2.899.859	-	859.652	859.652
V.	PLEDGES RECEIVED		44.782.320	5.956.649	50.738.969	25.385.229	2.831.970	28.217.199
5.1	Marketable Securities		4.625.008	81.855	4.706.863	907.668	150.109	1.057.777
5.2	Guarantee Notes		1.730.425	202.551	1.932.976	1.138.470	177.775	1.316.245
5.3	Commodity		2.190.421	803.351	2.993.772	1.493.748	544.166	2.037.914
5.4	Warranty		-	-	-	-	-	-
5.5	Properties		30.944.489	3.734.417	34.678.906	17.783.352	1.032.354	18.815.706
5.6	Other Pledged Items		5.291.977	1.134.475	6.426.452	4.061.991	927.566	4.989.557
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		58.995.924	23.554.814	82.550.738	35.624.027	13.249.061	48.873.088

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS				
INCOME/EXPENSE ITEMS	Note (V-IV)	Current Period 01/01-31/12/2020	Prior Period 01/01-31/12/2019	
I. PROFIT SHARE INCOME	(1)	4.191.345	3.594.457	
1.1 Profit Share on Loans		3.138.707	2.894.603	
1.2 Profit Share on Reserve Deposits		24.005	39.137	
1.3 Profit Share on Banks		23.995	574	
1.4 Profit Share on Money Market Placements		-	-	
1.5 Profit Share on Marketable Securities Portfolio		608.569	245.733	
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		7.457	16.716	
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		560.652	229.017	
1.5.3 Financial Assets Measured at Amortised Cost		40.460	-	
1.6 Financial Lease Income		379.390	380.566	
1.7 Other Profit Share Income		16.679	33.844	
II. PROFIT SHARE EXPENSE	(2)	2.122.807	2.225.532	
2.1 Expense on Profit Sharing Accounts		1.508.897	1.528.842	
2.2 Profit Share Expense on Funds Borrowed		526.209	659.132	
2.3 Profit Share Expense on Money Market Borrowings		63.603	12.323	
2.4 Expense on Securities Issued		-	4.604	
2.5 Lease Profit Share Expense		23.849	20.545	
2.6 Other Profit Share Expenses		249	86	
III. NET PROFIT SHARE INCOME (I - II)		2.068.538	1.368.925	
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		92.541	94.452	
4.1 Fees and Commissions Received		204.648	143.325	
4.1.1 Non-cash Loans		111.337	114.436	
4.1.2 Other		93.311	28.889	
4.2 Fees and commissions paid		112.107	48.873	
4.2.1 Non-cash Loans		-	35	
4.2.2 Other		112.107	48.838	
V. DIVIDEND INCOME	(3)	104	17.762	
VI. NET TRADING INCOME	(4)	83.310	69.478	
6.1 Capital Market Transaction Gains/Losses		176.540	1.566	
6.2 Gains/Losses From Derivative Financial Instruments		(75.588)	44.062	
6.3 Foreign Exchange Gains/Losses		(17.642)	23.850	
VII. OTHER OPERATING INCOME	(5)	268.144	159.008	
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		2.512.637	1.709.625	
IX. EXPECTED CREDIT LOSSES (-)	(6)	994.213	492.171	
X. OTHER PROVISIONS (-)		173.855	87.244	
XI. PERSONNEL EXPENSES (-)		235.155	183.767	
XII. OTHER OPERATING EXPENSES (-)	(7)	316.932	241.143	
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		792.482	705.300	
XIV. INCOME RESULTED FROM MERGERS		-	-	
XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-	
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	792.482	705.300	
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(153.920)	(188.565)	
18.1 Current Tax Provision		(201.535)	(202.224)	
18.2 Expense Effect of Deferred Tax (+)		(35.731)	(4.150)	
18.3 Income Effect of Deferred Tax (-)		83.346	17.809	
XIX. NETOPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)	(10)	638.562	516.735	
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	
20.1 Income from Assets Held for Sale		-	-	
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	
20.3 Income from Other Discontinued Operations		-	-	
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	
21.1 Expenses on Assets Held for Sale		-	-	
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	
21.3 Expenses from Other Discontinued Operations		-	-	
XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)		-	-	
XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-	
23.1 Current Tax Charge		-	-	
23.2 Expense Effect of Deferred Tax (+)		-	-	
23.3 Income Effect of Deferred Tax (-)		-	-	
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-	
XXV. NET PROFIT/LOSS (XVIII+XXIII)	(11)	638.562	516.735	
Earnings per share income/loss (Full TL)		0,3649	0,2953	

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Current Period 01/01-31/12/2020	Prior Period 01/01-31/12/2019
I.	CURRENT PERIOD PROFIT/LOSS	638.562
II.	OTHER COMPREHENSIVE INCOME	(71.117)
2.1	Other Income/Expense Items not to be Reclassified to Profit or Loss	(4.703)
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(5.738)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	1.035
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	(66.414)
2.2.1	Translation Differences	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(85.243)
2.2.3	Gains/losses from Cash Flow Hedges	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	18.829
III.	TOTAL COMPREHENSIVE INCOME (I+II)	567.445

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss		
					1	2	3
PRIOR PERIOD							
31 DECEMBER 2019							
I. Prior Period End Balance	1.750.000	-	-	250.000	-	(2.408)	-
II. Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	1.750.000	-	-	250.000	-	(2.408)	-
IV. Total Comprehensive Income	-	-	-	-	-	43	-
V. Capital Increase by Cash	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes ⁽¹⁾	-	-	-	11.513	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-
Period End Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	(2.365)	-
CURRENT PERIOD							
31 DECEMBER 2020							
I. Prior Period End Balance	1.750.000	-	-	261.513	-	(2.365)	-
II. Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	1.750.000	-	-	261.513	-	(2.365)	-
IV. Total Comprehensive Income	-	-	-	-	-	(4.703)	-
V. Capital Increase by Cash	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-
X. Increase/decrease by other Changes	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-
Period end Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	(7.068)	-

⁽¹⁾ It includes the effect amounting to TL 11.513 generated by the fair value calculation that consisted with the Bank's Turkey Wealth Funds Market Stability and Balance Sub Fund, April 22, 2019 BRSA approval, April 24, 2019 date in the deposit amounting to 100,000 Euros and profit without allowances added to the master of subordinated loans provided as part of the capital and financial assets measured at amortized cost at the balance sheet date.

- Increases and decreases in Tangible and Intangible Assets Revaluation Reserve
- Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans,
- Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Not Reclassified Through Profit or Loss)
- Exchange Differences on Translation
- Accumulated gains (losses) due to revaluation and/or reclassification of financial assets at fair value through other comprehensive income
- Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Reclassified Through Profit or Loss)

The accompanying explanations and notes form an integral part of these financial statements.

Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							
4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or Loss	Total Shareholders' Equity	
-	(36.569)	-	232.981	350.893	-	2.544.897	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	(36.569)	-	232.981	350.893	-	2.544.897	
-	93.640	-	-	-	516.735	610.418	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	322.665	(322.665)	-	11.513	
-	-	-	-	-	-	-	
-	-	-	322.665	(322.665)	-	-	
-	-	-	-	-	-	-	
-	57.071	-	555.646	28.228	516.735	3.166.828	
-	57.071	-	555.646	544.963	-	3.166.828	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	57.071	-	555.646	544.963	-	3.166.828	
-	(66.414)	-	-	-	638.562	567.445	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	542.395	(542.395)	-	-	
-	-	-	-	-	-	-	
-	-	-	542.395	(542.395)	-	-	
-	-	-	-	-	-	-	
-	(9.343)	-	1.098.041	2.568	638.562	3.734.273	

Ziraat Katılım Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS				
		Note (V-VI)	Current Period 01/01/2020 - 31/12/2020	Prior Period 01/01/2019 - 31/12/2019
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities)		229.435	293.549
1.1.1	Profit Share Income Received	(1)	4.093.676	3.309.050
1.1.2	Profit Share Expense Paid	(1)	(2.010.679)	(2.110.916)
1.1.3	Dividend Received		104	17.762
1.1.4	Fees and Commissions Received		204.648	94.452
1.1.5	Other Income		351.453	11.871
1.1.6	Collections from Previously Written-off Loans		319.521	104.655
1.1.7	Payments to Personnel and Service Suppliers		(235.155)	(197.083)
1.1.8	Taxes Paid		(39.475)	(187.674)
1.1.9	Others		(2.454.658)	(748.568)
1.2	Changes in Operating Assets and Liabilities		3.705.826	796.115
1.2.1	Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(1.151.690)	(15.541)
1.2.2	Net (Increase)/Decrease in Due From Banks And Other Financial Institutions		(4.076.802)	(766.835)
1.2.3	Net (Increase)/Decrease in Loans		(12.314.753)	(4.890.063)
1.2.4	Net (Increase)/Decrease in Other Assets		(1.833.975)	812.165
1.2.5	Net Increase/(Decrease) in Bank Funds		6.633.581	10.306
1.2.6	Net Increase/(Decrease) in Other Funds		14.295.325	10.309.851
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		6.961	-
1.2.8	Net Increase/(Decrease) in Funds Borrowed		(583.987)	(3.828.707)
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		2.731.166	(835.061)
I.	Net Cash Provided from Banking Operations		3.935.261	1.089.664
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided from Investing Activities		(2.858.439)	(2.876.710)
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		-	46.778
2.3	Purchases of Tangible Assets		(111.502)	(64.867)
2.4	Disposals of Tangible Assets		-	-
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(2.501.066)	(2.314.864)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7	Purchase of Financial Assets Measured at Amortized Cost		(231.687)	(542.494)
2.8	Sale of Financial Assets Measured at Amortized Cost		-	-
2.9	Other		(14.184)	(1.263)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities		834.253	1.495.332
3.1	Cash Obtained from Funds Borrowed And Securities Issued		12.680.837	8.825.414
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued		(11.724.855)	(7.322.598)
3.3	Issued Equity Instruments		42.943	13.921
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		(164.672)	(43.744)
3.6	Other		-	22.339
IV.	Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(1)	1.456.262	195.076
V.	Net Increase/(Decrease) In Cash And Cash Equivalents (I+II+III+IV)		3.367.337	(96.638)
VI.	Cash And Cash Equivalents At The Beginning Of The Period	(1)	1.403.426	1.160.567
VII.	Cash And Cash Equivalents At The End Of The Period	(1)	4.770.763	1.063.929

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

UNCONSOLIDATED PROFIT DISTRIBUTION TABLE			Current Period ^(*) (31/12/2020)	Prior Period ^(*) (31/12/2019)
I. DISTRIBUTION OF PERIOD PROFIT				
1.1	Period Profit		792.482	705.300
1.2	Taxes Payable and Legal Obligations (-)		153.920	202.224
1.2.1	Corporate Tax (Income Tax)		201.535	202.224
1.2.2	Income Tax Deduction		-	-
1.2.3	Other Taxes and Legal Obligations		(47.615)	-
A.	NET PROFIT (1.1-1.2)		638.562	503.076
1.3	Previous Periods Loss (-)		-	-
1.4	First Order Legal Reserve (-)		-	25.154
1.5	Legal Funds Required to Leave and Save at the Bank (-)		-	-
B.	DISTRIBUTABLE NET PROFIT [(A- (1.3 + 1.4 + 1.5))]		638.562	477.922
1.6	First Dividend to Shareholders		-	-
1.6.1	To Shareholders		-	-
1.6.2	To Owners of Privileged Shares		-	-
1.6.3	Participation in Redeemed Certificates		-	-
1.6.4	To Profit Participation Bonds		-	-
1.6.5	To Profit and Loss Sharing Certificate Holders		-	-
1.7	Dividend to Personnel (-)		-	-
1.8	Dividend to Board of Directors (-)		-	-
1.9	Second Dividend to Shareholders (-)		-	-
1.9.1	To Shareholders		-	-
1.9.2	To Owners of Privileged Shares		-	-
1.9.3	Participation in Dividends		-	-
1.9.4	Profit Participation Bonds		-	-
1.9.5	Profit and Loss Sharing Certificate Holders		-	-
1.10	Second Legal Reserve Fund (-)		-	-
1.11	Statutory Reserves (-)		-	-
1.12	Extraordinary Reserves ^(**)		-	503.584
1.13	Other Reserves		-	-
1.14	Special Funds		-	-
II. DISTRIBUTION OF RESERVES				
2.1	Reserves Distributed		-	-
2.2	Second Order Legal Reserves (-)		-	-
2.3	Share to Shareholders (-)		-	-
2.3.1	Shareholders		-	-
2.3.2	To Privileged Stock Owners		-	-
2.3.3	Participation in Redeemable Certificates		-	-
2.3.4	To Profit Participation Bonds		-	-
2.3.5	To Profit and Loss Sharing Certificate Holders		-	-
2.4	Share to Personnel (-)		-	-
2.5	Share to the Board of Directors (-)		-	-
III. EARNINGS PER SHARE				
3.1	Shareholders		0,3649	0,2953
3.2	Shareholders (%)		36,4893	29,5277
3.3	To Privileged Stock Owners		-	-
3.4	To Owners of Privileged Shares (%)		-	-
IV. DIVIDEND PER SHARE				
4.1	Shareholders		-	-
4.2	Shareholders (%)		-	-
4.3	To Privileged Stock Owners		-	-
4.4	To Owners of Privileged Shares (%)		-	-

^(*) Dividend distribution is realized with the decision of the General Assembly of the Bank, and as of the date the financial statements were prepared, the 2020 Ordinary General Assembly meeting has not been held yet.

^(**) In accordance with the decision of the Ordinary General Assembly dated 19 June 2020, TL 503.584 was left in the bank as extraordinary reserves. From the 2019 net distributable profit, 477.922 TL and previous year profit 25.662 TL were left within the bank as extraordinary reserves.

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

a. Financial statements and related explanations and preparation of footnotes in compliance with Turkish Accounting Standards (“TAS”) and “Regulation on Accounting Applications for Banks and Safeguarding of Documents”

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” (“Regulation”) related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations published by BRSA (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards 34 (“TAS 34”) and Turkish Financial Reporting Standards (“TFRS”) and (referred as “Turkish Accounting and Financial Reporting Regulations” or “Reporting Standards”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”).

The format and content of the publicly announced unconsolidated financial statements and their explanations and footnotes, with the “Communiqué on the Financial Statements to be Announced to Public by Banks” and the Announcements and Disclosures Related to These Communiqués published in the Official Gazette No. 28337 dated 28 June 2012. It has been prepared in accordance with. The Bank maintains its accounting records in Turkish currency in accordance with the Banking Law, Turkish Commercial Code and Turkish tax legislation.

Unless otherwise stated on the basis of historical cost, all balances are presented in thousands of Turkish lira (“TL”), except for the financial assets and liabilities shown at their fair values, on the basis of historical cost.

Preparation of financial statements requires making estimates and assumptions that affect the amounts of assets and liabilities reported or the contingent assets and liabilities disclosed as of the balance sheet date and the amounts of income and expenses reported in the relevant period. While these estimates are based on management’s best judgment and knowledge, actual results may differ from these estimates. The assumptions and estimates used are explained in the related footnotes.

A new type of coronavirus (COVID-19), first emerging in China, has been classified by the World Health Organization as an epidemic affecting countries globally. The COVID-19 outbreak not only affects economic conditions both regionally and globally, as well as it causes disruptions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 around the world, various measures have been taken in our country as well as in the world in order to prevent the transmission of the virus and are still being taken. In addition to these measures, economic measures are also taken in order to minimize the economic effects of the virus epidemic on individuals and businesses in our country and worldwide.

The effects of these effects on the Bank’s financial statements are regularly monitored by the risk monitoring units and the Bank’s Management. Within the scope of TFRS 13 Fair Value Measurement, the fair value measurements were revised in line with the expected credit loss provisions reflected in the financial statements and the assumptions and judgments used in the estimation of these losses.

While preparing the financial statements dated December 31, 2020, the Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The Bank has revised its macroeconomic expectations and has reflected to the financial statement as of 31 December 2020, by taking into account the change in probability of default and loss given default. The estimates and assumptions used in calculating expected credit losses are explained in section three footnote VIII.

As of December 31, 2020, the Bank has no assets or liabilities in the latest fair value hierarchy that would require any adjustment.

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With the regulations published regarding the implementation of the Indicator Interest Rate Reform, which brings changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from 1 January 2021, -Stage 2 was released in December 2020. The unconsolidated financial statements of the Bank include loans borrowed indexed to benchmark interest rates, and the related reform is not expected to have a significant impact.

b. Explanation for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and 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.

II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS

The Bank’s main field of activity; It covers banking services such as opening loans in all kinds of cash and non-cash Turkish Lira and foreign currency, conducting transactions in domestic and international money and capital markets, collecting Turkish Lira and foreign currency current/participation accounts. As of the reporting date, most of the Bank’s resources consist of funds collected, loans received and equity. The Bank uses this resource mainly as loans and lease certificates. The liquidity structure of the Bank is taken into account in such a way that all liabilities that are due to be met can be met.

Foreign currency transactions are reflected in the records based on the Bank’s foreign exchange buying rates at the date of the transaction. At the end of the period, the balances of foreign currency assets and liabilities have been converted into Turkish currency by being evaluated at the end of the period with the Bank’s foreign exchange buying rates, and the exchange rate differences are reflected in the records as “foreign exchange transactions profit/loss”.

The differences arising from the conversion of securities representing borrowing and monetary financial assets into Turkish Lira are included in the income statement. The Bank does not have any foreign currency differences.

In order to keep liquidity, exchange rate and credit risks within certain limits and to maximize profitability, the Bank’s Balance Sheet and Equity management is taken within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to maximize profitability.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Based on the TAS 27 “Turkish Accounting Standard for Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any. As of 22 January 2016, as a wholly owned subsidiary of the Bank, Ziraat Katılım Varlık Kiralama A.Ş. was established as a subsidiary. On 19 July 2017, the ZKB Varlık Kiralama A.Ş. was established with a capital of TL 50, which was fully paid by the Bank.

Accounting for business combinations under common control

According to Turkey Financial Reporting Standards there is no special requirements for recognition in business combinations under common control. Therefore, subject to common control business of the acquirer in the merger, No. 2018-1 issued by POA of Turkish Financial Reporting Standards for the implementation of pooling of interest method is used. According to this method:

1. The acquirer recognizes the assets and liabilities of the acquirer into the financial statements at their carrying amounts determined in accordance with TFRS at the date of merger.
2. The acquirer measures the value of the non-controlling interests, if any, at the date of the merger over the proportional share of the carrying values of the assets and liabilities to which they relate. Changes in non-controlling interests arising from the merger are accounted for as equity transactions in accordance with TFRS 10 Unconsolidated Financial Statements.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Costs arising from the merger are recognized directly in profit or loss.
4. Goodwill does not exist in business combinations under common control.
5. The principles set forth in Articles 6 and 7 are applied in order to eliminate any possible asset - liability mismatch arising from a business combination subject to common control.
6. When the merger is recognized in ways other than a share exchange (e.g. when the merger occurs by cash payment or without paying any price):
 - (a) If the carrying amount of the acquired net assets exceeds the transferred value, the difference is recognized as the additional capital of the shareholders and the value of the Share Premium item is increased.
 - (b) If the transferred amount exceeds the carrying amount of the acquired net assets at the date of the merger, the difference is reflected in the "a Combination of Entities or Business Under Common Control" as an item reducing the equity.

TFRS 3 is applied in the calculation of the transferred amount as of the merger date. However, in a merger subject to progressive joint control, the acquirer measures the equity shares in the acquired acquisitions over the book value at the beginning of the comparative period. However, equity shares acquired on a comparative date are measured at the purchase price. The acquirer eliminates the income or expenses that are reflected to the financial statements in relation to these shares in the period between these dates and the merger date.
7. When the merger is realized through share exchange:
 - (a) The shares issued by the acquirer are included in the financial statements at their nominal values. Therefore, any share premiums related to these shares are not reflected in the financial statements.
 - (b) The difference found by subtracting the nominal value of the shares issued by the acquirer from the book value of the acquired net assets of the merger on the date of merger is reflected to the "Effect of Mergers Including Joint Controlled Entity or Entities".
8. When the merger is recognized partly through the exchange of shares and partly through the payment of other payments, the percentage of the acquired business is determined on the basis of the fair values of the issued shares and other amounts transferred and the clauses of Article 6 and 7 is applied accordingly.
9. The financial statements of the comparative period are restated as if the merger is recognized at the beginning of the period.
10. In the event that the subsidiary acquired as a result of a business combination subject to joint control is subsequently lost, the relevant clauses of TFRS 10 Unconsolidated Financial Statements are applied. When there is an amount recorded in the "a Combination of Entities or Business Under Common Control", the amount is transferred to "Retained Earnings/Losses" and explained in the disclosures. The entity also discloses the gain or loss arising from the loss of control of the subsidiary in the statement of profit or loss and other comprehensive income in a separate item (Gains/Losses from the disposal of a subsidiary subject to joint control).

If the entity acquired as a result of a business combination subject to joint control expires and is included in the acquirer, or if such a situation arises or the subsidiary is subsequently dissolved, the amounts included in a Combination of Entities or Business Under Common Control or Entities shall be transferred to previous years' profits/losses in equal installments within 5 accounting periods.

Acquired assets and liabilities are recorded at the book value previously recorded in the Unconsolidated financial statements of the Bank's shareholders. The equity items of the acquired companies are added to the same items in the Bank's equity, except for the capital, and the resulting profit or loss is recognized in the equity.

With the Board of Directors decision dated 21 February 2019 and numbered 6/1, the Bank takes over Ziraat Finansal Kiralama A.Ş. As a result of the merger, Ziraat Finansal Kiralama A.Ş.' 24% stake in Ziraat Yatırım Menkul Değerler A.Ş. transferred to the Parent Bank. Ziraat Yatırım Menkul Değerler A.Ş., registered in the 364979 registry number, was transferred to Ziraat Bankası A.Ş. on November 22, 2019, with a price of TL 39.703 and nominal value of TL 14.400, corresponding to 24%.

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IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

The Bank’s derivative financial instruments consist of forward foreign currency buy/sell agreements.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as “Derivative Financial Assets at Fair Value Through Profit or Loss”, if the fair value is negative, the amount is classified as “Derivative Financial Liabilities 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.

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

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share incomes are recognized in accordance with internal rate of return method. The bank started to calculate discounts for non-performing loans as of January 1, 2018.

The Bank accounts for profit share expenses on an accrual basis. And the Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

From commission income and expenses, banking, agency and brokerage services income and expenses are recognized as income/expense when they are collected or paid in accordance with TFRS 15 Revenue from Customer Contracts standard. Whereas, commission income from individual, corporate and entrepreneurial cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle.

Commissions and fees received from cash loans and relating to the future periods are recorded to the “Unearned Revenues” account under “Other Liabilities” on the balance sheet. Prepaid expense amounts are recognized as expense on an accrual basis during the service period.

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments part three “Recognition and Derecognition”. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of the Bank, if the Bank is a legal party to these instruments.

The Bank classifies its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the financial assets and related business model used for management of the financial assets at initial recognition.

a. Financial assets at fair value through profit or loss:

“Financial assets at fair value through profit/loss” are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to "hold to collect" and "hold & sell" the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition.

All gains and losses arising from these valuations are reflected in profit or loss account.

As of 31 December 2020, the Bank has reviewed the valuation of financial assets and liabilities at fair value through profit or loss due to the adverse effects of the COVID-19 epidemic, and as of the reporting date, there is no change in the fair valuation measurement.

b. Financial assets at fair value through other comprehensive income

Financial assets are classified as fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting 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 internal rate of return method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from 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, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

Equity investments

At initial recognition, the Bank may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. The Bank makes the election on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit/loss. However, the cumulative gain or loss shall be transferred to prior periods' profit/loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments measured at fair value through other comprehensive income are not subject to impairment calculation.

As of 31 December 2020, the Bank has reviewed the valuation of financial assets whose fair value difference is reflected in other comprehensive income due to the negative effects of the COVID-19 epidemic, and as of the reporting date, there is no change in the fair valuation measurement that will require any correction.

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c. Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit share are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using internal rate of return method. Profit share income obtained from financial assets measured at amortized cost is accounted in profit or loss account.

Loans

Loans are financial assets that are originated by the Bank by providing goods and services to the borrower. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Internal Rate of Return Method”.

Cash loans are accounted with their original balances in the accounts specified in Uniform Chart of Accounts and Prospectus according to their type, maturity and collateral structures. FC loans are recognized with fixed price and revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date. Bank’s loans are recognized under “Measured at Amortized Cost” account.

All loans of the Bank, including its profit-loss partnership (müşareke) investments, are followed in the “Measured by Amortized Cost” account. The profit and loss partnership (müşareke) investments followed by the Bank in the loans account according to the BRSA Uniform Chart of Accounts, with the BRSA’s letter numbered E-43890421-010.07.01-1294, those that will be valued for the first time as of 31 December 2020 or from 1 January 2021 new implementation of “Interest-Free Finance Accounting Standard 3: Mudarebe Financing” or “Interest-Free Finance Accounting Standard 4: Müşareke Financing” for partnership financing funds in the form of “labor-capital partnership” (mudarebe) or “profit-loss partnership” (müşareke) accounted in accordance with the provision.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on Expected Loss Provisions

The Bank sets aside the expected loss provision for its loans and receivables by taking into consideration the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” (Regulation on Provisions) published in the Official Gazette dated 22 June 2016 and numbered 29750. In this context, the Bank takes into consideration the general structure of the loan portfolio, the financial structure of the customers, the non-financial data and the economic conjuncture in line with the credit risk policies and prudence principle when determining its estimates.

Due to the effects of the COVID-19 pandemic, the BRSA took the decisions numbered 8949 dated 17 March 2020 and 8970 dated 27 March 2020, and as a result of these decisions, the fourth and the fifth articles of the Regulation on Provisions, effective from 17 March 2020. The 30-day delay period envisaged for classification as a stage will be applied as 90 days until 31 December 2020 for the loans monitored in the first group and the 90-day delay period foreseen for the non-performing loans classification will be 180 days until 31 December 2020 for the loans monitored in the first and second stages and decided to continue separating the provisions to be made for these loans according to their own risk models used in the calculation of expected credit losses within the scope of TFRS 9. The BRSA extended this period until 30 June 2021 with its decision dated 8 December 2020 and numbered 9312. The practices of our bank regarding classification and measurement are carried out in accordance with BRSA decisions.

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The main principle of the expected credit loss model is to reflect the general outlook of deterioration or improvement in the credit quality of financial instruments. The amount of expected credit losses known as loss provision or provision varies according to the degree of increase in credit risk. There are two measurements according to the general approach:

- 12-Month Expected Loss Provision (Stage 1) applies to all assets unless there is a significant deterioration in credit quality.
- Lifetime Expected Loss (Stage 2 and Stage 3) is applied when there is a significant increase in credit risk.

Impairment

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables, contract assets, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Time value of money,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Provision for 12 month expected credit loss (Stage 1)

These are the financial assets that do not have a significant increase in credit risk at their initial recognition or after the initial recognition to financial statements. Impairment for credit risk for these assets is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan.

The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Significant increase in credit risk (Stage 2)

Financial assets are transferred to stage 2 if there is a significant increase in credit risk. While 1-year expected credit loss is calculated for at stage 1, all remaining maturity expected credit loss is calculated for loans at stage 2.

The main criteria taken into consideration in determining the credit risk of the financial asset to be significantly increased and transferred to the stage 2 are, having day-past-due more than and equal to 30 days (Based on the BRSA's decision dated 27 March 2020 and numbered 8970, effective from 17 March 2020 until 30 June 2021, it is applied as 90 days instead of 30 days), and the Bank's internal early warning system note.

Default (Stage 3)

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recorded.

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The Bank assesses that debt is in default in the following two cases:

- Objective Default Definition: It means that the debt is delayed more than 90 days. This assumption can be proved otherwise in the light of supportable information. With the debt being overdue for 90 days, default status starts on the 91st day. (Based on the BRSA Decision No. 8948 dated March 17, 2020, the definition of default, based on March 17, 2020, until June 30, 2021, is based on the criterion that the debt is delayed more than 180 days instead of 90 days).
- Subjective Default Definition: It means that the bank is convinced the debt will not be paid. In the event that the debtor cannot fulfill the debts related to the loan, the debtor is considered to be in default regardless of the number of delay days.

The collective valuation of financial instruments is based on homogeneous group assets resulting from portfolio segmentation based on similar credit risk and product characteristics. This section presents an overview of the risk parameter estimation methods for the damage assessment approach that is expected on a common basis for each stage.

Credits that differ in cash flows or have different characteristics with other credits may be subject to individual valuation instead of aggregate valuation. An expected credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original effective dividend and discounted cash flows.

When cash flows are estimated, the following situations are considered.

- During the expected life of the financial instrument, all contractual terms of the financial instrument,
- Cash flows expected to be obtained from collateral sales.

In the calculation of the expected credit loss, the basic parameters which are expressed as probability of default, loss in default and default amount are used.

Probability of Default

Probability of default refers to the likelihood that a loan will default at a certain time. In Default Probability models, sectoral information for the corporate portfolio are taken as the basis.

Default Amount

The default amount represents the expected gross receivable if a loan is defaulted.

Loss Given Default

Loss given default refers to the ratio of the economic net loss resulting from the default of a loan to the default amount. In other words, it refers to the ratio of net loss due to a defaulted loan to the balance at the time of default.

Future Expectations

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. When including macroeconomic information, models and estimations that reflect the relationships between model risk parameters and macroeconomic variables are taken into account. While creating the relevant models, the effects of many macroeconomic variables (Credit Default Swap (CDS), CPI, Unemployment rate, GDP, Industry Tracking Rates, Deposit Interest Turkey, etc.) are analyzed, among which variables that best reflect the default probabilities of our Bank's customers are used.

The Bank uses 3 scenarios for forward-looking expectations: base, bad and good. All 3 scenarios have predetermined weights. The Bank applies macroeconomic variables to its models by updating them every 3 months in March, June, September and December, which is used in the evaluation of the significant increase in credit risk and in the calculation of expected credit loss. As of 31 December 2020, macroeconomic variables taken as basis in the calculation of expected credit loss were updated by using expert opinion to include the COVID-19 effect and reflected in the models.

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The Methodology of Behavioral Maturity Calculation

The loans in Stage 1, expected loss provision is calculated until their maturity for the ones which have less than one year to due date and for 1 year which have more than one year to due date. The loans in Stage 2, expected loss provision is calculated for lifetime (until maturity date) of the loan. In this calculation, the remaining maturity information of the loan is taken as basis for each loan. While this information is used for products with real maturity information, behavioral maturity is calculated by analysing historical data for products with no maturity information. Expected loss provisions are calculated based on these maturities depending on the type of loan.

Write-off Policy

The amendment with respect to the regulation on the Principles and Procedures Regarding the Classification of Loans and Reserves Set Aside for These Loans entered into force with its publication in the Official Gazette No.30961 on November 27, 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as "Group V Loan" (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. Since the reporting period, it can be written-off from the records under TFRS 9. The write-off is an accounting policy and does not result in the waiver of the right to receivable. Within the scope of this amendment, no credit has been written-off by the Bank as of the reporting date.

IX. 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 legally enforceable rights 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.

X. EXPLANATIONS ON SALES 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. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds. As of the balance sheet date, there are no securities lending transactions (31 December 2019: None).

XI. INFORMATION ON NON-CURRENT ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS

The assets acquired by the Bank due to its receivables are accounted for in accordance with "TFRS 5 Turkish Financial Reporting Standard for Non-current Assets Held for Sale and Discontinued Operations" in financial statement of the Bank.

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, and depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. In order to have a high probability of sales, a plan for the sale of the asset (or group of assets to be disposed of) must have been prepared by an appropriate management team and an active program has been initiated to identify buyers and complete the plan.

The properties acquired by the Bank due to receivables are shown in the line of held for sale in the financial statements depending on the termination of the term sales contract.

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A discontinued operation is a division of a business that is classified as disposed or held for sale. The results related to discontinuing operations are presented separately in the profit or loss statement. The Bank does not have any discontinued operations.

As of 31 December 2020, the Bank’s held for sale tangible assets is TL 75.240 (31 December 2019: TL 104.069).

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, the Bank has no goodwill within the financial statements.

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases.

Other intangible assets are amortized using the straight line method based on their useful lives. Useful lives of other intangible assets are determined with assessments such as the expected life of the asset, technical, technological or other types of aging and the maintenance costs required to obtain the economic benefit expected from the asset. There is no change in the depreciation method applied in the current period.

The Bank recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software’s initial costs and amortized over 3-15 years considering the useful life.

XIII. EXPLANATIONS ON TANGIBLE ASSETS

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives. There is no change in the depreciation method applied in the current period.

Applied depreciation rates are as follows;

Vehicles and Fixtures:	2% - 25%
Operational Lease Improvement Costs (Leasehold Improvements):	Leasing Period - 5 years

Ordinary maintenance and repair expenses incurred for tangible assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of property and equipment are capitalized. The investment 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.

Gains or losses emerging from the disposal of tangible assets are recognized in the profit or loss account as difference between net revenue of a related intangible asset and its net book value.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Operational lease improvement costs (leasehold improvements) are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There are no mortgages, pledges or similar precautionary measures on tangible assets or commitments given for the purchase or any restrictions designated for the use of those tangible assets.

There is no tangible assets that are held for sale.

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XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Operational Leasing Transactions

Transactions as a lessee

At the beginning of a contract, the Bank evaluates whether the contract has a lease or does not include a lease. In the event that the contract is transferred for a certain period of time to the right to control the use of the asset defined for a price, this contract is of a rental nature or includes a lease. The Bank reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

Right of use;

The Bank applies the "IFRS 16 - Leases" standard in the accounting of leasing transactions.

In accordance with the "IFRS 16 - Leases" standard, the Bank calculates the "right of use" amount based on the present value of the lease payments of the fixed asset subject to lease at the beginning of the lease and includes it in "tangible fixed assets".

The cost of the right-of-use asset includes the following:

- a) The initial measurement amount of the lease obligation,
- b) The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease,
- c) All initial direct costs incurred by the Bank

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

- a) Measures by deducting accumulated depreciation and accumulated impairment losses and
- b) The restatement of the lease obligation at the restated cost.

The Bank applies principle of amortization in TAS 16 Property, Plant and Equipment while depreciating the right of use.

Lease Liabilities

At the date of the effective leasing of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at the time. Lease payments are discounted using the imputed rate of interest in the lease if they can be easily determined. If this rate cannot be easily determined, the Bank uses the Bank's alternative borrowing rate. Lease payments that are included in the measurement of the lease liability at the date the lease is commenced consist of the unpaid payments to be made for the right of use during the lease term of the underlying asset and the date on which the lease has actually begun.

After the effective date of the lease, the Bank measures the leasing liability as follows:

- a) Increases the book value to reflect the rate of profit in the lease obligation,
- b) Reduces the book value to reflect the rent payments made and
- c) Re-assess the book value to reflect re-evaluations and reconstructions, or to reflect the lease payments that are fixed on the revised basis.

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The profit for the lease obligation for each period in the lease term is the amount calculated by applying a fixed periodic rate of profit to the remaining balance of the lease obligation. The Participation Bank takes part as a lessor in financial leasing transactions. The Participation Bank indicates the assets subject to financial leasing as a receivable equal to the net lease investment amount in the balance sheet. The total of the lease payments is gross in the financial leasing receivables account including the dividends and principal amounts. The profit share, which is the difference between the total of the lease payments and the cost of the related fixed assets, is included in the unearned finance lease income account. As the lease payments are realized, the rent amount is deducted from the financial lease receivables account; the profit share is reflected in the statement of profit or loss by deducting from the unearned profit share income account.

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 “Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding”.

The Bank provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation cannot be made, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 “Accounting Standard of Employee Benefits” and the Bank’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value.

According to the related regulation, the Bank is obliged to pay termination benefits depending on the arise of the legal conditions for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling). Employment Termination Benefit is calculated based on actuarial assumptions.

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The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 31 December 2020, the Bank’s employee termination benefit is TL 18.984 (31 December 2019: TL 8.662).

	Current Period	Prior Period
Discount Rate	12,80%	12,10%
Inflation	10,10%	8,20%

Communiqué on “Turkish Accounting Standard (“TAS19”) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 7.068 was classified under shareholders’ equity in the financials. (31 December 2019: TL 2.365 missing).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2020 unused vacation liability of the Bank is TL 7.250 (31 December 2019: TL 6.050).

The Bank is not employing its personnel by means of limited-period contracts.

b. Liability of T.C. Ziraat Bankası and T. Halk Bankası Members Pension and Relief Fund (TZHEMSAN)

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution (“SSI”) is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33. As of 31 December 2020 the number of personnel who benefit from the Fund, excluding dependents, is 24.212 (31 December 2019: 23.720). 20.297 of these members are active while 3.915 are passive members. (31 December 2019: 19.832 active members, 3.888 passive members). The number of active members of the Bank benefiting from the Fund is 1.239 (31 December 2019: 1.109).

With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9,80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

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In accordance with 58th article and 7th provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

Based on the Council of Ministers’ decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 20th provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

Besides, the phrase of “two years” in Clause (2), Article 1 of the temporary 20th provision of the law numbered 5510 is revised as “four years” with the law numbered 6283 amending on the Social Insurance and General Health Insurance Law, published in the Official Gazette numbered 28227, dated 8 March 2012.

Based on the Council of Ministers’ decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; “Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506. As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law. Based on the decision of the Council of Ministers dated 24 February 2014; May 2015 was determined as the transfer period. As a result of the last amendment made in the first paragraph of the provisional article 20 of the Law No. 5510 and the Occupational Health and Safety Law No. 6645 published in the Official Gazette dated 23 April 2015 and numbered 29335; The Council of Ministers has been authorized to determine the transfer date and the President has been authorized to determine the transfer date in the repeated Official Gazette numbered 30473 on 9 July 2018.

The technical balance sheet report as of 31 December 2020 which is prepared in accordance with the new law and the allowance determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

XVII. EXPLANATIONS ON TAXATION

a. Current tax

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, which was applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061 will continue to be applied as 20% as of 1 January 2021. The bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

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Corporations are required to pay advance corporate tax quarterly at the current rate on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which does not accrue on time because the applying exemption for the transfer of the expemted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Tax returns are required to be filled and delivered to the related tax office until the end of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred tax

In accordance with TAS 12 “Turkish Accounting Standards Relating to Income Tax” and additional regulation introduced by Law No. 7061 of 28 November 2017 mentioned in the “Current Tax” section, the Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity.

Deferred tax asset and deferred tax liability are presented as net in these unconsolidated financial statements.

Deferred tax effects related to transactions accounted directly in equity are also shown in equity.

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

The Bank recognizes its debt instruments in accordance with TFRS 9 “Financial Instruments” and all financial liabilities are carried at amortized cost by using effective interest rate method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

There are no issued shares by The Bank in 2020.

XX. EXPLANATIONS ON ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Bank are presented in the “Off-Balance Sheet” commitments.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank as of the balance sheet date.

XXII. RELATED PARTIES

Within the scope of TAS 24 “Related Party Disclosures Standard”; shareholders with qualified shares, enterprises that have joint control power or significant influence over the enterprise, subsidiaries, affiliates, business partnerships in which the enterprise is a participant, and key management personnel of the enterprise or its parent company are considered as related parties. Transactions with related parties are shown in Section Five, Note VII.

XXIII. EXPLANATION ON CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values.

For the purposes of the cash flow statement, “Cash” includes cash, effectives, gold, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

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XXIV. EXPLANATION ON SEGMENT REPORTING

Information about operating segments which are determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note XII. of Section Four.

XXV. EXPLANATIONS ON OTHER MATTERS

None.

SECTION FOUR

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

Shareholders' equity and capital adequacy ratio were calculated within the framework of "Regulation on Banks' Equity" and "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" and in addition to the regulations of BRSA numbered 3397 dated 23 March 2020. Based on recent regulation changes:

- In calculating the amount subject to credit risk; Simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before the date of 31 December 2020 can be used to calculate the valued amounts in foreign currency.
- As of 23 March 2020, if the net valuation differences of the securities held by banks in the portfolio of "Financial Assets at Fair Value through Other Comprehensive Income" are negative, these differences may not be taken into consideration in the equity amount.

As of 30 December 2020 current period capital amount of the Bank is TL 4.704.364 (31 December 2019: TL 3.901.711), and capital adequacy standard ratio is 14,75% (31 December 2019: 16,58%).

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Information related to the components of shareholders’ equity:

	Current Period 31.12.2020	Prior Period 31.12.2019
Common Equity Tier 1 Capital		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	1.750.000
Share issue premiums	-	-
Reserves	1.098.041	817.159
Gains recognized in equity as per TAS	245.102	54.706
Profit	641.130	544.963
Current Period Profit	638.562	516.735
Prior Period Profit	2.568	28.228
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	3.734.273	3.166.828
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	-
Improvement costs for operating leasing	21.363	20.234
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	161.257	120.641
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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	Current Period 31.12.2020	Prior Period 31.12.2019
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier I Capital	182.620	140.875
Total Common Equity Tier I Capital	3.551.653	3.025.953
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA (*)	706.370	519.350
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
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	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	706.370	519.350
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	4.258.023	3.545.303
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA (*)	300.000	300.000
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	149.669	57.294
Tier II Capital Before Deductions	449.669	357.294
Deductions From Tier II Capital	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	449.669	357.294
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.707.692	3.902.597

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	Current Period 31.12.2020	Prior Period 31.12.2019
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the 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	-	-
Other items to be defined by the BRSA (-)	3,328	886
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
TOTAL CAPITAL		
Total Capital	4.704.364	3.901.711
Total risk weighted amounts	31.904.109	23.533.881
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	11,13	12,86
Tier 1 Capital Adequacy Ratio	13,35	15,06
Capital Adequacy Ratio	14,75	16,58
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2,50	2,50
a) Capital conservation buffer requirement	2,50	2,50
b) Bank specific counter-cyclical buffer requirement	0,00	0,00
c) Systemic significant bank buffer ratio	0,00	0,00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,63	8,36
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of 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	-	-
Portion of the total of 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	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	149.669	57.294
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	149.669	57.294
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 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	-	-

^(*) Amount to be considered within the scope of transition provisions.

^(**) The Bank provided subordinated loan from Turkey Wealth Funds Market Stability and Equalization Fund in the scope of additional main capital amounting to EUR 100.000 without demand and profit share which is approved by BRSA dated April 22, 2019.

^(***) In order to obtain TL 300.000 contribution capital, T.C. Ziraat Bank A.Ş. on March 28, 2019, and this loan was effectively entered into the Bank's accounts on March 29, 2019. The maturity of the loan is 10 (ten) years and the profit share rate is 16.25%. There is no option to convert to stock.

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Information of the borrowing instruments to be included in equity calculation

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at unconsolidated/consolidated	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Murabaha Loan as Secondary Capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 300 Million
Par value of instrument	TL 300 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	29 March 2019
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (no conditional refund)
Subsequent call dates, if applicable	-
Coupons/dividends ⁽¹⁾	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	16,25%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	It gives the owner the right to be credited before the borrowing instruments to be included in the additional capital calculation, after the depositors and all other creditors.
In compliance with article number 7 and 8 of "Own fund regulation"	In compliance with article number 8
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-

⁽¹⁾ Profit share for participation banks.

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Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at unconsolidated/consolidated	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital stock
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 706 Million
Par value of instrument	TL 905 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	24 April 2019
Perpetual or dated	Undated
Original maturity date	24 April 2019
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (Subject to BRSA permission.)
Subsequent call dates, if applicable	-
Coupons/dividends ⁽¹⁾	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	In case the Core Capital adequacy ratio or unconsolidated Core Capital adequacy ratio falls below 5,125 percent
If write-down, full or partial	Yes
If write-down, permanent or temporary	Temporary
If temporary write-down, description of write-up mechanism	It is possible to increase the value after temporary reduction.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	i. After payments within the scope of priority liabilities, ii. Equal among themselves and with all other Equal-Level Liabilities without order of preference, and iii. Before all payments within the scope of Low-Level Liabilities.
In compliance with article number 7 and 8 of “Own fund regulation”	In compliance with article number 7.
Details of incompliance with article number 7 and 8 of “Own fund regulation”	In compliance with article number 7.

⁽¹⁾ Profit share for participation banks.

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Required explanations for the reconciliation between table of equity components and balance sheet:

	Current Period 31.12.2020	Prior Period 31.12.2019
Equity value of balance sheet	3.734.273	3.166.828
Cost of development of operating lease	(21.363)	(20.234)
Goodwill and other intangible assets and related deferred tax liability	(161.257)	(120.641)
Debt instruments and premiums approved by BRSA	300.000	300.000
Tier II Capital	149.669	57.294
Debt instruments and premiums approved by BRSA - subordinated loans	706.370	519.350
Other values deducted from equity	(3.328)	(886)
Amount taken into consideration in the calculation of legal equity	4.704.364	3.901.711

In accordance with the BRSA's letter dated 8 December 2020 and numbered 9312, in the calculation of the capital adequacy ratio, the equity calculated without taking into account the negative valuation differences regarding the securities included in the "Securities with Fair Value Differences Reflected in Other Comprehensive Income" portfolio acquired before 23 March 2020 amount has been used.

II. EXPLANATIONS ON CREDIT RISK

Credit risk is the possibility of loss that the bank may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The authority to allocate loans mainly belongs to the Board of Directors, and the limits of the loan customers are determined within the framework of the credit authorization limits of the Head Office Credit Committee and the Board of Directors pursuant to the authority given by the Board of Directors. Limits are allocated by evaluating many factors such as financial and non-financial data of loan customers, loan needs, sectoral and geographical characteristics.

In terms of credit risk, the debtor or group of debtors are subject to risk limitations. The debtor and group of debtors and the risk limitations of the sectors are monitored weekly within the scope of their risk appetite.

The limits for the loan portfolio are determined with the approval of the Board of Directors and revised when necessary. The determined limits are distributed by the relevant Head Office units, taking into account the existing portfolio structure, customer and loan potential, regional and sectoral characteristics, and the competence of the staff.

After the limit is allocated to customers in the commercial portfolio, companies continue to be monitored, and changes in the financial structures and market relations of the companies with funds are monitored.

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Documents to be obtained during limit allocation and fund utilization are clearly stated in the legislation, and whether the said documents are obtained in accordance with the legislation is controlled by the inspection units. The Bank considers the collateral important in terms of minimizing the risk and its liquidation. As a result of the credit policies and processes based on obtaining reliable and robust guarantees, the Bank is believed to significantly reduce the credit risk.

The Bank implements the internal rating procedures for the analysis of the credit worthiness of its Corporate/Entrepreneurial loan customers as a decision support system in loan allocation.

The Bank makes provision in conformity with the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks are done by rating which is determined by considering the needs of clients and departments together with financial and economic conditions of the banks and their countries.

Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are monitored.

The expected loss provision (third stage) is calculated for loans belonging to customers classified as non-performing loans in accordance with the the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, taking into account the guarantees received from the relevant customer.

The percentage of top 100 and top 200 cash loans in the total cash loan portfolio is 42,10% and 52,51% respectively (31 December 2019: 57,04% and 67,97%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 52,50% and 65,79% respectively (31 December 2019: 53,30% and 66,45%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 44,95% and 56,14% respectively (31 December 2019: 55,99% and 67,55%).

The Banks general loan loss provision amount for its credit risk is TL 364.383.

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The Profile of Important Risks of Important Regions

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Current Period 31.12.2020								
Domestic	8.707.427	-	267.687	-	-	4.095.017	25.524.179	6.324.480
European Union Countries	-	-	-	-	-	855.147	549	6.786
OECD Countries (*)	-	-	-	-	-	13.521	-	75
Off-shore Banking Regions	-	-	-	-	-	160	-	-
USA, Canada	-	-	-	-	-	44.795	-	74
Other Countries	-	-	-	-	-	59.865	72.500	5.085
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-
Total	8.707.427	-	267.687	-	-	5.068.505	25.597.228	6.336.500

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

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

(**) Assets and liabilities that could not be distributed on a consistent basis.

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Prior Period 31.12.2019								
Domestic	4.559.049	-	28.235	-	-	2.794.537	17.546.529	3.490.654
European Union Countries	-	-	-	-	-	863.326	-	1.139
OECD Countries (*)	-	-	-	-	-	4.584	-	-
Off-shore Banking Regions	-	-	-	-	-	238.034	-	-
USA, Canada	-	-	-	-	-	305.303	-	62
Other Countries	-	-	-	-	-	20.465	121.340	182
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-
Total	4.559.049	-	28.235	-	-	4.226.249	17.667.869	3.492.037

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

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

(**) Assets and liabilities that could not be distributed on a consistent basis.

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	4.366.671	258.567	-	-	-	-	-	584.743	50.128.771
	2.141	-	-	-	-	-	-	-	864.623
	6	-	-	-	-	-	-	-	13.602
	-	-	-	-	-	-	-	-	160
	82	-	-	-	-	-	-	-	44.951
	599	-	104.158	-	-	-	-	-	242.207
	-	-	-	-	-	-	-	100	100
	-	-	-	-	-	-	-	-	-
	4.369.499	258.567	104.158	-	-	-	-	584.843	51.294.414

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	2.485.739	202.276	-	-	-	-	-	765.741	31.872.760
	1.162	-	-	-	-	-	-	-	865.627
	18	-	-	-	-	-	-	-	4.602
	-	-	-	-	-	-	-	-	238.034
	103	-	-	-	-	-	-	-	305.468
	428	-	45.500	-	-	-	-	-	187.915
	-	-	-	-	-	-	-	100	100
	-	-	-	-	-	-	-	-	-
	2.487.450	202.276	45.500	-	-	-	-	765.841	33.474.506

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Risk Profile by Sectors or Counterparties

Current Period 31.12.2020	Risk Classes								
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	
Sectors/Counter Parties									
Agriculture	-	-	-	-	-	-	198.878	134.867	
Farming and Stockbreeding	-	-	-	-	-	-	164.440	106.604	
Forestry	-	-	-	-	-	-	10.168	19.379	
Fishing	-	-	-	-	-	-	24.270	8.884	
Manufacturing	-	-	232.935	-	-	-	12.589.802	2.142.431	
Mining and Quarrying Production	-	-	-	-	-	-	390.530	23.871	
Manufacturing Industry	-	-	232.935	-	-	-	11.410.574	2.085.729	
Electric, Gas and Water	-	-	-	-	-	-	788.698	32.831	
Construction	-	-	-	-	-	-	4.081.413	892.080	
Services	8.707.427	-	34.752	-	-	5.068.505	8.238.272	2.582.413	
Wholesale and Retail Trade	-	-	216	-	-	-	4.208.885	2.014.549	
Hotel Food and Beverage Services	-	-	-	-	-	-	270.435	66.012	
Transportation and Telecommunication	-	-	-	-	-	-	1.056.587	140.483	
Financial Institutions	8.707.427	-	-	-	-	5.068.505	604.869	5.252	
Real Estate and Leasing Services	-	-	20.836	-	-	-	1.696.450	263.628	
Self Employment Services	-	-	-	-	-	-	-	-	
Education Services	-	-	-	-	-	-	48.585	19.292	
Health and Social Services	-	-	13.700	-	-	-	352.461	73.197	
Other	-	-	-	-	-	-	488.863	584.709	
Total	8.707.427	-	267.687	-	-	5.068.505	25.597.228	6.336.500	

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	19.600	986	-	-	-	-	-	-	258.757	95.574	354.331
	18.558	860	-	-	-	-	-	-	217.874	72.588	290.462
	1.042	126	-	-	-	-	-	-	29.664	1.051	30.715
	-	-	-	-	-	-	-	-	11.219	21.935	33.154
	432.093	88.841	-	-	-	-	-	-	7.461.418	8.024.684	15.486.102
	38.652	1.226	-	-	-	-	-	-	250.483	203.796	454.279
	369.386	87.443	-	-	-	-	-	-	6.857.675	7.328.392	14.186.067
	24.055	172	-	-	-	-	-	-	353.260	492.496	845.756
	577.461	107.024	-	-	-	-	-	-	4.193.742	1.464.236	5.657.978
	908.330	61.320	104.158	-	-	-	-	-	12.534.325	13.170.852	25.705.177
	557.651	53.714	-	-	-	-	-	-	5.448.425	1.386.590	6.835.015
	40.872	435	-	-	-	-	-	-	184.589	193.165	377.754
	21.772	1.012	-	-	-	-	-	-	286.709	933.145	1.219.854
	11.100	-	104.158	-	-	-	-	-	4.464.022	10.037.289	14.501.311
	211.819	4.441	-	-	-	-	-	-	1.795.336	401.838	2.197.174
	-	-	-	-	-	-	-	-	-	-	-
	52.394	1.717	-	-	-	-	-	-	100.566	21.422	121.988
	12.722	1	-	-	-	-	-	-	254.678	197.403	452.081
	2.432.016	395	-	-	-	-	-	584.843	3.137.322	953.504	4.090.826
	4.369.500	258.566	104.158	-	-	-	-	584.843	27.585.564	23.708.850	51.294.414

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period 31.12.2019	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Sectors/Counter Parties								
Agriculture	-	-	-	-	-	-	121.547	91.625
Farming and Stockbreeding	-	-	-	-	-	-	116.888	79.229
Forestry	-	-	-	-	-	-	4.654	9.046
Fishing	-	-	-	-	-	-	5	3.350
Manufacturing	-	-	1.172	-	-	-	8.478.192	1.180.360
Mining and Quarrying Production	-	-	-	-	-	-	439.862	17.585
Manufacturing Industry	-	-	1.172	-	-	-	7.025.149	1.134.034
Electric, Gas and Water	-	-	-	-	-	-	1.013.181	28.741
Construction	-	-	-	-	-	-	3.643.981	610.415
Services	4.559.049	-	27.063	-	-	4.226.249	5.121.958	1.270.473
Wholesale and Retail Trade	-	-	-	-	-	-	2.816.442	934.732
Hotel Food and Beverage Services	-	-	-	-	-	-	159.604	46.362
Transportation and Telecommunication	-	-	-	-	-	-	523.093	48.246
Financial Institutions	4.559.049	-	3.847	-	-	4.226.249	352.690	3.302
Real Estate and Leasing Services	-	-	6.815	-	-	-	938.438	174.270
Self Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	34.428	14.176
Health and Social Services	-	-	16.401	-	-	-	297.263	49.385
Other	-	-	-	-	-	-	302.191	339.164
Total	4.559.049	-	28.235	-	-	4.226.249	17.667.869	3.492.037

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Risk Classes		Total
									TL	FC	
	15.209	698	-	-	-	-	-	-	108.846	120.233	229.079
	15.030	698	-	-	-	-	-	-	99.481	112.364	211.845
	51	-	-	-	-	-	-	-	9.162	4.589	13.751
	128	-	-	-	-	-	-	-	203	3.280	3.483
	402.410	38.593	-	-	-	-	-	-	3.714.387	6.386.340	10.100.727
	17.090	-	-	-	-	-	-	-	174.526	300.011	474.537
	370.826	38.593	-	-	-	-	-	-	2.854.792	5.714.982	8.569.774
	14.494	-	-	-	-	-	-	-	685.069	371.347	1.056.416
	437.998	41.214	-	-	-	-	-	-	3.024.393	1.709.215	4.733.608
	391.793	120.179	45.500	-	-	-	-	-	7.441.799	8.320.465	15.762.264
	236.664	79.001	-	-	-	-	-	-	2.217.876	1.848.963	4.066.839
	34.461	624	-	-	-	-	-	-	44.672	196.379	241.051
	3.769	1.191	-	-	-	-	-	-	96.140	480.159	576.299
	5.531	-	45.500	-	-	-	-	-	4.220.192	4.975.976	9.196.168
	38.217	35.316	-	-	-	-	-	-	624.072	568.984	1.193.056
	-	-	-	-	-	-	-	-	-	-	-
	58.798	4.009	-	-	-	-	-	-	91.486	19.925	111.411
	14.353	38	-	-	-	-	-	-	147.361	230.079	377.440
	1.240.040	1.592	-	-	-	-	-	765.841	1.617.667	1.031.161	2.648.828
	2.487.450	202.276	45.500	-	-	-	-	765.841	15.907.092	17.567.414	33.474.506

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Analysis of maturity-bearing exposures according to remaining maturities

	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	3.347.758	165.173	157.858	725.478	4.311.160
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	20.047	158.642	20.955	68.043
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	4.870.053	181.554	11.422	-	5.476
Conditional and unconditional exposures to corporates	1.043.046	1.604.856	1.118.030	2.293.553	19.537.743
Conditional and unconditional retail exposures	359.541	166.441	257.891	515.412	5.037.215
Conditional and unconditional exposures secured by real estate property	21.354	49.906	66.697	259.680	3.971.863
Past due receivables	258.566	-	-	-	-
Receivables defined in high risk category by BRSA	104.158	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	584.843	-	-	-	-
Grand Total	10.589.319	2.187.977	1.770.540	3.815.078	32.931.500

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

For the foreign banks, the ratings of the Fitch Ratings International Rating Agency is used for determining the risk weights for the risk classes by using a rating grade from the risk classes specified in Article 6 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. While the international rating score is taken into consideration for the entire risk class receivables from central governments or central banks, the ratings of the Islamic International Rating Agency (IIRA) are used. The country risk classification published by the Organization for Economic Cooperation and Development (OECD) is taken as basis for unclassified central government and central banks. The counterparties residing domestically are accepted as "Gradeless" and take the risk weight which is appropriate for the "Gradeless" category in the related risk class.

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**NOTES TO THE UNCONSOLIDATED
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Rating grades;

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Governments
3. Receivables from Administrative Units and Non-Commercial Enterprises
4. Receivables from Banks and Intermediary Institutions are used in risk classes.

In the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments, and Receivables from Administrative Units and Non-Commercial Initiatives, the grade given by Fitch Ratings International Rating Agency corresponds to the credit quality level 3, while the grades used in the Credit from Banks and Intermediary Institutions risk class match with all credit quality levels from 1 to 6.

In order to determine the risk weight of regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer’s credit rating is considered in the absence of export rating.

Exposures by risk weights:

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	11.202.029	-	5.288.936	2.650.350	2.001.044	6.336.500	26.206.349	104.501	-	-	-	182.620
2	Exposures after Credit Risk Mitigation	15.629.854	-	5.779.142	2.650.350	2.501.787	3.633.282	23.490.793	104.501	-	-	-	182.620

Prepared with the numbers after conversion rate to credit

Information in terms of major sectors and type of counterparties

Impaired Loans; These are the credits deemed to have been impaired due to their overdue more than 90 days as of the end of the reporting period (temporary 180 days until 30 June 2021) or their credibility. For these loans, the “Expected Credit Loss” (Third Stage) calculation is made within the scope of TFRS 9.

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Non-Performing Loans; These are the loans that are overdue up to 90 days as of the end of the reporting period (180 days will be temporarily applied until 30 June 2021) but not impaired. For these loans, “Expected Credit Loss” (Second Stage) calculation is made within the scope of TFRS 9.

	Loans		Provisions
	Impaired (TFRS 9)		2nd and 3rd Stage Loan Provisions
	Significant Increase in Credit Risk (Stage 2)	Non-performing loans (Stage 3)	
Current Period 31.12.2020			
Agriculture	13.807	18.201	16.964
Farming and Stockbreeding	13.807	13.518	13.489
Forestry	-	3.815	2.760
Fishery	-	868	715
Manufacturing	685.651	497.187	416.676
Mining and Quarrying	107.655	15.971	35.716
Production	577.996	475.769	377.024
Electricity, Gas and Water	-	5.447	3.936
Construction	212.835	404.887	268.168
Services	834.792	256.344	318.380
Wholesale and Retail Trade	702.366	185.849	253.685
Accommodation and Dining	9.615	2.782	1.933
Transportation and Telecom.	12.656	29.489	28.207
Financial Institutions	4.719	-	50
Real Estate and Rental Services	58.429	30.441	24.888
Professional Services	632	502	268
Educational Services	3.714	52	128
Health and Social Services	42.661	7.229	9.221
Other	4.619	4.439	4.720
Total	1.751.704	1.181.058	1.024.908

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**NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**
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	Loans		Provisions
	Impaired (IFRS 9)		2nd and 3rd Stage Loan Provisions
	Significant Increase in Credit Risk (Stage 2)	Non-performing loans (Stage 3)	
Prior Period 31.12.2019			
Agriculture	22.176	15.350	9.424
Farming and Stockbreeding	20.761	12.001	7.152
Forestry	1.415	2.510	1.687
Fishery	-	839	585
Manufacturing	783.969	250.207	200.718
Mining and Quarrying	216.465	5.951	5.890
Production	561.512	239.581	192.284
Electricity, Gas and Water	5.992	4.675	2.544
Construction	297.042	76.453	51.851
Services	274.112	304.252	178.329
Wholesale and Retail Trade	204.127	161.902	106.601
Accommodation and Dining	6.991	1.357	790
Transportation and Telecom.	12.250	38.299	25.128
Financial Institutions	5.422	-	60
Real Estate and Rental Services	39.606	93.742	40.377
Professional Services	-	-	-
Educational Services	3.212	33	41
Health and Social Services	2.504	8.919	5.332
Other	20.827	29.020	84.073
Total	1.398.126	675.282	524.395

Information about Value Adjustment and Change in Provisions:

Current Period ^(*) 31.12.2020		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	467.773	434.862	(113.792)	-	788.843
2	Stage 1 and 2 Provisions	106.073	307.281	(48.971)	-	364.383
Prior Period ^(*) 31.12.2019		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	123.778	324.644	(17.064)	36.415	467.773
2	Stage 1 and 2 Provisions	84.621	79.834	(80.991)	22.609	106.073

^(*) Provisions for expected losses allocated for financial lease receivables are included.

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The table below shows the maximum credit sensitivity of the financial statement items.

	Current Period 31.12.2020	Prior Period 31.12.2019
Financial Assets at Fair Value Through Profit/Loss	980.872	-
Banks	4.799.768	916.418
Money Markets Receivables	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.145.732	2.386.937
Financial Assets Measured at Amortised Cost	779.437	547.750
Loans Given	38.223.417	25.908.664
Financial lease receivables	5.136.219	3.656.366
Other Assets	-	-
Credit risk sensitivity of balance sheet items	55.065.445	33.416.135
Guarantees and Sureties	15.915.770	11.328.137
Commitments	661.597	400.233
Credit risk sensitivity of off-balance sheet items	16.577.367	11.728.370
Total credit risk sensitivity	71.642.812	45.144.505

Information on credit quality by financial asset class:

	Current Period			Prior Period		
	Not Overdue and Not Impaired	Overdue and Not Impaired	Total	Not Overdue and Not Impaired	Overdue and Not Impaired	Total
Financial Assests						
Banks	4.799.768	-	4.799.768	916.418	-	916.418
Financial Assets at Fair Value Through Profit/Loss	980.872	-	980.872	-	-	-
Loans Given:	40.426.874	1.751.704	42.178.578	23.835.256	1.398.126	25.233.382
Corporate/Entrepreneurial Loans	35.935.620	1.745.593	37.681.213	21.686.253	1.388.068	23.074.321
Personal Loans	4.491.254	6.111	4.497.365	2.149.003	10.058	2.159.061
Specialized Loans	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.145.732	-	5.145.732	2.386.937	-	2.386.937
Financial Assets Measured at Amortised Cost	779.437	-	779.437	547.750	-	547.750

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**NOTES TO THE UNCONSOLIDATED
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III. RISKS INCLUDED CAPITAL CAPACITY BUFFER CALCULATIONS

According to the Board decision published by the BRSA, the transactions between banks are not included in the Cyclical Capital Buffer rate calculation. In this context, as of December 31, 2020, the cyclical capital buffer ratio, which is calculated as a result of the Bank’s receivables from abroad, other than Banks, is 0%. The geographical distribution of receivables from the private sector, which is taken into account in the calculation of the cyclical capital buffer specific to the bank, is explained in the table below:

Current Period			
31.12.2020			
Country	Banking accounts RWA	Trading accounts RWA	Total
United Arab Emirates	56.903	-	56.903
Germany	5.256	-	5.256
Saudi Arabia	1.568	-	1.568
England	712	-	712
Egypt	373	-	373
Bulgaria	152	-	152
Northern Cyprus Turkish Republic	100	-	100
France	85	-	85
USA	84	-	84
Senegal	75	-	75
Somalia	69	-	69
Switzerland	56	-	56
Jordan	40	-	40
Norway	2	-	2
Mauritania	-	-	-
Prior Period			
31.12.2019			
Country	Banking accounts RWA	Trading accounts RWA	Total
United Arab Emirates	44.870	-	44.870
Marshall Islands	16.733	-	16.733
Saudi Arabia	1.553	-	1.553
Germany	415	-	415
Northern Cyprus Turkish Republic	88	-	88
USA	82	-	82
France	35	-	35
Holland	32	-	32
Jordan	22	-	22
Ghana	13	-	13
Austria	10	-	10
Italy	10	-	10
Romania	8	-	8
England	6	-	6
Norway	6	-	6
South Africa	2	-	2

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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IV. EXPLANATIONS ON CURRENCY RISK

a) Whether the Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors

The Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. In addition to monitoring the currency risk through the currency risk table created within the scope of the standard method, the “Value at Risk” (“VAR”) is calculated for the purpose of monitoring the foreign currency position at the Bank.

Moreover, dealer’s positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:

None.

c) Foreign currency risk policy:

Periodic “Liquidity Gap Analysis” is performed to determine the liquidity risks in the most important foreign currencies in which the Bank operates, the US Dollar and Euro. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

d) Current foreign exchange bid rates of the Bank for the last 5 business days prior to the financial statement date:

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
31.12.2020	7,3857	9,0504	5,6805	1,2114	0,8992	8,3675	5,7475	0,8608	10,0376	1,9539	7,0960
30.12.2020	7,3433	9,0153	5,6026	1,2070	0,8933	8,2968	5,6890	0,8525	9,9325	1,9425	7,0530
29.12.2020	7,3323	8,9937	5,5490	1,2036	0,8909	8,2788	5,6703	0,8478	9,8462	1,9392	7,0080
28.12.2020	7,4097	9,0641	5,5972	1,2127	0,8916	8,3275	5,7176	0,8546	9,9662	1,9597	7,0770
27.12.2020	7,3433	9,0153	5,6026	1,2070	0,8933	8,2968	5,6890	0,8525	9,9325	1,9425	7,0530
25.12.2020	7,5374	9,1872	5,7005	1,2290	0,9061	8,4549	5,7981	0,8646	10,1606	1,9936	7,2110

e) Simple arithmetic average of the Bank’s current foreign exchange bid rates for the last 30 days prior to the balance sheet date:

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
7,6756	9,3492	5,7591	1,2503	0,9145	8,6268	5,9348	0,8778	10,2642	2,0305	7,3267

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Information on the foreign currency risk of the Bank

	EUR	USD	Other FC (****)	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	1.446.293	2.463.064	1.158.184	5.067.541
Banks	341.378	3.291.531	1.154.465	4.787.374
Financial assets at fair value through profit and loss (*****)	-	-	980.872	980.872
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	182.693	1.195.672	-	1.378.365
Loans (†)	7.454.281	5.615.649	-	13.069.930
Partnership Investments	-	-	-	-
Financial assets measured at amortised cost	779.437	-	-	779.437
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets	-	-	363	363
Intangible assets	-	-	-	-
Other assets	19.060	1.394	14.846	35.300
Total assets	10.223.142	12.567.310	3.308.730	26.099.182
Liabilities				
Current account and funds collected from Banks via participation accounts	932	3.148	-	4.080
Current and profit sharing accounts FC	7.223.351	11.038.918	3.217.239	21.479.508
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	966.504	80.024	-	1.046.528
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	1.092.483	106.480	18.589	1.217.552
Total liabilities	9.283.270	11.228.570	3.235.828	23.747.668
Net balance sheet position	939.872	1.338.740	72.902	2.351.514
Net off-balance sheet position (††)	(1.089.668)	(1.414.557)	(227)	(2.504.452)
Financial derivative assets	-	1.068.995	59.008	1.128.003
Financial derivative liabilities	1.089.668	2.483.552	59.235	3.632.455
Net position	(149.796)	(75.817)	72.675	(152.938)
Non cash loans	5.489.608	3.480.241	106.639	9.076.488
Prior Period				
Total assets	8.991.264	6.308.602	991.454	16.291.320
Total liabilities	7.620.980	7.671.150	926.101	16.218.231
Net balance sheet position	1.370.284	(1.362.548)	65.353	73.089
Net off-balance sheet position	(1.316.302)	1.317.991	-	1.689
Financial derivative assets	-	1.317.991	-	1.317.991
Financial derivative liabilities	1.316.302	-	-	1.316.302
Non-cash loans	3.528.070	2.792.756	80.345	6.401.171

(†) The financial leases, expected credit losses, foreign currency indexed loan with an amounts of TL 103.151 equivalent balance to USD and TL 215.718 equivalent balance to EUR are included in the loans balance.

(††) Shows net receivables and debts from derivative financial instruments.

(****) The currencies in the other FC column of the assets section consist of 90% Gold, 2% GBP, 3% CHF, and the remaining 7% other currencies. The currencies in the FC column of liabilities section consist of 95% Gold, 2% GBP, 1% CHF and the remaining 3% other currencies.

(*****) Provisions, lease liabilities and subordinated loans are included.

(*****) It consists of a gold-based lease certificate in the amount of TL 980.872 issued by the Treasury.

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V. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS

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

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL 10.412 all of which are 100% risk weighted (31 December 2019: TL 7.672).

VI. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

General principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of "Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management".

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Bank performs Remaining Maturity Analysis for the observation of the maturity structure of the balance sheet, Liquidity Gap Analysis for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. The main subject of the liquidity stress test is "Sudden Participation Fund Draws" and "Exchange Rate Changes". Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA on weekly unconsolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

1) LIQUIDITY RISK:

a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:

The Banks fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts. For this reason, the assets and liabilities of the Bank are compatible with the dividend rates.

The bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.

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b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:

Although Bank’s assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

d) Evaluation of the banks cash flow rates and its sources:

The banks main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank’s resource needs.

2) Liquidity Coverage Ratio

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the Bank’s net cash outflow, calculated within the scope of “Calculation of The Liquidity Coverage Ratio” regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank’s asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

Bank’s premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey’s Treasury along with cash assets and care of Central Bank of the Republic of Turkey’s accounts.

Bank’s principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank’s main fund source, is provided from numerous customers.

The lowest and highest Liquidity Coverage Ratios in the fourth quarter of 2020 are listed in the table below.

Current Period	Highest	Date	Lowest	Tarih
TP+YP	169,71	29.12.2020	73,00	18.11.2020
YP	515,62	27.11.2020	276,94	04.10.2020

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

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Current Period 31.12.2020	Consideration Ratio Not Applied Total Value ^(*)		Consideration Ratio Applied Total Value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	10.264.831	6.800.303	10.264.831	6.800.303
High quality liquid assets	-	-	10.264.831	6.800.303
CASH OUTFLOWS	58.629.258	30.312.004	17.677.933	6.453.632
Real person deposits and retail deposits	18.045.333	11.702.096	1.848.015	1.255.054
Stable deposit	2.553.057	-	127.653	-
Deposit with low stability	15.492.276	11.702.096	1.720.362	1.255.054
Unsecured debts except real person deposits and retail deposits	22.978.598	8.224.931	13.838.433	3.631.821
Operational deposit	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured debts	22.978.598	8.224.931	13.838.433	3.631.821
Secured debts	-	-	-	-
Other cash outflows	17.605.327	10.384.977	1.991.485	1.566.757
Derivative liabilities and margin obligations	1.599.722	1.013.755	1.078.820	1.013.755
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	331.042	426.882	128.937	105.785
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	15.674.563	8.944.340	783.728	447.217
TOTAL CASH OUTFLOWS	-	-	17.677.933	6.453.632
CASH INFLOWS	7.023.770	4.951.617	5.767.065	4.571.862
Secured receivables	-	-	-	-
Unsecured claims	5.893.623	4.030.512	4.636.918	3.650.757
Other cash inflows	1.130.147	921.105	1.130.147	921.105
TOTAL CASH INFLOWS	7.023.770	4.951.617	5.767.065	4.571.862
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	10.264.831	6.800.303
TOTAL NET CASH OUTFLOWS	-	-	11.910.869	1.881.770
LIQUIDITY COVERAGE RATIO (%)	-	-	86	361

(*) The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

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Prior Period 31.12.2019	Consideration Ratio Not Applied Total Value ^(*)		Consideration Ratio Applied Total Value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	4.906.883	3.146.170	4.906.883	3.146.170
High quality liquid assets	-	-	4.906.883	3.146.170
CASH OUTFLOWS	28.512.578	12.835.438	7.034.914	3.362.157
Real person deposits and retail deposits	12.003.597	6.269.508	1.090.633	626.951
Stable deposit	2.194.536	-	109.727	-
Deposit with low stability	9.809.061	6.269.508	980.906	626.951
Unsecured debts except real person deposits and retail deposits	8.359.826	3.359.697	4.486.838	1.564.046
Operational deposit	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured debts	8.359.826	3.359.697	4.486.838	1.564.046
Secured debts	-	-	-	-
Other cash outflows	8.149.155	3.206.233	1.457.443	1.171.160
Derivative liabilities and margin obligations	1.038.185	1.005.034	1.037.787	1.005.034
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	247.990	224.613	76.507	67.297
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.862.980	1.976.586	343.149	98.829
TOTAL CASH OUTFLOWS	28.512.578	12.835.439	7.034.914	3.362.157
CASH INFLOWS	7.195.386	3.619.277	6.247.901	3.355.456
Secured receivables	-	-	-	-
Unsecured claims	6.157.682	2.614.681	5.210.197	2.350.860
Other cash inflows	1.037.704	1.004.596	1.037.704	1.004.596
TOTAL CASH INFLOWS	7.195.386	3.619.277	6.247.901	3.355.456
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	4.906.883	3.146.170
TOTAL NET CASH OUTFLOWS	-	-	1.758.729	840.539
LIQUIDITY COVERAGE RATIO (%)	-	-	279	374

^(*) The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

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Presentation of assets and liabilities according to their remaining maturities

Current Period 31.12.2020	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistrib- uted (*)	Total
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	640.288	4.833.974	-	-	-	-	-	5.474.262
Banks (*)	4.043.012	756.674	-	-	-	-	-	4.799.686
Financial Assets at Fair Value Through Profit and Loss	-	3.006	90.527	527.039	360.300	-	-	980.872
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	28.342	649.154	911.323	3.546.501	-	10.412	5.145.732
Loans Given	-	1.292.151	2.642.589	7.672.789	22.264.432	7.942.234	392.215	42.206.410
Financial Assets Measured at Amortised Cost	-	-	-	-	779.437	-	-	779.437
Other Assets	-	-	-	-	-	-	800.597	800.597
Total Assets	4.683.300	6.914.147	3.382.270	9.111.151	26.950.670	7.942.234	1.203.224	60.186.996
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	4.554.961	-	6.934	-	-	-	-	4.561.895
Current and Participation Accounts	7.445.284	25.764.602	6.452.479	2.113.970	47.920	-	-	41.824.255
Funds Provided from Other Financial Instruments	-	1.011.848	2.748.151	1.112.478	533.382	38.005	-	5.443.864
Money Market Borrowings	-	2.101.073	-	-	-	-	-	2.101.073
Issued Marketable Securities (**)	-	-	-	-	1.080.526	-	-	1.080.526
Other Liabilities	-	-	-	-	-	-	5.175.383	5.175.383
Total Liabilities	12.000.245	28.877.523	9.207.564	3.226.448	1.661.828	38.005	5.175.383	60.186.996
Liquidity Gap	(7.316.945)	(21.963.376)	(5.825.294)	5.884.703	25.288.842	7.904.229	(3.972.159)	-
Net Off-Balance Sheet Position	-	28.293	(14.906)	838	-	-	-	14.225
Receivables From Derivative Financial Instruments	-	3.090.778	548.603	8.631	-	-	-	3.648.012
Financial Derivative Liabilities	-	3.062.485	563.509	7.793	-	-	-	3.633.787
Non-Cash Loans	2.405.872	691.439	1.632.493	6.099.552	4.733.595	352.819	-	15.915.770

(*) Includes expected loss provision.

(**) Assets which are required for banking operations and could not be converted into cash in short-term, such as; property and equipment associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net under follow-up loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

(***) The total of subordinated debt instruments is shown in this column.

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Presentation of assets and liabilities according to their remaining maturities

Prior Period 31.12.2019	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistri- buted (*)	Total
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	418.735	2.475.665	-	-	-	-	-	2.894.400
Banks (*)	916.283	-	-	-	-	-	-	916.283
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	3.594	349.212	583.141	1.443.318	-	7.672	2.386.937
Loans Given	-	7.029.842	1.338.998	5.654.593	12.044.093	2.923.658	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	-	-	547.750	-	-	547.750
Other Assets (**)	-	-	-	-	-	-	655.620	655.620
Total Assets	1.335.018	9.509.101	1.688.210	6.237.734	14.035.161	2.923.658	663.292	36.392.174
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	123	-	-	-	-	-	-	123
Current and Participation Accounts	4.138.185	13.556.021	4.268.215	3.264.383	230.318	-	-	25.457.122
Funds Provided from Other Financial Instruments	-	793.938	1.486.028	3.047.370	575.484	75.850	-	5.978.670
Money Market Borrowings	-	19.135	-	-	-	-	-	19.135
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities (***)	-	-	-	-	849.689	-	4.087.435	4.937.124
Total Liabilities	4.138.308	14.369.094	5.754.243	6.311.753	1.655.491	75.850	4.087.435	36.392.174
Liquidity Gap	(2.803.290)	(4.859.993)	(4.066.033)	(74.019)	12.379.670	2.847.808	(3.424.143)	-
Net Off-Balance Sheet Position	-	(11.580)	18.056	158	-	-	-	6.634
Receivables From Derivative Financial Instruments	-	1.186.774	133.020	3.142	-	-	-	1.322.936
Financial Derivative Liabilities	-	1.198.354	114.964	2.984	-	-	-	1.316.302
Non-Cash Loans	2.018.432	487.579	1.480.078	4.981.773	2.136.365	223.910	-	11.328.137

(*) Includes expected loss provision.

(**) Assets which are required for banking operations and could not be converted into cash in short-term, such as; property and equipment associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net under follow-up loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

(***) The total of subordinated debt instruments is shown in this column.

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Presentation of liabilities according to their remaining maturities

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Current Period						
Banks special current account and participation accounts	4.554.961	6.934	-	-	-	4.561.895
Other special current account and participation accounts	33.209.886	6.452.479	2.113.970	47.920	-	41.824.255
Funds borrowed from other financial institutions	1.011.848	2.748.151	1.112.478	533.382	38.005	5.443.864
Funds borrowed from Interbank money market	2.101.073	-	-	-	-	2.101.073
Total	40.877.768	9.207.564	3.226.448	581.302	38.005	53.931.087
Prior Period						
Banks special current account and participation accounts	123	-	-	-	-	123
Other special current account and participation accounts	17.694.206	4.268.215	3.264.383	230.318	-	25.457.122
Funds borrowed from other financial institutions	793.938	1.486.028	3.047.370	575.484	75.850	5.978.670
Funds borrowed from Interbank money market	19.135	-	-	-	-	19.135
Total	18.507.402	5.754.243	6.311.753	805.802	75.850	31.455.050

VII. EXPLANATIONS ON LEVERAGE RATIO

As of 31 December 2020, the leverage ratio of the Bank calculated from the average of three months is 5,65% (31 December 2019: 7,73%). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks. The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital. The regulation stipulated the minimum leverage ratio as 3%.

Leverage ratio disclosure as follows:

	Current Period ^(*) 31.12.2020	Prior Period ^(*) 31.12.2019
Balance sheet assets		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	58.662.672	33.912.199
(Assets deducted from main capital)	(176.435)	(136.619)
Total risk amount of the balance sheet assets	58.486.237	33.775.580
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	22.027	20.334
Potential credit risk amount of derivative financial instruments and credit derivatives	21.256	14.549
Total risk amount of derivative financial instruments and credit derivative	43.283	34.883
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	145.965	65.054
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	145.965	65.054
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	16.834.815	11.309.929
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	16.834.815	11.309.929
Equity and total risk		
Main capital	4.267.519	3.486.792
Total risk amount	75.501.605	45.185.446
Leverage ratio		
Leverage ratio %	5,65	7,73

(*) Three month average of the amounts in the table are taken into account.

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VIII. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

IX. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management to be Announced To Public By Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (“IRB”) have not been presented.

Within the scope of risk management, there are many risks that affect our bank’s financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Risk management strategy is based on the mission and vision of bank and is aimed to respond to customers’ financial needs in the most appropriate way and to support their financial success. In this context, business practices and our working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in our bank.

The Bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

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1. Explanations on Risk Management and Risk Weighted Assets

Overview of Risk Weighted Assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period 31.12.2020	Prior Period 31.12.2019	Current Period 31.12.2020
1	Credit risk (excluding counterparty credit risk)	29.650.711	22.300.429	2.372.057
2	Standardized approach	29.650.711	22.300.429	2.372.057
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	131.015	45.469	10.481
5	Standardized approach for counterparty credit risk	131.015	45.469	10.481
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	290.659	183.570	23.253
17	Standardized approach	290.659	183.570	23.253
18	Internal model approaches	-	-	-
19	Operational risk	1.831.724	1.004.413	146.538
20	Basic indicator approach	1.831.724	1.004.413	146.538
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	31.904.109	23.533.881	2.552.329

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2. Connections Between Financial Statements and the Risk Amounts

a) Differences between accounting consolidation and legal consolidation and matching of the subject

Current Period 31.12.2020	Valued amount according to TAS within legal consolidation ⁽¹⁾	Subject to credit risk framework	Carrying values of items		Not subject to capital requirements or subject to deduction from capital
			Subject to counterparty credit risk framework	Subject to the market risk framework	
Assets					
Cash and Balances at Central Bank	5.477.120	5.477.120	-	5.067.541	-
Derivative Financial Assets	28.253	-	28.253	-	-
Financial Assets Measured At Fair Value To Profit Or Loss	980.872	-	980.872	-	-
Banks	4.799.768	4.799.768	-	4.787.374	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	5.142.792	5.142.792	2.235.531	1.378.365	-
Loans and Receivable	37.070.191	37.070.191	-	10.466.219	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	779.437	779.437	-	779.437	-
Investments in Associates (Net)	-	-	-	-	-
Investments in Subsidiaries (Net)	100	100	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables form Leasing Transactions	5.136.219	5.136.219	-	2.284.842	-
Derivative Financial Assets for Hedging Purposes	-	-	-	9	-
Tangible Assets (Net)	177.964	177.964	-	363	21.363
Inangible Assets (Net)	161.257	-	-	-	161.257
Investment Properties (Net)	-	-	-	-	-
Tax Asset	108.597	108.597	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	75.240	75.240	-	-	-
Other Assets	249.186	249.186	-	35.458	-
Total Assests	60.186.996	59.016.614	3.244.656	24.799.608	182.620
Liabilities					
Deposits	46.386.150	-	-	21.483.588	-
Derivative Financial Liabilities	19.440	-	-	19.440	-
Funds Borrowed	5.443.864	-	-	1.046.528	-
Money Markets	2.101.073	-	2.079.285	-	-
Securities Issued (Net)	-	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	788.160	-	-	216.629	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	127.634	-	-	15.688	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	409.244	-	-	197.616	-
Tax Liability	96.632	-	-	142	-
Non-Currents Liabilities Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	1.080.526	-	-	768.037	-
Equity	3.734.273	-	-	(84)	-
Total Liabilities	60.186.996	-	2.079.285	23.747.584	-

⁽¹⁾ It represents the Bank's unconsolidated financial statements.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

b) Differences between accounting consolidation and legal consolidation and matching of the subject

Prior Period 31.12.2019	Valued amount according to TAS within legal consolidation ^(*)	Subject to credit risk framework	Carrying values of items		Not subject to capital requirements or subject to deduction from capital
			Subject to counterparty credit risk framework	Subject to the market risk framework	
Assets					
Cash and Balances at Central Bank	2.894.439	2.894.439	-	2.794.300	-
Derivative Financial Assets	17.496	-	17.496	-	-
Financial Assets Measured At Fair Value To Profit Or Loss	-	-	-	-	-
Banks	916.418	916.418	-	911.213	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	2.386.763	2.386.763	105.559	301.717	-
Loans and Receivable	25.334.818	26.010.100	-	8.862.682	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	547.750	547.750	-	547.750	-
Investments In Associates (Net)	-	-	-	-	-
Investments In Subsidiaries (Net)	100	100	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables Form Leasing Transactions	3.656.366	3.656.366	-	2.124.383	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets (Net)	157.597	137.362	-	-	20.234
Inangible Assets (Net)	120.641	-	-	-	120.641
Investment Properties (Net)	-	-	-	-	-
Tax Asset	42.153	42.153	-	-	-
Non-Currents Assets Or Disposal Groups “Held For Sale” And “From Discontinued Operations (Net)	104.069	104.069	-	-	-
Other Assets	213.564	213.564	-	65.527	-
Total Assests	36.392.174	36.909.084	123.055	15.607.572	140.875
Liabilities					
Deposits	25.457.245	-	-	12.425.040	-
Derivative Financial Liabilities	12.479	-	-	12.460	-
Funds Borrowed	5.978.670	-	-	3.121.136	-
Money Markets	19.135	-	19.135	-	-
Securities Issued (Net)	-	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	440.397	-	-	76.805	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	110.059	-	-	12.267	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	235.279	-	-	45.645	-
Tax Liability	122.393	-	-	-	-
Non-Currents Liabilities Or Disposal Groups “Held For Sale” And “From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	849.689	-	-	537.338	-
Equity	3.166.828	-	-	642	-
Total Liabilities	36.392.174	-	19.135	16.231.333	-

(*) It represents the Bank’s unconsolidated financial statements

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c) The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

Current Period 31.12.2020	Total	Subject to credit risk framework	Securitization position	Subject to counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of regulatory consolidation	60.186.996	59.016.614	-	3.244.656	24.799.608
Liabilities carrying value amount under regulatory scope of consolidation	2.101.073	-	-	2.079.285	-
Total net amount under regulatory scope of consolidation	58.085.923	59.016.614	-	1.165.371	24.799.608
Differences in valuations	23.859.166	16.422.235	-	7.436.931	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Amount of risk	81.945.089	75.438.849	-	8.602.302	24.799.608
<hr/>					
Prior Period 31.12.2019	Total	Subject to credit risk framework	Securitization position	Subject to counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of regulatory consolidation	36.392.174	36.909.084	-	123.056	15.607.573
Liabilities carrying value amount under regulatory scope of consolidation	19.135	-	-	19.135	-
Total net amount under regulatory scope of consolidation	36.373.039	36.909.084	-	103.921	15.607.573
Differences in valuations	12.082.308	11.619.628	-	462.681	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Amount of risk	48.455.347	48.528.712	-	566.602	15.607.573

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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3. Credit Risk Disclosures

3.1) General information on credit risk

a) General qualitative information on credit risk

Effective management of credit risk is one of the important elements of a comprehensive approach to risk management. Corporate, retail and SME loans, financial lease receivables, other elements of bank assets and non-cash transactions, which are provided in connection with the activities of our bank, constitute the basis of the items that constitute credit risk. It is important to take into account the risk appetite of our bank in the activities carried out in this direction, in terms of effective credit risk management.

Credit risk limits; It has been designed in accordance with the risk levels the Bank may take, its activities, the size and complexity of its products and services, and was determined by taking the opinions and suggestions of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly reviewed and monitored periodically, adapted according to changes in market conditions, Bank strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance was reviewed and a policy was created in line with the Bank's strategies and objectives.

Credit risk calculations are made carefully and meticulously and controls are carried out in accordance with the legislation. Currently, calculations are made with the standard method, and infrastructure studies are ongoing for the use of advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit units, and legal requirements are taken into account at every stage.

Detailed reports including the credit risk exposure and its relations with other risks are periodically shared with the Board of Directors and Senior Managers, and the credit risk is effectively monitored by the risk management unit.

b) Credit quality of assets

		Defaulted	Non-defaulted	Allowances/ Amortisation and impairments	Net values
1	Loans ^(*)	1.181.058	42.178.578	1.153.226	42.206.410
2	Debt securities	-	7.058.197	162.568	6.895.629
3	Off-balance sheet exposures	-	16.577.367	26.708	16.550.659
4	Total	1.181.058	65.814.142	1.342.502	65.652.698

^(*) Financial lease amounting to TL 5.136.219 is included in the table.

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c) Changes on defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	947.102
2	Loans and debt securities that have defaulted since the last reporting period	132.910
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes *	101.046
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.181.058

*) A total of 101.046 TL receivables, which are monitored in the TOA accounts, with full provision, amounting to TL 89.382 and TL 11.664, respectively, were excluded from the unconsolidated and consolidated financial statements based on the transfer agreements of the receivables dated 1 December 2020 and 29 December 2020, respectively.

d) Additional explanations on credit quality of assets

i. Differences between definitions and explanations of "deferred" receivables and receivables for which "provision was allocated", and definitions of "deferred" and "provision of allocation", if any

The Bank allocates specific and general provisions for its loans and other receivables within the framework of the "Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions".

ii. The portion that is not considered within the scope of "allocation of provision" among deferred receivables (over 90 days) and reasons for this practice

The Bank automatically transfers loans past due 90 days (to be temporarily applied as 180 days until June 30, 2021) to follow-up accounts in accordance with the provisions of the Provisions Regulation and allocates the corresponding class provision.

iii. Definitions of methods used for determining provision amount

The Bank sets expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions".

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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iv. Definitions of restructured receivable

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

	Credits			Total
	Impaired (IFRS 9)			
	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions	
Current Period 31.12.2020				
Domestic	1.751.704	1.181.058	1.153.226	1.153.226
European Union Countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other Countries	-	-	-	-
Total	1.751.704	1.181.058	1.153.226	1.153.226

	Credits			Total
	Impaired (IFRS 9)			
	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions	
Prior Period 31.12.2019				
Domestic	1.398.126	675.282	573.846	573.846
European Union Countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other Countries	-	-	-	-
Total	1.398.126	675.282	573.846	573.846

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Current Period 31.12.2020	Loans	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	992.055	18.201	20.991	989.265
Farming and Stockbreeding	704.420	13.518	16.415	701.523
Forestry	265.979	3.815	3.761	266.033
Fishing	21.656	868	815	21.709
Manufacturing	19.279.023	497.187	479.857	19.296.353
Mining and Quarrying	3.405.649	15.971	43.927	3.377.693
Production	15.455.153	475.769	429.492	15.501.430
Electric, Gas and Water	418.221	5.447	6.438	417.230
Construction	11.415.118	404.887	293.953	11.526.052
Services	10.483.535	256.344	356.848	10.387.650
Wholesale and Retail Trade	6.581.978	185.849	274.660	6.493.167
Hotel Food and Beverage Services	351.341	2.782	3.809	350.314
Transportation and Telecommunication	303.608	29.489	33.008	300.089
Financial Institutions	1.201.035	-	1.154	1.199.881
Real Estate and Leasing Services	1.367.910	30.441	31.066	1.367.285
Self Employment Services	87.162	502	1.344	86.320
Education Services	91.006	52	560	90.498
Health and Social Services	499.495	7.229	11.247	495.477
Other	8.847	4.439	5.371	7.915
Total	42.178.578	1.181.058	1.153.226	42.206.410
Prior Period 31.12.2019	Loans	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	801.694	15.350	10.194	806.850
Farming and Stockbreeding	700.355	12.001	7.750	704.606
Forestry	88.553	2.510	1.823	89.240
Fishing	12.786	839	621	13.004
Manufacturing	10.435.958	250.207	221.954	10.464.211
Mining and Quarrying	2.085.611	5.951	9.695	2.081.867
Production	7.745.368	239.581	208.652	7.776.297
Electric, Gas and Water	604.979	4.675	3.607	606.047
Construction	4.479.509	76.453	63.398	4.492.564
Services	10.887.275	304.252	193.335	10.998.192
Wholesale and Retail Trade	4.183.944	161.902	114.417	4.231.429
Hotel Food and Beverage Services	166.539	1.357	1.594	166.302
Transportation and Telecommunication	248.139	38.299	25.629	260.809
Financial Institutions	5.399.102	-	2.873	5.396.229
Real Estate and Leasing Services	666.932	93.742	42.647	718.027
Self Employment Services	-	-	-	-
Education Services	65.099	33	398	64.734
Health and Social Services	157.520	8.919	5.777	160.662
Other	2.285.312	29.020	84.965	2.229.367
Total	28.889.748	675.282	573.846	28.991.184

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vi. Aging analysis for overdue receivables

Current Period 31.12.2020	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables ⁽¹⁾				
Corporate/Entrepreneurial Loans	121.578	38.696	644.845	805.119
Consumer Loans	32.330	7.234	5.108	44.672
Toplam	153.908	45.930	649.953	849.791

⁽¹⁾ The amounts in the table are the installment amounts due for installment loans, and the principal amounts due for other loans, and the total remaining principal amounts of the installment loans are 365.120 TL.

Prior Period 31.12.2019	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables ⁽¹⁾	-	-	-	-
Corporate/Entrepreneurial Loans	314.941	131.792	187.144	633.877
Consumer Loans	246	-	-	246
Toplam	315.187	131.792	187.144	634.123

⁽¹⁾ The amounts in the table are the installment amounts due for installment loans, and the principal amounts due for other loans, and the total remaining principal amounts of the installment loans are 764.003 TL.

3.2) Credit risk mitigation

a) Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

In the collateralization transactions related to the lending processes of the Bank, the issues that may pose a risk from now on are taken into consideration. In the bank collateral policy, risks are now managed by taking into account all risks such as failure to seize the received collateral in time or not being able to convert it into cash, refusal or delay of payment by the guarantor, failure of credit documents whose legal validity has not been sufficiently investigated to achieve the desired legal result.

Transactions carried out by the Bank within the scope of market risk are not subject to collateral.

Financial collaterals are taken into consideration in credit risk mitigation in the Bank, and real estate mortgages are not considered as collateral as a rule. Mortgage-backed receivables are a separate risk class, and the financial collaterals used in the Bank consist of cash blockage, loan guarantee fund and assignment of arising public receivables.

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b) Credit risk mitigation techniques – Overview

Current Period 31.12.2020	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans *	36.296.201	5.910.209	4.717.707	4.924.960	4.189.451	-	-
Debt Securities *	6.895.629	-	-	-	-	-	-
Total	43.191.830	5.910.209	4.717.707	4.924.960	4.189.451	-	-
Of which defaulted *	1.152.871	-	-	-	-	-	-

^(*)Based on the BRSA's letter dated 08.12.2020 on "Extension of the Period of Pandemic Measures", the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date was used in the calculation of the Amount Subject to Credit Risk. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of TL 1.128.770 thousand in "Loans", TL 58.371 thousand in "Debt Instruments" and TL 28.187 thousand in "Default" class.

Priond Period 31.12.2019	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	27.117.320	1.873.864	1.250.795	1.280.636	808.337	-	-
Debt Securities	2.927.015	-	-	-	-	-	-
Total	30.044.335	1.873.864	1.250.795	1.280.636	808.337	-	-
Of which defaulted	675.282	-	-	-	-	-	-

3.3) Credit risk if standard approach is used

a) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach

The Bank uses the ratings given by the Fitch Ratings International Rating Agency in the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments, and Receivables from Administrative Units and Non-Commercial Enterprises. Receivables From Banks In the risk class, Fitch Ratings notes are used for Receivables from Resident Banks, and no rating agency notes are used for receivables from domestic resident Banks. While our country grade used for Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments and Receivables from Administrative Units and Non-Commercial Enterprises corresponds to 3 in the Credit Quality Level, the notes used in the Receivables from Banks and Intermediary Institutions risk class are from 1 to 6 matched with credit quality tiers.

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b) Standard Approach - Loan risk exposure and the effects of loan risk reduction technique

	Current Period 31.12.2020	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA amount	RWA density amount
1	Exposures to sovereigns and their central banks	8.707.427	-	12.870.880	23.363	-	0%
2	Exposures to regional and local governments	-	-	25.999	5.815	15.907	50%
3	Exposures to administrative bodies and non-commercial entities	264.828	5.784	264.828	2.858	266.144	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	5.024.106	62.368	5.024.106	44.399	1.025.480	20%
7	Exposures to corporates	16.970.986	12.490.186	15.275.823	8.613.143	23.153.759	97%
8	Retail exposures	5.076.333	2.581.421	2.582.045	1.244.087	2.746.074	72%
9	Exposures secured by residential property	2.624.630	47.664	2.624.630	25.720	927.622	35%
10	Exposures secured by commercial property	1.481.948	402.902	1.481.948	237.202	859.575	50%
11	Past-due items	258.567	-	258.567	-	174.139	67%
12	Exposures in high-risk categories	104.158	-	104.158	-	156.237	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	584.843	-	584.843	-	325.774	56%
17	Equity share investments	-	-	-	-	-	0%
18	Total	41.097.826	15.590.325	41.097.827	10.196.587	29.650.711	58%

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	Prior Period 31.12.2019	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA amount	RWA density amount
Risk Classes							
1	Exposures to sovereigns and their central banks	4.559.048	-	5.334.261	36.491	575.422	11%
2	Exposures to regional and local governments	-	-	33.126	4.978	19.052	50%
3	Exposures to administrative bodies and non-commercial entities	26.537	3.459	26.536	1.699	28.096	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	4.194.333	57.053	4.194.332	31.917	1.215.161	29%
7	Exposures to corporates	11.565.094	8.812.943	11.159.498	6.088.935	16.649.558	97%
8	Retail exposures	2.245.181	2.377.277	1.842.440	1.219.227	2.214.229	72%
9	Exposures secured by residential property	1.375.833	57.934	1.375.834	40.101	495.577	35%
10	Exposures secured by commercial property	868.529	288.347	868.528	202.987	535.758	50%
11	Past-due items	202.276	-	202.276	-	152.213	75%
12	Exposures in high-risk categories	41.924	3.577	41.923	3.577	68.250	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	765.841	-	765.841	-	347.113	45%
17	Equity share investments	-	-	-	-	-	0%
18	Total	25.844.596	11.600.590	25.844.595	7.629.912	22.300.429	67%

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c) Standard approach: Receivables related with risk classes and risk weights

Current Period Risk Classes/Risk Weight	0%	10%	20%	35% Secured by Property Mortgage	50% Secured by Property Mortgage
Exposures to sovereigns and their central banks	12.894.243	-	-	-	-
Exposures to regional and local government	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	1.542	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	5.029.242	-	-
Exposures to corporates	152.069	-	395.853	-	-
Retail exposures	87.286	-	105.564	-	-
Exposures secured by residential property	-	-	-	2.650.350	-
Exposures secured by commercial property	-	-	-	-	1.719.150
Past-due items	112	-	72	-	-
Exposures in high-risk categories	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Equity share investments	-	-	-	-	-
Other exposures	259.071	-	-	-	-
Total	13.394.323	-	5.530.731	2.650.350	1.719.150

							Total risk amount (post-CCF and CRM)
	50%^(c)	75%	100%	150%	200%	Other	
	-	-	-	-	-	-	12.894.243
	31.814	-	-	-	-	-	31.814
	-	-	266.144	-	-	-	267.686
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	39.263	-	-	-	-	-	5.068.505
	532.912	-	22.808.132	-	-	-	23.888.966
	-	3.633.282	-	-	-	-	3.826.132
	-	-	-	-	-	-	2.650.350
	-	-	-	-	-	-	1.719.150
	168.517	-	89.866	-	-	-	258.567
	-	-	-	104.158	-	-	104.158
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	325.772	-	-	-	584.843
	772.506	3.633.282	23.489.914	104.158	-	-	51.294.414

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Prior Period Risk Classes/Risk Weight	0%	10%	20%	35% Secured by Property Mortgage	50% Secured by Property Mortgage
Exposures to sovereigns and their central banks	4.219.908	-	-	-	-
Exposures to regional and local government	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	139	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	2.998.347	-	-
Exposures to corporates	-	98.254	-	-	258.881
Retail exposures	-	34.821	-	-	2.193
Exposures secured by residential property	-	-	-	1.415.935	-
Exposures secured by commercial property	-	-	-	-	1.071.515
Past-due items	-	89	-	-	99.714
Exposures in high-risk categories	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Equity share investments	-	-	-	-	-
Other exposures	418.728	-	-	-	-
Total	5.112.836	-	3.131.511	1.415.935	1.071.515

	50%^(*)	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
	1.150.844	-	-	-	-	-	5.370.752
	38.104	-	-	-	-	-	38.104
	-	-	28.096	-	-	-	28.235
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	1.224.820	-	3.082	-	-	-	4.226.249
	-	16.500.467	-	-	-	17.248.433	-
	2.941.558	-	-	-	-	3.061.667	-
	-	-	-	-	-	-	1.415.935
	-	-	-	-	-	-	1.071.515
	-	102.338	-	-	-	202.276	-
	-	-	-	45.500	-	-	45.500
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	347.113	-	-	-	765.841
	2.774.556	2.941.558	16.981.096	45.500	-	-	33.474.507

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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X. EXPLANATIONS ON RISK PROTECTION PROCEDURES

It is essential to limit the risk levels to limits compatible with the risk profile and risk tolerance in order to prevent the Bank from being affected by the adverse events that may occur while conducting its operations

Risk limits are determined by taking the opinions and suggestions of the General Manager, Audit Committee and relevant Senior Managers and approved by the Board of Directors

Risk limits; it has been determined in accordance with the risk levels, activities, size and complexity of its products and services that the Bank can take. Limits are regularly reviewed and monitored periodically, adapting to changes in market conditions, the Bank's strategy and risk appetite.

In addition, derivative transactions are carried out at the Bank and FX and TL liquidity risk is limited by the transactions performed.

1) Credit risk under IRB (Internal Rating Based) Approach

Within the scope of the footnotes and related explanations prepared in accordance with the "Communiqué on Public Disclosure by the Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 by the BRSA and entered into force as of 31 March 2016, it is given annually and quarterly. The following required tables are not presented as of 31 December 2020 as the standard approach is used in the calculation of the Bank's credit risk:

Qualitative information regarding IRB to be disclosed to the public

IRB - Credit risk amounts based on IRB and Portfolio and PoD (Probability of Default) range

IRB - Effect of credit derivatives used as CRM (Credit Risk Mitigation) technique on RWA (Risk Weighted Amounts)

Statement of changes in RWA under IRB approach

IRB - Retrospective testing of default probabilities in each risk class

IRB (Specialized loans and stock investments subject to basic risk weight approach)

XI. COUNTER PARTY CREDIT RISK EXPLANATIONS

a) Qualitative explanations on counterparty credit risk

In an attempt to identify the counter party credit risk that the Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

As part of the Bank's counterparty credit risk management, the functions of identification, measurement, monitoring and controlling of counterparty credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

It is essential that the Bank manages the counterparty credit risk level in a manner that keeps it above the minimum limits specified in the legal regulations.

Bank risk measurement system; it takes measures to operate in a reliable and integrity manner compatible with legal regulations, fields of activity and product types, and to maintain it accordingly. In this context, as a minimum, for counterparty credit risk measurement and monitoring activities; calculation of counterparty credit risk weighted asset amount and legal capital requirement, and monitoring of the Bank's compliance level with regard to allocated limits are carried out.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

b) Evaluation of counterparty credit risk in accordance with the measurement methods

	Current Period 31.12.2020	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	215.028	44.736		1,4	259.764	56.140
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.235.531	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						56.140

(*) Effective expected positive exposure

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	Prior Period 31.12.2019	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	17.498	13.773		1,4	31.271	15.508
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					105.559	21.112
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						36.620

(*) Effective expected positive exposure

c) Capital requirement for loan valuation adjustment

	Current Period 31.12.2020	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	259.764	74.875
4	Total subject to the CVA capital charge	259.764	74.875

	Prior Period 31.12.2019	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	31.271	8.850
4	Total subject to the CVA capital charge	31.271	8.850

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**NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

d) Standardised approach - CCR exposures by risk class and risk weight

Risk weight/Regulatory portfolio (Current Period)	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure^(*)
Exposures to sovereigns and their central banks	2.235.531	-	195.301	-	-	-	-	-	39.060
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	53.111	10.132	-	-	-	-	15.688
Exposures to corporates	-	-	-	-	-	877	-	-	877
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	343	-	515
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total^(*)	2.235.531	-	248.412	10.132	-	877	343	-	56.140

^(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

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Risk weight/Regulatory portfolio (Prior Period)	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure ^(*)
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	106.083	30.688	-	-	-	-	36.561
Exposures to corporates	-	-	-	-	-	58	-	-	58
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total^(*)	-	-	106.083	30.688	-	58	-	-	36.619

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

e) Risk classes and counterparty credit risk explanation

None.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

f) Collaterals for CCR

Current Period 31.12.2020	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	2.079.285	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securitises	-	-	-	-	-	-
Other collateral	-	-	-	-	-	2.235.531
Total	-	-	-	-	2.079.285	2.235.531

Prior Period 31.12.2019	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	19.135	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securitises	-	-	-	-	-	-
Other collateral	-	-	-	-	-	105.559
Total	-	-	-	-	19.135	105.559

g) Credit Derivatives

None.

h) Risk Weight changes under CCR on the Internal Modeling Management Methods.

None.

i) Risks related with Central Counterparties

None.

5. Explanations on Securitization Disclosure

The Bank does not have any securitization positions as of 31 December 2020. (31 December 2020 None).

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6. Explanations on Market Risk

a) Qualitative information about market risk to be disclosed to the public

Within the framework of BRSA's regulations, the Bank ensures effective management of market risk and market concentration risk arising from market risk components, in accordance with the volume, nature and complexity of its activities, taking into account the best practices.

The Bank ensures that measurement, monitoring, limitation, stress test and scenario analysis studies are carried out in accordance with the structure and complexity of its positions regarding market risk management and the results are reported. It is essential that new products and services are evaluated in terms of market risk.

In this context, as a minimum;

- Follow-up of the Bank's accounts and positions subject to market risk and market developments affecting the value of these accounts and positions on a minimum daily basis,
- Amount calculations based on market risk to which the Bank is exposed within the framework of trading accounts,
- Analysis of the effects of up and down normal and extraordinary movements in the markets on the Bank's accounts and positions subject to market risk,
- Backtest analysis of internal models used for monitoring purposes in calculating the amount subject to market risk,
- Regarding market risk, risk limits are regularly calculated and followed up.

In the Bank, the Board of Directors, Audit Committee and the General Manager fulfill their duties, powers and responsibilities within the scope of market risk management within the framework defined in the legislation. All Units, including the Units within the Scope of Internal Systems, fulfill their duties, powers and responsibilities within the scope of market risk management within the framework of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process and their own Regulations.

In order to reveal the market risk that the Bank may encounter, it is essential to carry out risk measurement and monitoring activities and to consider the results in the strategic decision-making process of the Bank.

Within the framework of these principles, at least the following analyzes are made for measurement and monitoring activities.

As a minimum within the scope of Market Risk:

- Standard Method: It is made in accordance with the Market Risk Reporting Set statements published by the BRSA.
- Value at Risk Analysis: Historical Simulation is performed using Parametric, Exponentially Weighted Moving Average (EWMA) or a different method deemed appropriate by the Bank.
- Internal Capital Requirement: Parameters determined by the BRSA and/or the Bank that may affect the financial strength of the Bank and the level of capital that will meet the risks the Bank is or may be exposed to, with stress tests and/or scenario analysis related to these parameters, a future perspective it is calculated using appropriate methods.

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**NOTES TO THE UNCONSOLIDATED
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b) Standard Approach

		Current Period 31.12.2020	Prior Period 31.12.2019
		RWA	RWA
Outright products			
1	Profit share rate risk (general and specific)	118.100	7.025
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	172.559	176.545
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	290.659	183.570

Issued quarterly and semi-annually and annually within the scope of the footnotes prepared by the BRSA in accordance with the “Communiqué on the Public Disclosures on Risk Management by Banks” published in the Official Gazette dated 23 October 2015 and numbered 29511 and entered into force as of 31 March 2016. The required tables below are not presented as of 31 December 2020, as the standard approach is used in the Bank’s market risk calculation:

Quantitative information to be disclosed to the public for banks using the internal model approach

Market risk RAT (Risk Weighted Amounts) change table according to the internal model approach

Internal model approach for trading account

Comparison of VaR (Value at Risk) estimates with profit/loss

7. Explanations on the Operational Risk

In the Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of securities monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

	31.12.2017	31.12.2018	31.12.2019	Total/Number of Positive GI years	Ratio (%)	Total
Gross Income	482.004	892.243	1.556.512	976.920	15	146.538
Amount Subject to Operational Risk	-	-	-	-	-	1.831.724

XII. EXPLANATIONS ON THE OPERATING SEGMENTS

The Bank’s operating segments are determined in accordance with the organizational and internal reporting structure and the provisions of TFRS 8 “Operating Segments”.

The Bank operates in retail, corporate/entrepreneurial banking, treasury/investment banking.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Table for segment reporting:

Current Period 1 January – 31 December 2020	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSES					
Profit Shares Income	381.619	2.757.088	656.569	396.069	4.191.345
Profit Shares from Loans	381.619	2.757.088	-	-	3.138.707
Profit Shares from Banks	-	-	23.995	-	23.995
Profit Shares from Securities	-	-	608.569	-	608.569
Other Profit Shares	-	-	24.005	396.069	420.074
Profit Shares Expense	(663.913)	(844.970)	(589.826)	(24.098)	(2.122.807)
Profit Shares Expense on Participation Funds	(663.913)	(844.970)	(14)	-	(1.508.897)
Profit Shares Expense on Funds Borrowed	-	-	(526.209)	-	(526.209)
Profit Shares Expense on Money Market Transactions	-	-	(63.603)	-	(63.603)
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	(24.098)	(24.098)
Net Profit Shares Income/Expense	(282.294)	1.912.118	66.743	371.971	2.068.538
Net Fees and Commission Income/Expense	12.750	111.337	-	(31.546)	92.541
Fees and Commissions Received	12.750	111.337	-	80.561	204.648
Fees and Commissions Paid	-	-	-	(112.107)	(112.107)
Dividend Income	-	-	104	-	104
Trading Income/Loss (Net)	-	-	83.310	-	83.310
Other Operating Income	-	343	-	267.801	268.144
Provision for Expected Losses	(104.292)	(781.660)	-	(108.261)	(994.213)
Other Provision Expense	-	-	-	(173.855)	(173.855)
Personnel Expenses	-	-	-	(235.155)	(235.155)
Other Operating Expense	-	(4.959)	-	(311.973)	(316.932)
Net Operating Profit/Loss	(373.836)	1.237.179	150.157	(221.018)	792.482
Tax Provision	-	-	-	(153.920)	(153.920)
Net Profit/Loss	(373.836)	1.237.179	150.157	(374.938)	638.562
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	980.872	-	980.872
Banks (*)	-	-	4.799.686	-	4.799.686
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	5.145.732	-	5.145.732
Loans (**)	4.850.077	36.350.940	1.005.393	-	42.206.410
Financial Assets Measured at Amortised Cost	-	-	779.437	-	779.437
Derivative Financial Assets	-	-	28.253	-	28.253
Partnership Investment	-	-	100	-	100
Other Assets (*)	-	-	-	6.246.506	6.246.506
Total Segment Assets	4.850.077	36.350.940	12.739.473	6.246.506	60.186.996
SEGMENT LIABILITIES					
Funds Collected	18.467.216	27.918.934	-	-	46.386.150
Derivative Financial Liabilities	-	-	19.440	-	19.440
Funds Borrowed	-	-	5.443.864	-	5.443.864
Money Market Funds	-	-	2.101.073	-	2.101.073
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	409.244	409.244
Other Liabilities	-	-	-	2.092.952	2.092.952
Shareholders' Equity	-	-	-	3.734.273	3.734.273
TOTAL SEGMENT LIABILITIES	18.467.216	27.918.934	7.564.377	6.236.469	60.186.996

(*) Includes expected loss provisions.

(**) Includes lease receivables.

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Prior Period (1 January - 31 December 2019)	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other	Total
OPERATING INCOME/EXPENSES					
Profit Shares Income	218.165	2.676.438	285.444	414.410	3.594.457
Profit Shares from Loans	218.165	2.676.438	-	-	2.894.603
Profit Shares from Banks	-	-	574	-	574
Profit Shares from Securities	-	-	245.733	-	245.733
Other Profit Shares	-	-	39.137	414.410	453.547
Profit Shares Expense	(817.982)	(705.564)	(681.355)	(20.631)	(2.225.532)
Profit Shares Expense on Participation Funds	(817.982)	(705.564)	(5.296)	-	(1.528.842)
Profit Shares Expense on Funds Borrowed	-	-	(659.132)	-	(659.132)
Profit Shares Expense on Money Market Transactions	-	-	(12.323)	-	(12.323)
Profit Shares Expense on Securities Issued	-	-	(4.604)	-	(4.604)
Other Profit Shares Expense	-	-	-	(20.631)	(20.631)
Net Profit Shares Income/Expense	(599.817)	1.970.874	(395.911)	393.779	1.368.925
Net Fees and Commission Income/Expense	16.937	114.436	-	(36.921)	94.452
Fees and Commissions Received	16.937	114.436	-	11.952	143.325
Fees and Commissions Paid	-	-	-	48.873	48.873
Dividend Income	-	-	17.762	-	17.762
Trading Income/Loss (Net)	-	-	69.478	-	69.478
Other Operating Income	-	431	-	158.577	159.008
Provision for Expected Losses	(39.535)	(394.513)	-	(58.123)	(492.171)
Other Provision expense	-	-	-	(87.244)	(87.244)
Personnel Expenses	-	-	-	(183.767)	(183.767)
Other Operating Expense	-	-	-	(241.143)	(241.143)
Net Operating Profit/Loss	(622.415)	1.691.228	(308.671)	(54.842)	705.300
Tax Provision	-	-	-	(188.565)	(188.565)
Net Profit/Loss	(622.415)	1.691.228	(308.671)	(243.407)	516.735
SEGMENT ASSETS					
Financial Assets at FV Through P/L Banks ^(*)	-	-	916.283	-	916.283
Financial Assets Measured at Fair Value Through Other Comprehensive Income Loans ^(**)	2.159.061	21.671.460	5.160.663	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	547.750	-	547.750
Derivative Financial Assets	-	-	17.496	-	17.496
Partnership Investment	-	-	100	-	100
Other Assets ^(*)	-	-	-	3.532.424	3.532.424
Total Segment Assets	2.159.061	21.671.460	9.029.229	3.532.424	36.392.174
SEGMENT LIABILITIES					
Funds Collected	15.884.216	9.573.029	-	-	25.457.245
Derivative Financial Liabilities	-	-	12.479	-	12.479
Funds Borrowed	-	-	5.978.670	-	5.978.670
Money Market Funds	-	-	19.135	-	19.135
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	235.279	235.279
Other Liabilities	-	-	-	1.522.538	1.522.538
Shareholders' Equity	-	-	-	3.166.828	3.166.828
TOTAL SEGMENT LIABILITIES	15.884.216	9.573.029	6.010.284	4.924.645	36.392.174

^(*) Includes expected loss provisions.

^(**) Includes lease receivables.

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XIII. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES

a. Information regarding the fair value of financial assets and liabilities:

Current Period	Book Value	Fair Value
Financial Assets	52.931.347	52.931.347
Due from Interbank Money Market	-	-
Banks	4.799.768	4.799.768
Financial Assets Measured at Fair Value Through Other Comprehensive Income	5.145.732	5.145.732
Financial Assets Measured at Amortised Cost	779.437	779.437
Loans	42.206.410	42.206.410
Financial Liabilities	52.152.960	52.152.960
Bank Deposits	4.561.895	4.561.895
Other Deposits	41.824.255	41.824.255
Funds Borrowed from Other Financial Institutions	5.443.864	5.443.864
Issued Marketable Securities	-	-
Miscellaneous Payables	322.946	322.946
Prior Period	Book Value	Fair Value
Financial Assets	32.842.289	32.842.289
Due from Interbank Money Market	-	-
Banks	916.418	916.418
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.386.937	2.386.937
Financial Assets Measured at Amortised Cost	547.750	547.750
Loans	28.991.184	28.991.184
Financial Liabilities	31.595.227	31.595.227
Bank Deposits	123	123
Other Deposits	25.457.122	25.457.122
Funds Borrowed from Other Financial Institutions	5.978.670	5.978.670
Issued Marketable Securities	-	-
Miscellaneous Payables	159.312	159.312

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

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b) Information on fair value measurements recognized in the financial statement:

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related notes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank’s balance sheet, are presented with respect to such basis of classification in the table below.

Current Period 31.12.2020	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	-	980.872	-	980.872
Government Debt Securities	-	-	-	-
Marketable Securities	-	-	-	-
Other Marketable Securities	-	980.872	-	980.872
Financial Assets at Fair Value Through Other Comprehensive Income	3.756.955	1.378.365	10.412	5.145.732
Marketable Securities	-	-	10.412	10.412
Government Debt Securities	-	-	-	-
Other Marketable Securities	3.756.955	1.378.365	-	5.135.320
Derivative Financial Assets	-	28.253	-	28.253
Total Assets	3.756.955	2.387.490	10.412	6.154.857
Derivative Financial Liabilities	-	19.440	-	19.440
Total Liabilities	-	19.440	-	19.440
Prior Period 31.12.2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	-	-	-	-
Government Debt Securities	-	-	-	-
Marketable Securities	-	-	-	-
Other Marketable Securities	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	2.077.548	301.717	7.672	2.386.937
Marketable Securities	-	-	7.672	7.672
Government Debt Securities	-	-	-	-
Other Marketable Securities	2.077.548	301.717	-	2.379.265
Derivative Financial Assets	-	17.496	-	17.496
Total Assets	2.077.548	319.213	7.672	2.404.433
Derivative Financial Liabilities	-	12.479	-	12.479
Total Liabilities	-	12.479	-	12.479

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XV. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES

The Bank does not provide trading, custody and fund management services on behalf and account of its customers. The bank does not make faith-based transaction contracts.

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

1.a) Information on cash and balances with Central Bank of the Republic of Turkey

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Cash/Foreign Currency	34.139	185.722	28.617	50.616
Central Bank of the Republic of Turkey ^(*)	375.440	4.821.782	71.522	2.404.187
Other	-	60.037	-	339.497
Total	409.579	5.067.541	100.139	2.794.300

^(*) According to the letter of BRSA dated 3 January 2008, it includes the average TL required reserve balance.

1.a.1) Information on Required Reserves:

According to the CBRT's Communiqué No: 2013/15 on Required Reserves, the Bank establishes a reserve requirement at the CBRT for Turkish currency and foreign currency liabilities. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold according to the "Communiqué on Required Reserves" at the CBRT.

As of 31 December 2020, the valid rates for required reserves at the CBRT are between 1% and 6% for Turkish currency deposits and other liabilities (31 December 2019: 1%-7%); for Foreign currency deposits and for foreign currency other liabilities is between 5% and 22% (31 December 2019:5%-21%).

b) Information on the account of the Central Bank of the Republic of Turkey:

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Unrestricted Demand Deposit	363.240	8	38	6
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves ^(*)	12.200	4.821.774	71.484	2.404.181
Total	375.440	4.821.782	71.522	2.404.187

^(*) TL 904.016 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2019: TL 180.501).

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2. Information on banks and other financial institutions:

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Banks				
Domestic Banks	12.394	3.688.774	5.205	332.276
Foreign Banks	-	1.098.600	-	578.937
Foreign Head Office and Branches	-	-	-	-
Total	12.394	4.787.374	5.205	911.213

Information on foreign banks account

	Unrestricted Amount		Restricted Amount	
	Current Period 31.12.2020	Prior Period 31.12.2019	Current Period 31.12.2020	Prior Period 31.12.2019
European Union Countries	920.314	263.313	-	-
USA, Canada	47.203	305.303	-	-
OECD Countries*	14.483	4.550	-	-
Off-shore Banking Regions	-	-	-	-
Other	62.716	5.771	53.884	-
Toplam	1.044.716	578.937	53.884	-

* OECD countries except EU countries, USA and Canada.

3. a) Explanation regarding the comparison of net values of financial assets through other comprehensive income available-for-sale given or blocked as collateral and subject to repurchase agreements

	Current Period 31.12.2020	Prior Period 31.12.2019
Assets Subject to Repurchase Agreements	2.145.367	16.497
Assets Blocked/Given as Collateral	147.536	84.643
Total (*)	2.292.903	101.140

(*) Accruals and provisions for impairment are not included.

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b) Information on on financial assets at fair value through other comprehensive income

	Current Period 31.12.2020	Prior Period 31.12.2019
Debt Securities	5.282.808	2.380.681
Quoted in Stock Exchange	3.904.444	2.078.312
Not Quoted in Stock Exchange	1.378.364	302.369
Share Certificates	10.412	7.672
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange ^(*)	10.412	7.672
Provision for Impairment (-) ^(**)	147.488	1.416
Total	5.145.732	2.386.937

^(*) The aforementioned amounts consist of TL 2.753 and TL 7.659 Credit Guarantee Fund paid by the Bank to JCR Avrasya Rating A.Ş. for a share of 2.86% and are shown in the line that is not traded in the stock exchange (31 December 2019: TL 7.672 Credit Guarantee Fund).

^(**) It includes the negative differences between the acquisition costs of financial assets and market prices.

4. Financial assets at fair value through profit or loss

	Current Period 31.12.2020	Prior Period 31.12.2019
Financial Assets at Fair Value Through Profit/Loss	808.723	-
Other Dividends and Income Rediscounts	187.229	-
Provision for Impairment (-)	(15.080)	-
Total	980.872	-

5. Information on derivative financial assets

a) Information on derivative assets at fair value through profit or loss

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Forward Transactions	889	-	27	17.469
Swap Transactions	27.215	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	140	9	-	-
Total	28.244	9	27	17.469

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6. Information related to loans**a) Information on all types of loans and advances given to shareholders and employees of the Bank**

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	540	-	3.097.903	-
Corporate Shareholders	540	-	3.097.903	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	5.804	-	2.372	-
Total (*)	6.344	-	3.100.275	-

(*) Includes rediscount amounts.

b) Information on the first and second group loans and other receivables including restructured loans

Current Period 31.12.2020	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured	Refinancing
			Loans with revised contract terms	
Loans (*)	35.213.881	486.490		668.893
Export Loans	2.814.464	4.080	-	-
Import Loans	63.885	-	-	-
Commercial Loans	24.477.947	406.370		668.893
Consumer Loans	4.810.580	7.259	-	-
Credit Cards	4.591	10	-	-
Loans Given to Financial Sector	960.141	-	-	-
Other (**)	2.082.273	68.771	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals and Rediscounts	613.567	16.823		42.705
Total	35.827.448	503.313		711.598

(*) Related amounts do not include finance lease receivables.

(**) As of 31 December 2020, TL 33.033 (31 December 2019: TL 21.034) of the relevant balance consists of funds made available through the müşareke partnership financing method. By means of this financing method, the Bank has signed a shareholding agreement in 2019 for two companies in different sectors, and has provided fixed negotiation müşareke financing for one company in 2019 as a founding partner.

In the financing partnership agreements established with this method, it is obligatory to include the rights and obligations of the parties, especially the management of the partnership to which the capital is participated, and in accordance with the "Regulation on Amendments to the Regulation on Credit Transactions of Banks" published in the Official Gazette dated 25 December 2019 and numbered 30666 there is a requirement that the shares be disposed of within seven years. This requirement may be extended with the permission of the BRSA, if the Bank applies to the BRSA with the relevant documents.

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As of 31 December the Bank has accounted these fixed müşareke financing loans, which it carries in the statement of financial position, at historical cost in accordance with the Article 2/3/1 of Interest-Free Finance Accounting Standard 4: Müşar Financing "FFMS 4".

Prior Period 31.12.2019	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured Loans with revised contract terms	Refinancing
Loans	23.409.267	550.499	-	749.829
Export Loans	1.226.789	55.944	-	-
Import Loans	85.536	-	-	-
Commercial Loans	13.668.959	401.691	-	748.347
Consumer Loans	2.149.003	8.576	-	1.482
Credit Cards	-	-	-	-
Loans Given to Financial Sector	5.160.663	-	-	-
Other	1.118.317	84.288	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals and Rediscunts	425.989	44.146	-	53.652
Total	23.835.256	594.645	-	803.481

Expected Credit Loss of Stage 1 and Stage 2	Current Period 31.12.2020		Prior Period 31.12.2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	128.318	-	49.451	-
Significant Increase in Credit Risk	-	236.065	-	56.622

Number of Extensions	Current Period 31.12.2020		Prior Period 31.12.2020	
	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
1 or 2 Times Extended	193.975	668.893	-	803.481
3 - 4 or 5 Times Extended	-	-	-	-
Over 5 Times Extended	-	-	-	-
Total	193.975	668.893	-	803.481

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Extension Periods	Current Period 31.12.2020		Prior Period 31.12.2020	
	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
0 - 6 Months	-	24.485	-	57
6 Months - 12 Months	109.355	241.825	-	6.952
1 - 2 Years	33.198	153.176	-	352.578
2 - 5 Years	1.229	2.369	-	334.045
5 Years and Over	50.193	247.038	-	109.849
Total	193.975	668.893	-	803.481

c. Loans according to maturity structure

Current Period 31.12.2020			
	Standard Loans and Other Receivables	Loans under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured
Short-term Loans	7.513.548	300.792	12.567
Medium and Long-term Loans	27.700.333	185.698	656.326
Total	35.213.881	486.490	668.893

Prior Period 31.12.2019			
	Standard Loans and Other Receivables	Loans under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured
Short-term Loans	10.937.943	32.480	43.376
Medium and Long-term Loans	12.471.324	518.019	760.105
Total	23.409.267	550.499	803.481

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d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

Current Period 31.12.2020	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	32.041	4.780.664	4.812.705
Housing Loans	2.229	4.474.142	4.476.371
Vehicle Loans	1.093	171.567	172.660
Consumer Loans	28.719	134.955	163.674
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	3.934	4	3.938
With Installment	1.180	4	1.184
Without Installment	2.754	-	2.754
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	61	5.073	5.134
Housing Loans	-	-	-
Vehicle Loans	-	89	89
Consumer Loans	61	4.984	5.045
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	655	8	663
With Installment	112	7	119
Without Installment	543	1	544
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	36.691	4.785.749	4.822.440

(*) Profit share rediscount amounting to TL 47.414 is not included in the table.

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Prior Period 31.12.2019	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	4.690	2.152.010	2.156.700
Housing Loans	748	1.975.401	1.976.149
Vehicle Loans	2.987	100.020	103.007
Consumer Loans	955	76.589	77.544
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	112	2.249	2.361
Housing Loans	-	95	95
Vehicle Loans	-	92	92
Consumer Loans	112	2.062	2.174
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	4.802	2.154.259	2.159.061

(*) Profit share rediscount amounting to TL 11.516 is not included in the table.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

e) Information on installment commercial loans and corporate credit cards

Current Period 31.12.2020	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	120.795	531.124	651.919
Business Loans	-	41.214	41.214
Vehicle Loans	107.336	489.910	597.246
Consumer Loans	13.459	-	13.459
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	2.943	2.943
Business Loans	-	-	-
Vehicle Loans	-	2.943	2.943
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	23.550	23.550
With Installment	-	-	-
Without Installment	-	23.550	23.550
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	120.795	557.617	678.412

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Prior Period 31.12.2019	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	43.631	249.623	293.254
With Installment	1.000	17.657	18.657
Without Installment	42.631	231.966	274.597
With Installment	-	-	-
Without Installment	-	-	-
Installment Commercial Loans-Indexed to FC	-	11.999	11.999
With Installment	-	-	-
Without Installment	-	11.999	11.999
With Installment	-	-	-
Without Installment	-	-	-
Installment Commercial Loans -FC	-	24.730	24.730
With Installment	-	-	-
Without Installment	-	24.730	24.730
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	43.631	286.352	329.983

f) Loans according to types of borrower:

	Current Period 31.12.2020	Priod Period 31.12.2019
Public	461.569	718.900
Private	35.907.695	23.990.695
Profit Share Income Accruals and Rediscounts	673.095	523.787
Total *	37.042.359	25.233.382

^(*) Financial lease receivables and non-performing loans are not included.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

g) Breakdown of domestic and international loans

	Current Period 31.12.2020	Prior Period 31.12.2019
Domestic Loans	36.256.108	23.677.914
Foreign Loans	113.156	1.031.681
Profit Share Income Accruals and Rediscounts	673.095	523.787
Total (*)	37.042.359	25.233.382

(*) Financial lease receivables and non-performing loans are not included.

h) Loans granted to subsidiaries and participations

As of 31 December 2020, the Bank has no loans granted to subsidiaries and participations (31 December 2019: None).

i) Provision for default (Stage 3/Specific Provision)

	Current Period 31.12.2020	Prior Period 31.12.2019
Loans and receivables with limited collectability	83.330	136.955
Loans and receivables with doubtful collectability	89.754	77.186
Uncollectible loans and receivables	615.759	253.632
Total	788.843	467.773

j) Information on lease receivables

j.1) Analysis of investments made in financial leasing by remaining maturity

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Gross	Net	Gross	Net
Less than 1 year	229.444	218.891	71.065	70.080
1-5 year	4.431.155	3.904.522	3.611.355	3.088.196
More than 5 years	1.262.735	1.012.806	860.343	498.090
Total	5.923.334	5.136.219	4.542.763	3.656.366

j.2) Information on net investments in financial leasing

	Current Period 31.12.2020	Prior Period 31.12.2019
Gross Financial Lease Receivable	5.923.334	4.542.763
Unearned Financial Income from Financial Lease (-)	(787.115)	(886.397)
Canceled Rental Amounts	-	-
Total	5.136.219	3.656.366

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k) Information on non-performing receivables (net)

k.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled:

As of 31 December 2020 the Bank has loans and other receivables included in non-performing receivables which are restructured or rescheduled, is TL 13.039 (31 December 2019 : TL 29.542).

k.2) Information on the movement of total non-performing loans

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Ending balance of prior period	155.555	195.532	324.195
Additions in the current period (+)	454.803	230.798	240.742
Transfers from other categories of non-performing loans (+)	-	392.746	503.145
Transfers to other categories of non-performing loans (-)	392.746	503.145	-
Collections in the current period (-)	14.165	143.531	161.825
Write offs (-) ^(*)	-	-	101.046
Corporate and commercial loans	-	-	101.046
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	203.447	172.400	805.211
Expected Loss Provision (Stage 3) (-)	83.330	89.754	615.759
Net balance on balance sheet	120.117	82.646	189.452

^(*) A total of TL 101,046 receivables, which are followed in the accounts of non-collectible receivables, have been excluded from the unconsolidated and consolidated financial statements, respectively, based on the receivables transfer agreements dated December 1, 2020 and December 29, 2020, respectively, amounting to TL 89.382 and TL 11.664.

k.3) Information on foreign currency non-performing loans

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible Loans
Current Period ^(*)			
Ending balance of the current period	14.935	57.475	221.893
Expected Loss Provision (Stage 3) (-)	4.056	32.515	167.226
Net balance on balance sheet	10.879	24.960	54.667

^(*) As of 4 July 2020, Bank started to monitor its non-performing loans as FC, arising from FC loans.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

I) Gross and net amounts of non-performing receivables according to user groups

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period (Net)	120.117	82.646	189.452
Loans to Real Persons and Legal Entities (Gross)	203.447	172.400	805.211
Specific Provisions (-)	83.330	89.754	615.759
Loans to Real Persons and Legal Entities (Net)	120.117	82.646	189.452
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	18.600	118.346	70.563
Loans to Real Persons and Legal Entities (Gross)	155.555	195.532	324.195
Specific Provisions (-)	136.955	77.186	253.632
Loans to Real Persons and Legal Entities (Net)	18.600	118.346	70.563
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

Information on accruals, valuation differences and related provisions calculated for non performing loans for Banks which are providing expected credit loss according to TFRS 9:

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible loans
Current Period End Balance 31.12.2020			
Profit Share Accrual and Valuation Differences Provision	9.402	17.192	74.182
Provision Amount (-)	3.994	8.714	60.296
Prior Period End Balance 31.12.2019			
Profit Share Accrual and Valuation Differences Provision	3.951	6.233	39.915
Provision Amount (-)	1.748	3.746	28.626

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Provision changes according to TFRS 9

	Current Period 31.12.2020			
	1.Aşama	2.Aşama	3.Aşama	Toplam
Balance at the Beginning of the Period	49.467	56.606	467.773	573.846
Addition	85.387	216.872	417.298	719.557
Disposals (-)	(11.713)	(19.694)	(7.725)	(39.132)
Sold (-)	-	-	(101.045)	(101.045)
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	6.103	(6.103)	-	-
Transfer to Stage 2	(915)	5.937	(5.022)	-
Transfer to Stage 3	(11)	(17.553)	17.564	-
Balance at the Closing of the Period	128.318	236.065	788.843	1.153.226
	Prior Period 31.12.2019			
	1.Aşama	2.Aşama	3.Aşama	Toplam
Balance at the Beginning of the Period	33.198	51.637	123.778	208.613
Addition	29.469	49.937	879.332	958.738
Disposals (-)	(11.571)	(25.622)	(6.161)	43.354
Sold (-)	-	-	(445.643)	(445.643)
Deleted From Actual (-)	-	-	(104.508)	(104.508)
Transfer to Stage 1	1.027	(1.027)	-	-
Transfer to Stage 2	(1.965)	1.965	-	-
Transfer to Stage 3	(707)	(20.268)	20.975	-
Balance at the Closing of the Period	49.451	56.622	467.773	573.846
	Current Period 31.12.2020			
	1.Aşama	2.Aşama	3.Aşama	Toplam
Balance at the Beginning of the Period	26.765.484	2.124.264	675.282	29.565.030
Addition	22.861.738	239.857	302.932	23.404.527
Disposals (-)	(9.131.240)	(257.645)	(119.991)	(9.508.876)
Sold (-)	-	-	(101.045)	(101.045)
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	366.194	(366.194)	-	-
Transfer to Stage 2	(430.123)	445.945	(15.822)	-
Transfer to Stage 3	(5.179)	(434.523)	439.702	-
Balance at the Closing of the Period	40.426.874	1.751.704	1.181.058	43.359.636

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Cash loan changes according to TFRS 9

	Prior Period 31.12.2019			
	1.Aşama	2.Aşama	3.Aşama	Toplam
Balance at the Beginning of the Period	33.198	51.637	123.778	208.613
Addition	29.469	49.937	879.332	958.738
Disposals (-)	(11.571)	(25.622)	(6.161)	(43.354)
Sold (-)	-	-	(445.643)	(445.643)
Deleted From Actual (-)	-	-	(104.508)	(104.508)
Transfer to Stage 1	1.027	(1.027)	-	-
Transfer to Stage 2	(1.965)	1.965	-	-
Transfer to Stage 3	(707)	(20.268)	20.975	-
Balance at the Closing of the Period	49.451	56.622	467.773	573.846

m) Information on liquidating policy of uncollectible loans and other receivables

Execution proceedings are carried out for the collection of receivables from loan services of the Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

n) Explanations on write-off policy

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

7. Financial assets at amortized cost

a) Information on government debt securities measured at amortized cost

	Current Period 31.12.2020	Prior Period 31.12.2019
Debt Securities ^(*)	779.437	547.750
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
Total	779.437	547.750

(*) The Bank has calculated the fair value of these borrowings in accordance with TFRS 9 by using the prices of similar financial assets at the balance sheet date and reflected them to the financial statements.

b) Information on other financial assets valued at amortized cost

None (31 December 2019: None).

c) Information on government debt securities measured at amortized cost

As of 31 December 2020, government debt securities measured at amortized cost of the Bank is TL 779.437 (31 December 2019: TL 547.750).

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

	Current Period 31.12.2020	Prior Period 31.12.2019
Balances at Beginning of Period	547.750	-
Foreign Currency Differences on Monetary Assets	191.227	7.757
Purchases during the Period ⁽¹⁾	40.460	539.993
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	779.437	547.750

⁽¹⁾ Rediscounts are shown in “Purchases during the period” line.

8. Information on assets related to trading investments and discontinued operations:

As of 31 December 2020, the amount of assets due to trading is TL 75.240 (31 December 2019: TL 104.069).

	Current Period 31.12.2020	Prior Period 31.12.2019
Beginning Balance (Net)	104.069	4.259
Changes During the Period (Net)	(28.829)	99.810
Amount of Depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net)*	75.240	104.069

⁽¹⁾ The bank has a right of fidelity of over TL 57.817 of assets held for sale (31 December 2019: 41.356).

As of 31 December 2020, the Bank has no discontinued operations (31 December 2019: None).

9. Equity Investments

a) Information about in associates (net):

None (31 December 2019: None).

b) Information on subsidiaries (net)

b.1) Information on unconsolidated subsidiaries

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior period Income/ Loss ⁽¹⁾	Fair Value	Needed Shareholders Equity
1 ⁽¹⁾	4.013.981	167	-	327.137	-	95	5	-	-
2 ⁽¹⁾	3.587	83	-	2.248	-	22	21	-	-

⁽¹⁾ Independently audited financial statements of 31 December 2020 are used.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

	Current Period 31.12.2020	Prior Period 31.12.2019
Balance at the beginning of the year	100	100
Movements during the year	-	-
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Revaluation/Impairment	-	-
Balance at the end of the year	100	100
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

b.2) Sectoral information on unconsolidated subsidiaries and the related carrying amounts

	Current Period 31.12.2020	Prior Period 31.12.2019
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

b.3) Subsidiaries that are quoted on the stock exchange

As of 31 December 2020, the Bank has no subsidiaries are quoted on the stock exchange (31 December 2019: None).

c) Information on entities under common control (joint ventures):

None (31 December 2019: None).

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**NOTES TO THE UNCONSOLIDATED
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10. Explanations on property and equipment

	Immovable	Right of Use of Immovable	Movable	Right of Use of Movable	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:							
Cost	-	113.603	71.139	14.072	42.500	-	241.314
Accumulated Depreciation (-)	-	20.376	36.939	4.111	22.291	-	83.717
Net Book Value	-	93.227	34.200	9.961	20.209	-	157.597
Current Period End:							
Net Book Value at the Beginning of the Period	-	93.227	34.200	9.961	20.209	-	157.597
Change During the Period (Net)	-	8.226	7.319	3.670	1.152	-	20.367
Cost	-	32.100	17.912	6.852	9.552	-	66.416
Amortization (Net) (-)	-	23.874	10.593	3.182	8.400	-	46.049
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	145.703	89.051	20.924	52.052	-	307.730
Accumulated Depreciation at Period End (-)	-	44.250	47.532	7.293	30.691	-	129.766
Provision for Impairment (-)	-	-	-	-	-	-	-
Closing Net Book Value	-	101.453	41.519	13.631	21.361	-	177.964

For the impairment, which are either recorded or canceled in the current period and each or some of them are not important for the whole of the financial statements, the sum of the impairment amounts that are separated or canceled by the related asset groups and the events and conditions that cause them: None.

Pledges, mortgages and other restrictions on tangible assets, amount of expenses made during construction for tangible assets, commitments made for purchase of tangible assets: None

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

11. Explanations on intangible assets:

	Current Period 31.12.2020			Prior Period 31.12.2019		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	198.433	37.176	161.257	143.633	22.992	120.641
Total	198.433	37.176	161.257	143.633	22.992	120.641

- a) In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- b) Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- c) The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- d) Book value of intangible assets with restrictions on use or pledged: None.
- e) Amount of commitments given for acquisition of intangible asset: None.
- f) Intangible assets based on revalued asset type: None.
- g) Total amount of research and development expenses recorded in the period, if any: None.
- h) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are unconsolidated: Not applied to the financial statements with consolidation.
- i) Information on goodwill: None.

12. Information on the investment properties:

As of 31 December 2020, the Bank has no investment properties (31 December 2019: None).

13. Information on the current period assets related to tax:

As of 31 December 2020, the Bank has no assets related to tax (31 December 2019: None).

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**NOTES TO THE UNCONSOLIDATED
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14. Information on deferred tax asset:

As at 31 December, deferred tax liabilities of TL 68.859 (31 December 2019: TL 33.127) and deferred tax assets of TL 177.456 (31 December 2019: TL 75.280) have been offset and TL 108.597 deferred tax asset (31 December 2019: TL 42.153 deferred tax asset) is reflected in the financial statements.

	Current Period 31.12.2020	Prior Period 31.12.2019
Deferred Tax Assets	177.456	75.280
Deferred Tax Liabilities	68.859	33.127
Net Deferred Tax Assets	108.597	42.153
Net Deferred Tax Income	47.615	4.150

	Current Period 31.12.2020	Prior Period 31.12.2019
Reserve for Employee Benefits	11.347	6.868
Financial Assets Valuation Differences	28.650	9.770
Other	68.600	25.515
Net Deferred Tax Asset	108.597	42.153

15. Information on other assets:

As of 31 December 2020, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. a) Information on funds collected

a.1) Information on maturity structure of funds collected

Current Period 31.12.2020	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 Participation Account	Total
I. Real persons current accounts non-trade TL	547.690	-	-	-	-	-	-	-	547.690
II. Real persons participation accounts non-trade TL	-	460.869	4.921.147	47.420	-	57.942	306.722	-	5.794.100
III. Other current accounts-TL	5.992.502	-	-	-	-	-	-	-	5.992.502
Public sector	173.231	-	-	-	-	-	-	-	173.231
Commercial sector	1.219.808	-	-	-	-	-	-	-	1.219.808
Other institutions	47.949	-	-	-	-	-	-	-	47.949
Commercial and other institutions	633	-	-	-	-	-	-	-	633
Banks and participation banks	4.550.881	-	-	-	-	-	-	-	4.550.881
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	6	-	-	-	-	-	-	-	6
Foreign banks	4.550.867	-	-	-	-	-	-	-	4.550.867
Participation banks	8	-	-	-	-	-	-	-	8
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	1.700.665	10.174.612	94.150	-	220.688	378.157	-	12.568.272
Public sector	-	620.289	899.416	41.069	-	106.655	-	-	1.667.429
Commercial sector	-	1.053.627	8.465.785	49.958	-	114.030	378.068	-	10.061.468
Other institutions	-	26.749	795.695	3.123	-	3	89	-	825.659
Commercial and other institutions	-	-	6.782	-	-	-	-	-	6.782
Banks and participation banks	-	-	6.934	-	-	-	-	-	6.934
V. Real persons current accounts non-trade FC	1.495.884	-	-	-	-	-	-	-	1.495.884
VI. Real persons participation accounts-FC	-	493.578	5.322.190	73.336	-	143.786	1.285.468	-	7.318.358
VII. Other current accounts-FC	2.638.698	-	-	-	-	-	-	-	2.638.698
Commercial residents in Turkey	2.571.320	-	-	-	-	-	-	-	2.571.320
Commercial residents in Abroad	63.298	-	-	-	-	-	-	-	63.298
Banks and participation banks	4.080	-	-	-	-	-	-	-	4.080
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	4.080	-	-	-	-	-	-	-	4.080
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	309.325	5.963.344	35.670	-	47.954	592.942	-	6.949.235
Public sector	-	-	2.009	-	-	-	-	-	2.009
Commercial sector	-	309.230	5.941.971	35.551	-	47.954	592.942	-	6.927.648
Other institutions	-	95	8.475	119	-	-	-	-	8.689
Commercial and other institutions	-	-	10.889	-	-	-	-	-	10.889
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	1.325.471	-	1.651.045	44.328	-	19.203	41.364	-	3.081.411
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+....+IX+X+XI)	12.000.245	2.964.437	28.032.338	294.904	-	489.573	2.604.653	-	46.386.150

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Prior Period 31.12.2019	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 Participation Account	Total
I. Real persons current accounts non-trade TL	350.043	-	-	-	-	-	-	-	350.043
II. Real persons participation accounts non-trade TL	-	627.089	4.775.595	68.752	-	72.399	260.155	-	5.803.990
III. Other current accounts-TL	1.324.955	-	-	-	-	-	-	-	1.324.955
Public sector	136.022	-	-	-	-	-	-	-	136.022
Commercial sector	1.163.377	-	-	-	-	-	-	-	1.163.377
Other institutions	24.833	-	-	-	-	-	-	-	24.833
Commercial and other institutions	716	-	-	-	-	-	-	-	716
Banks and participation banks	7	-	-	-	-	-	-	-	7
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4	-	-	-	-	-	-	-	4
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	3	-	-	-	-	-	-	-	3
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	404.033	4.163.238	608.928	-	301.861	75.154	-	5.553.214
Public sector	-	53.827	235.600	53.833	-	117.818	57.911	-	518.989
Commercial sector	-	322.540	3.590.103	153.636	-	184.008	14.834	-	4.265.121
Other institutions	-	27.666	337.535	401.459	-	35	2.409	-	769.104
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	724.646	-	-	-	-	-	-	-	724.646
VI. Real persons participation accounts non-trade FC	-	310.421	3.635.775	74.453	-	75.918	854.408	-	4.950.975
VII. Other current accounts non-trade FC	1.483.626	-	-	-	-	-	-	-	1.483.626
Commercial residents in Turkey	1.425.008	-	-	-	-	-	-	-	1.425.008
Commercial residents in Abroad	58.502	-	-	-	-	-	-	-	58.502
Banks and participation banks	116	-	-	-	-	-	-	-	116
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	116	-	-	-	-	-	-	-	116
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	269.674	1.927.397	188.365	-	328.520	1.687.014	-	4.400.970
Public sector	-	757	1.022	-	-	-	-	-	1.779
Commercial sector	-	268.708	1.888.846	188.318	-	328.520	1.687.014	-	4.361.406
Other institutions	-	209	37.529	47	-	-	-	-	37.785
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	255.038	-	557.789	25.188	-	5.545	21.266	-	864.826
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+....+IX+X+XI)	4.138.308	1.611.217	15.059.794	965.686	-	784.243	2.897.997	-	25.457.245

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

a.2) Exceeding Amounts of Insurance Limit:

i. Information's on current and participation accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund

	Under the guarantee of saving deposit insurance	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Exceeding the limit of saving deposit
	Current Period 31.12.2020	Prior Period 31.12.2019	Current Period 31.12.2020	Prior Period 31.12.2019
Real persons current and participation accounts that are not subject to commercial activities	6.262.307	5.251.128	11.597.180	7.383.152
TL accounts	3.102.912	3.496.444	3.238.877	2.657.587
FC accounts	3.159.395	1.754.684	8.358.303	4.725.565
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

ii. Amounts which are not within the scope of insurance

Participation fund of the real persons who are not within the scope of Saving Deposits Insurance Fund

	Current Period 31.12.2020	Prior Period 31.12.2019
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	672	770
Profit sharing account and other accounts within the 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	-	-

2. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	4.397.336	1.012.839	2.857.534	1.498.426
From Foreign Banks, Institutions and Funds	-	33.689	-	1.622.710
Total	4.397.336	1.046.528	2.857.534	3.121.136

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

b) Information on maturity structure of borrowings

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Short-term	4.121.770	750.707	2.516.784	179.422
Medium and Long-term	275.566	295.821	340.750	2.941.714
Total	4.397.336	1.046.528	2.857.534	3.121.136

c) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations

77% of liabilities consists of current and participation account.

3. Information on funds obtained from money market transactions

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Domestic	2.101.073	-	19.135	-
Financial Institutions	2.101.073	-	19.135	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	2.101.073	-	19.135	-

4. Information on securities issued

None (31 December 2019: None).

5. Information on financial liabilities at fair value through profit and loss

None (31 December 2019: None).

6. Information on derivative financial liabilities

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Forward transactions	-	19.213	19	12.460
Swap transactions	-	227	-	-
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
Total	-	19.440	19	12.460

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

7. Information on financial lease obligations

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Gross	Net	Gross	Net
Less than 1 year	73.018	42.158	4.342	3.953
Between 1-5 years	126.116	78.453	64.193	46.451
More than 5 years	9.770	7.023	123.525	59.655
Total	208.904	127.634	192.060	110.059

8. Information on provisions:

a) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease receivables

There is no foreign exchange loss provisions on foreign currency indexed loans and financial lease receivables (31 December 2019: None).

b) Information on special provisions related with uncompensated and non- liquidated non-cash loans

Specific provisions for indemnified non-cash loans amount to TL 26.708 (31 December 2019: TL 18.452).

c) Information on other provisions

c.1) Information on free provisions for possible risks

With the decision of the bank management, within the framework of the precautionary principle, free reserves of TL 80.000 were recorded in previous years and TL 35.000 was canceled in the current year. As of 31 December 2020, the free reserves allocated for possible risks amounted to TL 45.000. (31 December 2019: TL 80.000).

c.2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount

As of 31 December 2020, TL 206.087 of other reserves is reserved for use in meeting the part of the Savings Deposit Insurance Fund premium that falls on the participation accounts share in accordance with the 19th article of the "Regulation on Procedures and Principles Regarding the Classification of Loans and Provisions to be Allocated for them". (31 December 2019: TL 64.051).

The Bank has provided specific provisions amounting to TL 26.708 (31 December 2019 :TL 18.452) for non-cash loans that are not indemnified, amounting to TL 38.619 (31 December 2019 :TL 19.923) for the expected credit loss for (Stage 1 and 2) non-cash loans and amounting to TL 147 (31 December 2019 :TL 17.140) for other provisions.

c.3) Information on litigations provisions

A provision of TL 36.613 has been set aside in the financial statements for lawsuits that have not yet been finalized against the bank (31 December 2019: TL 17.038).

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**NOTES TO THE UNCONSOLIDATED
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d) Information on provisions for employee benefits

d.1) Employment termination benefits and unused vacation rights

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, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2020, the amount payable consists of one month's salary limited to a maximum of TL 7.117 (full TL) (31 December 2019: TL 6.380 (full TL)) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 - "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period 31.12.2020	Prior Period 31.12.2019
Discount Rate (%)	12,80%	12,10%
Inflation (%)	10,10%	8,20%

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

	Current Period 31.12.2020	Prior Period 31.12.2019
Balance at the 1 January	8.662	5.736
Current service cost	4.616	2.268
Dividend cost	1.148	801
Severance Pay	(429)	(316)
Loss/(gain) obtained from layoff	284	216
Actuarial loss/(gain)	4.703	(43)
Balance at the end of the period	18.984	8.662

As of 31 December 2020, the Bank has a TL 7.250 short-run employees' rights provision (31 December 2019: TL 6.050).

d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial rate 9.80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2020, no technical deficit has been reported.

As of the balance sheet date, the Bank's liability for the benefits to be transferred to SGK is the estimated amount of payment that will be required to be made during the transfer to SGK. The actuarial parameters and the results used in the measurement of this amount reflect the provisions of Law No. 5754 on the pension and health benefits to be transferred to the SGK (9,80% real discount rate, etc.) published in the Official Gazette dated 8 May 2008 and numbered 26870.

d.3) Additional Bonus Provision to be paid to Personnel

The Bank has allocated a provision amounting to TL 29.836 based on the bonus to be paid in a current period (31 December 2019: TL 21.000).

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

9. Explanations on tax liability

a) Explanations on current tax liability

As of 31 December 2020, the Bank's corporate income tax liability is TL 31.074 (31 December 2019: TL 85.445).

b) Information on taxes payable

	Current Period 31.12.2020	Prior Period 31.12.2019
Corporate Tax Payable	57.157	85.445
Taxation on Income From Securities	18.264	18.470
Property Tax	159	286
Banking Insurance Transactions Tax (BITT)	12.977	11.395
Foreign Exchange Transactions Tax	1.099	392
Value Added Tax Payable	3.642	3.708
Other	2.975	2.418
Total	96.273	122.114

c) Information on premiums:

	Current Period 31.12.2020	Prior Period 31.12.2019
Social Security Premiums – Employee	8	8
Social Security Premiums – Employer	14	11
Bank Social Aid Pension Fund Premium - Employee	1	-
Bank Social Aid Pension Fund Premium - Employer	7	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	110	87
Unemployment Insurance – Employer	219	173
Other	-	-
Total	359	279

10) Information on deferred tax liabilities

The Bank does not have deferred tax liabilities as of the balance sheet date (31 December 2019: None).

11. Information on payables for assets held for sale and discontinued operations

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2019: None).

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

12. Explanations on subordinated debts

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
From Domestic Banks	312.489	-	312.351	-
Domestic Other Organizations	-	768.037	-	537.338
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
Total	312.489	768.037	312.351	537.338

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:	-	768.037	-	537.338
Subordinated Loans ^(*)	-	768.037	-	537.338
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:	312.489	-	312.351	-
Subordinated Loans ^(**)	312.489	-	312.351	-
Equity-like Debt Instruments	-	-	-	-
Total	312.489	768.037	312.351	537.338

^(*) The Bank provided subordinated loan from Turkey Wealth Funds Market Stability and Equalization Fund in the scope of additional main capital amounting to EUR 100.000 without demand and profit share which is approved by BRSA dated 22 April 2019. The Bank has calculated the fair value of the loan in accordance with TFRS 9 and TFRS 13 using the prices of similar financial instruments on the balance sheet date and reflected them to the financial statements.

^(**) The Tier II capital amounting to TL 300.000 is T.C. Ziraat Bank A.Ş. has been signed on 28 March 2019. This loan has been entered into the accounts of the Bank on 29 March 2019. The maturity of the loan is 10 (ten) years and the profit share rate is 16.25%. There is no option to convert to stock.

13. If the other liabilities of the balance exceed 10% of the balance sheet total, the names and amounts of the sub-accounts constituting at least 20% of them

The amount of other liabilities of balance sheet does not exceed 10% of total amount of balance sheet.

14. Information on shareholders' equity

a) Presentation on paid-in capital:

	Current Period 31.12.2020	Prior Period 31.12.2019
Common stock	1.750.000	1.750.000
Preferred stock	-	-

b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount

None.

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

None

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d) Information on additions from capital reserves to capital in the current period

None.

e) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments

There is no capital commitments for the last financial year and the end of the following interim period (31 December 2019: None).

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity

The Bank has no any uncertainty related to profitability and liquidity according to the prior period's indicators (31 December 2019: None).

g) Summary information on privileges given to shares representing the capital

As of 31 December 2020, the Bank has no preferred shares (31 December 2019: None).

h) Disclosure of accumulated other comprehensive income or expenses to be reclassified to profit or loss

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	(9.259)	(84)	56.429	642
Revaluation Difference	(12.063)	(84)	72.454	642
Deferred Tax Effect	2.804	-	(16.025)	-
Foreign Exchange Difference	-	-	-	-
Total	(9.259)	(84)	56.429	642

i) Profit reserves and profit distribution

Legal reserves are divided into first and second reserves in the Turkish Commercial Code ("TCC"). Primary legal reserves are separated from the profit at the rate of 5% until the total reserves reach 20% of the paid-in capital. Secondary legal reserves are allocated at the rate of 10% over cash profit distributions exceeding 5% of the paid-in capital.

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At the Ordinary General Assembly Meeting of the Bank held on 19 June 2020, it was decided to distribute the 2019 profit as follows.

Profit distribution table for 2019:

Profit for the year 2019	503.076
A - 1st Tier general legal reserves (TTK 519/A) 5%	25.154
B - First dividend to shareholders	-
C - Extraordinary reserves	477.922
D - Special funds	-

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS

1. Explanations on off-balance sheet liabilities

a) Nature and amount of irrevocable loan commitments

	Current Period 31.12.2020	Prior Period 31.12.2019
Commitments for Credit Card Expenditure Limits	155.132	108.744
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	268.625	157.323
Loan Granting Commitments	16.428	11.509
Asset Purchase Commitments	48.071	-
Tax and Fund Liabilities from Export Commitments	173.340	122.657
Commitment to Implement Promotions for Credit Card and Banking Services	1	-
Total	661.597	400.233

b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned

The amount of provision for Stage 3 possible losses arising from the off-balance sheet items is TL 26.708 (31 December 2019: TL 18.452).

b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits

	Current Period 31.12.2020	Prior Period 31.12.2019
Guarantee Letters	12.574.368	9.381.555
Bank Acceptances	7.687	18.753
Letter of Credits	1.380.643	983.145
Other Contingencies	1.953.072	944.684
Total	15.915.770	11.328.137

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b.2) Certain guarantees, temporary guarantees, surety ships and similar transactions

	Current Period 31.12.2020	Prior Period 31.12.2019
Letters of Temporary Guarantees	945.817	764.821
Letters of Certain Guarantees	6.505.269	4.596.487
Letters of Advance Guarantees	592.998	621.598
Letters of Guarantees given to Customs Offices	100.010	77.809
Other Letters of Guarantees	4.430.274	3.320.840
Total	12.574.368	9.381.555

b.3) Total non-cash loans

	Current Period 31.12.2020	Prior Period 31.12.2019
Non-Cash Loans for Providing Cash Loans	4.430.274	3.320.852
With Original Maturity of One Year or Less	406.570	83.917
With Original Maturity of More than One Year	4.023.704	3.236.935
Other Non-Cash Loans	11.485.496	8.007.285
Total	15.915.770	11.328.137

c) Information on sectoral risk concentrations of non-cash loans

	Current Period 31.12.2020				Prior Period 31.12.2019			
	TP	(%)	YP	(%)	TP	(%)	YP	(%)
Agricultural	56.462	1	56.269	1	16.917	-	45.320	1
Farming and Raising Livestock	38.164	1	34.277	1	11.548	-	45.320	1
Forestry	18.243	-	-	-	5.284	-	-	-
Fishing	55	-	21.992	-	85	-	-	-
Manufacturing	1.295.191	19	6.285.349	69	875.150	18	3.872.614	60
Mining and Quarrying	21.053	-	60.462	1	35.406	-	14.976	-
Production	1.003.857	15	6.194.957	68	715.084	15	3.832.906	60
Electric, Gas and Water	270.281	4	29.930	-	124.660	3	24.732	-
Construction	3.522.025	51	836.526	9	2.724.386	55	677.991	11
Services	1.894.262	28	1.887.525	21	1.307.130	27	1.786.358	28
Wholesale and Retail Trade	1.334.199	20	1.053.809	12	761.328	15	1.251.131	20
Hotel, Food and Beverage Services	56.366	1	144.016	2	33.744	1	155.961	2
Transportation and Telecommunication	123.352	2	367.698	4	89.887	2	22.522	-
Financial Institutions	34.655	1	68.313	1	22.833	-	39.727	1
Real Estate and Leasing Services	293.691	3	222.510	2	324.252	7	266.364	4
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	2.336	-	22.241	-	657	-	17.050	-
Health and Social Services	49.663	1	8.938	-	74.429	2	33.603	1
Other	71.342	1	10.819	-	3.383	-	18.888	-
Total	6.839.282	100	9.076.488	100	4.926.966	100	6.401.171	100

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d) Information on non-cash loans classified in groups I and II:

	I. Group		II. Group	
	TL	FC	TL	FC
Non-cash Loans	6.682.472	8.793.961	156.810	282.527
Letters of Guarantee	6.535.161	5.599.870	156.810	282.527
Aval and Acceptance Loans	-	7.687	-	-
Letters of credit	40.077	1.340.566	-	-
Turnover	-	-	-	-
Our Guarantees for Purchase in Securities Issue	-	-	-	-
From Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	107.234	1.845.838	-	-

2. Explanations on derivative transactions:

	Current Period 31.12.2020	Prior Period 31.12.2019
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions: (I)	7.281.799	2.639.238
Forward Foreign Exchange Transactions	2.183.637	2.639.238
Swap Money Exchange Transactions	5.098.162	-
Futures Money Transactions	-	-
Money Trading Options	-	-
Other Trading Derivative Transactions: (II)	-	-
A. Total Trading Derivative Transactions (I+II)	7.281.799	2.639.238
Types of Hedging Derivative Transactions	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Derivative Transactions for Total Hedging Purposes	-	-
Total Derivative Transactions (A + B)	7.281.799	2.639.238

The Bank has no derivative instruments for hedging purposes. There are no unrealized transactions, those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized, or expense and income from agreements in the income statement in the current period.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Current Period 31.12.2020	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives:	28.293	(14.906)	838	-	-	14.225
- Inflow	3.090.778	548.603	8.631	-	-	3.648.012
- Outflow	(3.062.485)	(563.509)	(7.793)	-	-	(3.633.787)
Derivatives held for hedging						
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	3.090.778	548.603	8.631	-	-	3.648.012
Total Outflow	(3.062.485)	(563.509)	(7.793)	-	-	(3.633.787)
Prior Period						
31.12.2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives:	(11.580)	18.056	158	-	-	6.634
- Inflow	1.186.774	133.020	3.142	-	-	1.322.936
- Outflow	(1.198.354)	(114.964)	(2.984)	-	-	(1.316.302)
Derivatives held for hedging						
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	1.186.774	133.020	3.142	-	-	1.322.936
Total Outflow	(1.198.354)	(114.964)	(2.984)	-	-	(1.316.302)

3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank's liability resulting from the cheques given to its customers amounts TL 268.625 (31 December 2019: TL 157.323).

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

4. Explanations on services in the name of others:

The Bank provides safe deposit box services on behalf of real and legal persons. The Bank does not provide consultancy and management services.

Ziraat Katılım Bankası A.Ş.

**NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS

1. a) Information on profit share received from loans

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Profit share on loans ^(*)	2.650.825	487.882	2.515.121	379.482
Short term loans	688.309	102.573	1.112.229	117.382
Medium and long term loans	1.901.533	377.501	1.362.152	262.100
Profit share on non-performing loans	60.983	7.808	40.740	-
Premiums received from resource utilization support fund	-	-	-	-

^(*) Includes fees and commissions income on cash loans.

b) Information on profit share income from banks

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	22.086	488	530	44
Foreign Banks	-	1.421	-	-
Head Office and Branches	-	-	-	-
Total	22.086	1.909	530	44

c) Information on profit share income from securities portfolio

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit and Loss	7.457	-	16.716	-
Financial Assets at Fair Value through Other Comprehensive Income	525.705	34.947	220.709	8.308
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	40.460	-	-
Total	533.162	75.407	237.425	8.308

d) Information on profit share income received from associates and subsidiaries

None (31 December 2019: None).

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2. a) Information on profit share expense on borrowing

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Banks	100.342	55.051	519.974	121.170
Central Bank of the Republic of Turkey	2.428	-	-	-
Domestic Banks	5.625	39.332	445.379	64.946
Foreign Banks	92.289	15.719	74.595	56.224
Head Office and Branches	-	-	-	-
Other Institutions	327.137	43.679	-	17.988
Total	427.479	98.730	519.974	139.158

b) Information on profit share expense given to associates and subsidiaries

The amount of profit share expense given to associates and subsidiaries is TL 327.137 (31 December 2019: TL 386.474).

c) Information on profit share expense paid to securities issued

None (31 December 2019 TL 4.604).

d) Presentation of dividends paid to participation accounts according to maturity structure

Current Period 31.12.2020	Participation Accounts					Total
	1 month	3 months	6 months	1 year	Over 1 year	
Account Name						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	14	-	-	-	14
Real Person's Non Commercial Participation Accounts	55.456	420.858	5.616	5.466	28.565	515.961
Public Sector Participation Accounts	31.401	42.276	8.558	19.858	5.455	107.548
Commercial Sector Participation Accounts	66.019	537.096	14.481	31.788	25.261	674.645
Other Institutions Participation Accounts	6.020	45.690	8.292	144	58	60.204
Total	158.896	1.045.934	36.947	57.256	59.339	1.358.372
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	4.542	47.680	946	1.315	24.562	79.045
Public Sector Participation Accounts	6	32	-	-	-	38
Commercial Sector Participation Accounts	3.073	47.138	963	2.110	15.132	68.416
Other Institutions Participation Accounts	1	451	1	-	-	453
Public Sector Participation Accounts	2.573	-	-	-	-	2.573
Total	10.195	95.301	1.910	3.425	39.694	150.525
Grand Total	169.091	1.141.235	38.857	60.681	99.033	1.508.897

Ziraat Katılım Bankası A.Ş.

**NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Prior Period 31.12.2019	Participation Accounts					
	1 month	3 months	6 months	1 year	Over 1 year	Total
Account Name						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	87	4.883	326	-	-	5.296
Real Person's Non Commercial Participation Accounts	71.104	535.780	5.902	7.087	39.397	659.270
Public Sector Participation Accounts	6.155	28.584	10.609	16.489	19.808	81.645
Commercial Sector Participation Accounts	26.263	392.515	23.661	20.286	2.406	465.131
Other Institutions Participation Accounts	2.343	79.396	67.876	2.577	928	153.120
Total	105.952	1.041.158	108.374	46.439	62.539	1.364.462
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	138	-	-	-	138
Real Person's Non Commercial Participation Accounts	7.126	68.457	1.714	1.249	20.990	99.536
Public Sector Participation Accounts	13	279	-	-	-	292
Commercial Sector Participation Accounts	1.982	37.792	1.355	1.782	14.405	57.316
Other Institutions Participation Accounts	1	1.428	1	-	-	1.430
Public Sector Participation Accounts	5.668	-	-	-	-	5.668
Total	14.790	108.094	3.070	3.031	35.395	164.380
Grand Total	120.742	1.149.252	111.444	49.470	97.934	1.528.842

3. Information on dividend income:

Dividend revenue is TL 104 as of 31 December 2020. (31 December 2019: TL 17.762).

4. a. Information on trading income/loss (net)

	Current Period 31.12.2020	Prior Period 31.12.2019
Income	13.705.661	7.627.672
Foreign exchange gains	13.423.821	7.544.152
Gain on derivative financial instruments	84.275	81.310
Gain on capital market transactions	197.565	2.210
Losses (-)	13.622.351	7.558.194
Foreign exchange losses	13.441.463	7.520.302
Losses on derivative financial instruments	159.863	37.248
Losses on capital market transactions	21.025	644
Net	83.310	69.478

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

b. Information on Profit/Loss on Derivative Financial Operations

	Current Period 31.12.2020	Prior Period 31.12.2019
Effect of the change in exchange rates on profit/loss	(75.588)	44.062
Total	(75.588)	44.062

5. Information on other operating income

Information on factors covering the recent developments which has significant effect on the Bank's income and the extent of effect on income

	Current Period 31.12.2020	Prior Period 31.12.2019
Correction Account for Previous Years Expenses	215.301	155.601
Income from the Sale of the Asset	48.060	1.072
Provision for Communication Expenses	953	666
Checkbook Fees	392	266
Other	3.438	1.403
Total	268.144	159.008

6. Provision expenses for impairment on loans and other receivables

	Current Period 31.12.2020	Prior Period 31.12.2019
Expected Credit Loss	885.952	434.048
12 month expected credit loss (Stage 1)	124.815	33.252
Significant increase in credit risk (Stage 2)	269.250	55.049
Non-performing loans (Stage 3)	491.887	345.747
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities Under Common Control Impairment Provision	-	-
Associates	-	-
Subsidiaries	-	-
Entities Under Common Control (Joint Ventures)	-	-
Other ^(*)	108.261	58.123
Total	994.213	492.171

^(*) In accordance with Article 19 of the "Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Allocated for These", 108.261 TL (31 December 2019 58.123 TL) of the balance that constitutes the other item is from the amount allocated to be used to meet the part of the special and general provisions and the share of participation accounts.

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**NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

7. Information on other operating expenses

	Current Period 31.12.2020	Prior Period 31.12.2019
Reserve for Employee Termination Benefits	5.620	3.606
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	50.519	43.238
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	14.184	10.350
Impairment Expense of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses for Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	131.289	94.779
Leasing Expenses Related to TFRS 16 Exceptions	584	162
Maintenance Expenses	23.158	19.724
Advertisement Expenses	34.332	26.718
Other Expenses	73.215	48.175
Loss on Sales of Assets	945	7.923
Other ^(*)	114.375	81.247
Total	316.932	241.143

^(*) The balance which forms the other item part, TL 64.370 (31 December 2019: TL 25.253), Saving Deposit Insurance Fund ("SDIF") premium and audit and consultancy service expenses, while TL 39.026 (31 December 2019: TL 37.718) consists of taxes, fees and funds and other service expenses.

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

As of 31 December 2020, the Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period 31.12.2020	Prior Period 31.12.2019
Net Profit Share Income	2.068.538	1.368.925
Net Fees and Commissions Income	92.541	94.452
Dividend Income	104	17.762
Trading Income/Expense (Net)	83.310	69.478
Other Operating Income	268.144	159.008
Expected Loss Provision (-)	994.213	492.171
Other Provision Expense (-)	173.855	87.244
Personnel Expense	235.155	183.767
Other Operating Expenses (-)	316.932	241.143
Income/(Loss) from Continuing Operations	792.482	705.300

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

9. Information on tax provision for continued and discontinued operations

As of 31 December 2020, the Bank's total tax provision expense amounting to TL 153.920 (31 December 2019: TL 188.565) consists of TL 201.535 (31 December 2019: TL 202.224) of current tax expense and TL 47.615 (31 December 2019: TL 13.659) of deferred tax expense.

10. Explanation on net income/loss for the period for continuing and discontinued operations

The Bank's net operating income after tax amounts to TL 638.562 (31 December 2019: TL 516.735 net profit).

11. Explanation on net profit/loss

a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period

The Bank mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

12. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below

None (31 December 2019: None).

V. EXPLANATIONS AND NOTES RELATED TO THE CHANGES IN SHAREHOLDERS' EQUITY

a) Explanations on Profit Distribution:

In accordance with the profit distribution decision taken at the 2019 Ordinary General Assembly meeting held on 19 June 2020, the Bank set aside a general legal reserve of 25.154 TL at the rate of 5% from the net profit of the period of TL 503.076 after deducting the financial liabilities amounting to TL 202.224 from the balance sheet profit of the year 2019 amounting to TL 705.300, and 477.922 TL remaining after distributions and followed up in previous years profit; As of January 1, 2018 date being implemented "IFRS-9 Financial Instruments" from Turkey Financial Reporting Standards regulations due to be recalculated in accordance with the provisions of TL 25,662 has been decided to leave the Bank.

The Bank plans to distribute its profit in 2020 in line with its articles of association. However, no decision has been taken regarding the distribution of profits as of the date the financial reports were prepared.

b) Explanations on Financial Assets at Fair Value through Other Comprehensive Income:

Information on financial assets at fair value through other comprehensive income is presented in the fifth section, footnote 1.3-b.

c) Profit Reserves:

As of the balance sheet date, the profit reserves were 1.098.041 TL, legal reserves were 60.388 TL, extraordinary reserves were 991.586 TL, and other profit reserves were 46.067 TL.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

d) Explanations on Previous Period Profit/Loss:

As of 31 December 2020, the Bank’s previous period profit is 2.568 TL.

VI. EXPLANATIONS ON CASH FLOW STATEMENTS

1. Explanations on the “Other” items and “The Effect Of The Change in Foreign Currency on Cash and Cash Equivalent” item in the Cash Flow Statement:

Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 229.435 gain is composed mainly from interest received from loans and securities amounting to TL 4.093.676 and interest paid to deposit and money market operations which is amounting to TL 2.010.679. Other earnings consists primarily net fee, commission income and other operation gains.

The effect of the change in foreign exchange rate on cash and cash equivalents is determined as TL 1.456.262 as of 31 December 2020 (31 December 2019: TL 195.076).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

Period opening and end cash and cash equivalents balance

	Current Period 31.12.2020	Prior Period 31.12.2020
Cash in TL and in Foreign Currency	279.899	418.728
Central Bank of the Republic of Turkey and Other Banks	4.490.864	984.698
Money Market Operations	-	-
Total Cash and Cash Equivalents	4.770.763	1.403.426

VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE BANK

1) a) Information on the volume of transactions relating to the Bank’s risk group, outstanding loans and funds collected and income and expenses for the period

Current Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		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	-	-	3.097.903	-	-	-
Balance at end of period	-	-	540	-	-	-
Profit share and commission income	-	-	3.356	-	-	-

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		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	-	-	2.180.316	-	-	-
Balance at end of period	-	-	3.097.903	-	-	-
Profit share and commission income	-	-	21.276	-	-	-

b) Current and participation account held by the Bank's risk group

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and participation accounts						
Balance at the beginning of period	-	-	59.324	42.411	-	-
Balance at the end of period	-	-	2.715	59.324	-	-
Participation Accounts						
Profit Share Expenses	327.137	386.474	21	6.005	-	-

2) Information on forward transactions, option agreements and similar transactions between the Bank's risk group

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	2.383.936	2.401.773	-	-
Closing Balance	-	-	2.153.566	2.383.936	-	-
Total Profit/Loss	-	-	230.370	17.837	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

3) Information on remunerations provided to top management

The Bank has paid TL 6.104 (31 December 2019: TL 4.689) to top management.

Ziraat Katılım Bankası A.Ş.

**NOTES TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

VIII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

None.

IX. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE BANK

1) Information on the Bank’s domestic and foreign branches and foreign representatives of the Bank

	Number	Number of Employees			
Domestic Branch ^(*)	104	1.260			
			Country of Incorporation		
Foreign Representative Office	-	-			
				Total Assets	Statutory Share Capital
Foreign Branch ^(**)	1	1	Sudan	86.171	73.760
Off-Shore Banking Region Branches	-	-			

^(*) Includes the employees of the domestic branches, including the employees of Head Office.

^(**) Excluding the local employees of the foreign branches.

2) Information on the Bank about opening, closing, changing its organization considerably for domestic and foreign branches and foreign representatives of the Bank

In 2020, 11 new branches in country (31 December 2019: 13 Branches).

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE BANK’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Fitch Ratings: 14 December 2020	Note	Explanation
Foreign Currency Long Term Credit Rating	B+ class	It is very speculative under the investment
Foreign Currency Short Term Credit Rating	B class	It is very speculative under the investment
Local Currency Long Term Credit Rating	BB-	It is speculative under the investment class.
Local Currency Short Term Credit Rating	B class	It is very speculative under the investment
National Long Term Credit Rating Support	AA (tur) 4	It is a high level investment grade. The possibility of external support is limited.

II. OTHER EXPLANATIONS ON THE BANK’S OPERATIONS

None.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. MATTERS TO BE EXPLAINED ON THE INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements prepared as of 31 December 2020 and for the fiscal period ending on the same date have been audited by PwC Bağımsız Denetim ve SMMM A.Ş. and presented preceding the unconsolidated financial statements of independent auditors' report dated 19 February 2021.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

Ziraat Katılım Bankası A.Ş.
**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT
31 DECEMBER 2020 WITH AUDITOR'S REPORT**

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note. I. B of Section Three)

INDEPENDENT AUDITOR'S REPORT



To the General Assembly of Ziraat Katılım Bankası Anonim Şirketi:

A. Audit of the consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Ziraat Katılım Bankası Anonim Şirketi (the "Bank"), and its subsidiaries (collectively referred to as the "Group") which comprise the statement of consolidated balance sheet as at 31 December 2020, consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

As explained in Section Five Part II. 8.c.1 of Explanations and Notes to the Consolidated Financial Statements; In the accompanying consolidated financial statements prepared as of 31 December 2020, the Group management has canceled 35.000 thousand TL of the free provision amounting to a total of TL 80.000 thousand, all of which were set as expense in the previous periods. Therefore, the accompanying consolidated financial statements prepared as of 31 December 2020 include free provision amounting to TL 45.000 thousand, which is set aside outside the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for loans</p> <p>The Group has total expected credit losses for loans amounting to TL 43.359.636 thousand in respect to total loans amounting to TL 1.153.226 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2020. Explanations and notes related to expected credit losses provisions for loans are presented Section Three VII, Section Three VIII, Section Four II, Section Four IX-3, Section Five I.7 and Section Five I-6 in the accompanying consolidated financial statements as at 31 December 2020.</p> <p>The Group recognizes provision for impairment in accordance with "IFRS 9 Financial Instruments" ("IFRS 9") requirements effective in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The effects of the COVID-19 outbreak increased the importance of these estimates and assumptions used by the Group's management in determining the loan loss provisions as of 31 December 2020, and the uncertainties caused by these effects were taken into account in the calculation of expected credit loss using expert opinion.</p> <p>The Group uses complex models derived from more than one system to calculate the expected loan loss provision and detecting a significant increase in credit risk. Information including past events, current conditions and macroeconomic estimates which are taken into account in expected loss provision accounting should be reasonable and supportable.</p>	<p>With respect to stage classification of loans and calculation of expected credit losses, we have assessed policy, procedure and management principles of the Group including the effects of COVID-19 outbreak within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p>For important loan portfolios, we checked appropriateness of matters considered in methodology applied by the Group with IFRS 9 for calculation of the provision amount through stage classification of loans. For forward looking assumptions made by the Group's management in its expected credit losses calculations including the effects of the COVID-19 pandemic, we held discussions with management and evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, loss given default model, and approaches in relation to projection of macroeconomic expectations including the effects of the COVID-19 outbreak with our financial risk experts.</p> <p>We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors).</p> <p>Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology made within the year and the performance of the impairment models used.</p> <p>We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis.</p>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p>We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists.</p> <p>For a selected sample, we checked accuracy of resultant expected credit losses calculations.</p> <p>To assess appropriateness of the Group's determination of staging for credit risk within the framework of current regulations, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample.</p> <p>We evaluated the adequacy of the disclosures made in the consolidated financial statements regarding the provision for impairment of loans.</p>

4. Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2019 was audited by another auditor who expressed a qualified opinion based on the reason represented in the section "Basis for the Qualified Conclusion" above thereon on 25 February 2020.

5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Zeynep Uras, SMMM
Partner

Istanbul, 19 February 2021

Ziraat Katılım Bankası A.Ş.

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF
ZİRAAT KATILIM BANKASI A.Ş. AS OF 31 DECEMBER 2020**

(Convenience Translation of Publicly Announced Consolidated Financial Statements and Audited Report Originally Issued In Turkish, See The Note I. of Section Three)

The Bank's Headquarter Address : Hobyar Eminönü Mahallesi
Hayri Efendi Cad. Bahçekapı No:12 34112 Fatih/İSTANBUL

Phone : (212) 404 11 00
Facsimile : (212) 404 10 81
Website : www.ziraatkatilim.com.tr
E-mail : bilgi@ziraatkatilim.com.tr

The consolidated financial report for the year ended prepared in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATIONS ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP INFORMATIONS ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND DISCLOSURES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- AUDITOR'S REPORT

Subsidiaries financial statements have been consolidated in this annual consolidated financial report are as follows;

	Subsidiaries	Investments in Associates	Joint Ventures
1	Ziraat Katılım Varlık Kiralama A.Ş.	-	-
2	ZKB Varlık Kiralama A.Ş.	-	-

The accompanying consolidated financial statements and notes to these financial statements for the three month period ended which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently reviewed.

Hüseyin AYDIN
Chairman of the Board

Metin OZDEMİR
Member of the Board,
General Manager

Fikretin AKSU
Vice chairman of the BOD, Member of the
Audit Committee

Ahmet BUÇUKOĞLU
Member of the Board,
Member of the Audit Committee

Osman KARAKÜTÜK
Vice President of Treasury Management
and International Banking

Gürkan ÇAKIR
Head of Financial Management
Department

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

Name-Surname/Position: Mesut Küçük/Financial Reporting Manager
Tel No: 0 216 559 22 53
Facsimile: 0 212 404 10 81

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Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

I. HISTORY OF THE PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS

Ziraat Katılım Bankası A.Ş. (“Group”) is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 October 2014 with a capital of TL675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 4 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TL72.000 from TL 675.000 to 747.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL500.000 and by increasing the amount of internal resources by TL3.000 to TL1.250.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on September 20, 2018, the paid-in capital of the Bank has been raised to TL1.750.000 by increasing the amount of cash by TL500.000.

Main operation field of the Group is gathering funds by the accounts named as “Private Current Accounts” and “Participation Accounts to Profit and Loss” from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Group can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the Banking Regulation and Supervision Agency within the scope of Participation Banking fundamentals.

According to decision of the Banking Regulation and Supervision Agency dated 18 January 2019 and numbered 8210 of, with the framework Ziraat Katılım Bankası A.Ş. board of directors decisions no 6/1 dated 21 February 2019, The Group (Transferee) and Ziraat Finansal Kiralama A.Ş. (Acquired) are merged in accordance with relevant articles of the Turkish Commercial Code No. 6102, the merger was registered on 1 March 2019 by the Istanbul Trade Registry Office.

All of the shares of the Group, T.C. Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”) to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

II. EXPLANATION ABOUT THE PARENT BANK’S CAPITAL STRUCTURE AND SHAREHOLDERS WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS THROUGHOUT THE YEAR (IF ANY) AND THE GROUP OF THE PARENT BANK

As of 31 December 2020 and 31 December 2019, main shareholders and capital amounts as follows:

Name of Shareholders	31 December 2020		31 December 2019	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	99,9999996	1.750.000	99,9999996
Türkiye Sigorta A.Ş. ^(**)	-	0,0000001	-	0,0000001
Türkiye Hayat ve Emeklilik A.Ş. ^(**)	-	0,0000001	-	0,0000001
Ziraat Teknoloji A.Ş.	-	0,0000001	-	0,0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	0,0000001
Total	1.750.000	100,00	1.750.000	100,00

^(*) All of the shares of the of the Bank, T.C. Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”) to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

^(**) Ziraat Sigorta A.Ş., was transferred to Turkey Wealth Fund under the name of Türkiye Sigorta A.Ş. on 27 August 2020. Ziraat Hayat ve Emeklilik A.Ş., was transferred to Turkey Wealth Fund under the name of Türkiye Hayat ve Emeklilik A.Ş. on 24 August 2020.

III. EXPLANATIONS ON THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE PARENT BANK

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Fikretin AKSU ^(*)	Vice chairman of the BOD, Member of the Audit Committee, Member of Corporate Management Committee
Metin ÖZDEMİR	Member of the BOD, General Manager, Member of Pricing Committee, President of Credit Committee
Taner AKSEL ^(*)	Member of the BOD, Member of Credit Committee, Member of Pricing Committee
Ahmet BUÇUKOĞLU ^(*)	Member of the BOD, Member of the Audit Committee, Associate Member of Credit Committee
Hasan DURSUN ^(*)	Member of the BOD, Member of Corporate Management Committee, Member of Credit Committee
Assistant General Manager	
Dr. Ahmet ORTATEPE	Credit Policies
Mehmet Said GÜL	Information Technologies and Operational Processes
Osman KARAKÜTÜK	Treasury Management and International Banking
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Branch Banking and Sales Management ^(**)

^(*) He was appointed as a Board Membership as of 19 June 2020.

^(**) With the decision taken on 8 February 2021 regarding the organizational structuring of the Bank, the name of the “Marketing Assistant General Manager” was changed to “Branch Banking and Sales Management Assistant General Manager”.

Parent Bank Directors have no Bank’s share capital.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

Name/Trade Name	Share Amount	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. ⁽¹⁾	1.750.000	99,9999996	1.750.000	-
Total	1.750.000	100,00	1.750.000	-

⁽¹⁾ All of the Bank's parent company T.C. Ziraat Bankası A.Ş. shares has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

V. EXPLANATIONS OF THE PARENT BANK'S SERVICES AND FIELD OF OPERATIONS

Operation field of Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates its participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

The Bank sorts out participation accounts and participation accounts based on investment proxy contracts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to six months (six months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, 3 months, six months and annually). Participation accounts based on investment proxies can be opened under the entire maturity group, with a maturity of less than one month.

As of 31 December 2020, the Bank operates with its 104 domestic branches (31 December 2019: 93 domestic branches) and 105 branches in total, including the Sudan branch, which started operations as of 27 August 2020 abroad. 1.261 employees domestically (31 December: 1.129).

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank's subsidiary Ziraat Katılım Varlık Kiralama A.Ş. which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

VII. CURRENT OR LIKELY ACTUAL LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES

None.

Ziraat Katılım Bankası A.Ş.
**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

SECTION TWO**CONSOLIDATED FINANCIAL STATEMENTS**

- I.** Consolidated balance sheet (Statement of financial position)
- II.** Consolidated statement of off-balance sheet commitments
- III.** Consolidated statement of profit or loss
- IV.** Consolidated statement of profit or loss and other comprehensive income
- V.** Consolidated statement of changes in shareholders’ equity
- VI.** Consolidated statement of cash flows
- VII.** Consolidated profit distribution table

Ziraat Katılım Bankası A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
AKTİF VASSETS	Notes (V-I)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		5.195.516	11.233.289	16.428.805	2.190.417	4.024.699	6.215.116
1.1 Cash And Cash Equivalents		419.033	9.854.915	10.273.948	105.170	3.705.513	3.810.683
1.1.1 Cash And Balances With Central Bank	(1)	409.579	5.067.541	5.477.120	100.139	2.794.300	2.894.439
1.1.2 Banks	(2)	12.394	4.787.374	4.799.768	5.205	911.213	916.418
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)		2.940	-	2.940	174	-	174
1.2 Financial Assets Measured At Fair Value Through Profit/Loss	(4)	980.872	-	980.872	-	-	-
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		980.872	-	980.872	-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(3)	3.767.367	1.378.365	5.145.732	2.085.220	301.717	2.386.937
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		10.412	-	10.412	7.672	-	7.672
1.3.3 Other Financial Assets		3.756.955	1.378.365	5.135.320	2.077.548	301.717	2.379.265
1.4 Derivative Financial Assets	(5)	28.244	9	28.253	27	17.469	17.496
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		28.244	9	28.253	27	17.469	17.496
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)		29.455.349	13.530.498	42.985.847	18.004.119	11.534.815	29.538.934
2.1 Loans	(6)	27.553.401	10.670.016	38.223.417	17.045.982	8.862.682	25.908.664
2.2 Lease Receivables	(6)	2.851.377	2.284.842	5.136.219	1.531.983	2.124.383	3.656.366
2.3 Measured at Amortized Cost	(7)	-	779.437	779.437	-	547.750	547.750
2.3.1 Government Securities		-	779.437	779.437	-	547.750	547.750
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		949.429	203.797	1.153.226	573.846	-	573.846
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	75.240	-	75.240	104.069	-	104.069
3.1 Assets Held for Sale		75.240	-	75.240	104.069	-	104.069
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES	(9)	-	-	-	-	-	-
4.1 Associates (Net)		-	-	-	-	-	-
4.1.1 Associates Consolidated Under Equity Method Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)		-	-	-	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)	(10)	177.601	363	177.964	157.597	-	157.597
VI. INTANGIBLE ASSETS (Net)	(11)	161.257	-	161.257	120.641	-	120.641
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		161.257	-	161.257	120.641	-	120.641
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET	(13)	-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(14)	108.597	-	108.597	42.153	-	42.153
X. OTHER ASSETS	(15)	213.728	35.458	249.186	148.037	65.527	213.564
TOTAL ASSETS		35.387.288	24.799.608	60.186.896	20.767.033	15.625.041	36.392.074

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)								
LIABILITIES	Notes (V-II)	Current Period (31/12/2020)			Prior Period (31/12/2019)			
		TL	FC	Total	TL	FC	Total	
I. FUNDS COLLECTED	(1)	24.902.462	21.483.588	46.386.050	13.032.105	12.425.040	25.457.145	
II. FUNDS BORROWED	(2)	380.086	1.046.528	1.426.614	374.535	3.121.136	3.495.671	
III. MONEY MARKETS DEBTS	(3)	2.101.073	-	2.101.073	19.135	-	19.135	
IV. SECURITIES ISSUED (Net)	(4)	4.017.250	-	4.017.250	2.482.999	-	2.482.999	
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	-	-	-	
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	-	19.440	19.440	19	12.460	12.479	
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	19.440	19.440	19	12.460	12.479	
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-	
VII. LEASE PAYABLES	(7)	111.946	15.688	127.634	97.792	12.267	110.059	
VIII. PROVISIONS	(8)	211.628	197.616	409.244	189.634	45.645	235.279	
8.1 Restructuring Provisions		-	-	-	-	-	-	
8.2 Reserve for Employee Benefits		56.070	-	56.070	35.712	-	35.712	
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-	
8.4 Other Provisions		155.558	197.616	353.174	153.922	45.645	199.567	
IX. CURRENT TAX LIABILITY	(9)	96.490	142	96.632	122.428	-	122.428	
X. DEFERRED TAX LIABILITY	(10)	-	-	-	-	-	-	
XI. LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-	
11.1 Held for Sale Purpose		-	-	-	-	-	-	
11.2 Related to Discontinued Operations		-	-	-	-	-	-	
XII. SUBORDINATED DEBT INSTRUMENTS	(12)	312.489	768.037	1.080.526	312.351	537.338	849.689	
12.1 Loans		312.489	768.037	1.080.526	312.351	537.338	849.689	
12.2 Other Debt Instruments		-	-	-	-	-	-	
XIII. OTHER LIABILITIES	(13)	571.531	216.629	788.160	363.557	76.805	440.362	
XIV. SHAREHOLDERS' EQUITY	(14)	3.734.357	(84)	3.734.273	3.166.186	642	3.166.828	
14.1 Paid-in capital		1.750.000	-	1.750.000	1.750.000	-	1.750.000	
14.2 Capital Reserves		261.513	-	261.513	261.513	-	261.513	
14.2.1 Share Premium		-	-	-	-	-	-	
14.2.2 Share Cancellation Profits		-	-	-	-	-	-	
14.2.3 Other Capital Reserve		261.513	-	261.513	261.513	-	261.513	
14.3 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(7.068)	-	(7.068)	(2.365)	-	(2.365)	
14.4 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(9.259)	(84)	(9.343)	56.429	642	57.071	
14.5 Profit Reserves		1.098.041	-	1.098.041	555.646	-	555.646	
14.5.1 Legal Reserves		60.388	-	60.388	35.234	-	35.234	
14.5.2 Status Reserves		-	-	-	-	-	-	
14.5.3 Extraordinary Reserves		991.586	-	991.586	488.002	-	488.002	
14.5.4 Other Profit Reserves		46.067	-	46.067	32.410	-	32.410	
14.6 Profit or (Loss)		641.130	-	641.130	544.963	-	544.963	
14.6.1 Prior Period Profit/Loss		2.568	-	2.568	28.228	-	28.228	
14.6.2 Current Period Profit/Loss		638.562	-	638.562	516.735	-	516.735	
TOTAL LIABILITIES		36.439.312	23.747.584	60.186.896	20.160.741	16.231.333	36.392.074	

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Notes (V-III)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)		9.924.766	13.934.400	23.859.166	5.266.395	9.101.213	14.367.608
I. GUARANTEES AND WARRANTIES	(1)	6.839.282	9.076.488	15.915.770	4.926.966	6.401.171	11.328.137
1.1 Letters of Guarantee		6.691.971	5.882.397	12.574.368	4.892.685	4.488.870	9.381.555
1.1.1 Guarantees Subject to State Tender Law		190.927	1.696.645	1.887.572	119.125	1.304.053	1.423.178
1.1.2 Guarantees Given for Foreign Trade Operations		6.156.513	-	6.156.513	4.559.726	-	4.559.726
1.1.3 Other Letters of Guarantee		344.531	4.185.752	4.530.283	213.834	3.184.817	3.398.651
1.2 Bank Acceptances		-	7.687	7.687	-	18.753	18.753
1.2.1 Import Letter of Acceptance		-	7.687	7.687	-	18.753	18.753
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		40.077	1.340.566	1.380.643	29.071	954.074	983.145
1.3.1 Documentary Letters of Credit		40.077	1.340.566	1.380.643	29.071	954.074	983.145
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		98.155	1.841.367	1.939.522	-	939.474	939.474
1.7 Other Collaterals		9.079	4.471	13.550	5.210	-	5.210
II. COMMITMENTS	(1)	564.143	97.454	661.597	334.484	65.749	400.233
2.1 Irrevocable Commitments		564.143	97.454	661.597	334.484	65.749	400.233
2.1.1 Forward asset purchase commitments		57.678	97.454	155.132	42.995	65.749	108.744
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3 Loan Granting Commitments		-	-	-	-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks	(4)	268.625	-	268.625	157.323	-	157.323
2.1.7 Tax and Fund Liabilities from Export Commitments		16.428	-	16.428	11.509	-	11.509
2.1.8 Commitments for Credit Card Limits		48.071	-	48.071	-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		1	-	1	-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Other Irrevocable Commitments		173.340	-	173.340	122.657	-	122.657
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS								
	Notes (V-III)	Current Period (31/12/2020)			Prior Period (31/12/2019)			
		TL	FC	Total	TL	FC	Total	
2.2.2	Other Revocable Commitments	-	-	-	-	-	-	
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	2.521.341	4.760.458	7.281.799	4.945	2.634.293	2.639.238
3.1	Hedging Derivative Financial Instruments	-	-	-	-	-	-	
3.1.1	Fair value hedge	-	-	-	-	-	-	
3.1.2	Cash flow hedge	-	-	-	-	-	-	
3.1.3	Foreign Net Investment Hedges	-	-	-	-	-	-	
3.2	Trading Derivative Financial Instruments	2.521.341	4.760.458	7.281.799	4.945	2.634.293	2.639.238	
3.2.1	Forward Buy/Sell Transactions	15.631	2.168.006	2.183.637	4.945	2.634.293	2.639.238	
3.2.1.1	Forward Foreign Currency Transactions-Buy	14.299	1.068.995	1.083.294	4.945	1.317.991	1.322.936	
3.2.1.2	Forward Foreign Currency Transactions-Sell	1.332	1.099.011	1.100.343	-	1.316.302	1.316.302	
3.2.2	Other Forward Buy/Sell Transaction	2.505.710	2.592.452	5.098.162	-	-	-	
3.3	Other	-	-	-	-	-	-	
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)	49.071.158	9.620.414	58.691.572	30.357.632	4.147.848	34.505.480	
IV.	ITEMS HELD IN CUSTODY	4.288.838	3.663.765	7.952.603	4.972.403	1.315.878	6.288.281	
4.1	Customer Fund and Portfolio Balances	-	-	-	-	-	-	
4.2	Investment Securities Held in Custody	3.456.809	-	3.456.809	4.448.877	-	4.448.877	
4.3	Checks Received for Collection	763.292	105.777	869.069	438.873	95.040	533.913	
4.4	Commercial Notes Received for Collection	66.130	47.052	113.182	55.181	13.204	68.385	
4.5	Other Assets Received for Collection	-	-	-	-	-	-	
4.6	Assets Received for Public Offering	-	-	-	-	-	-	
4.7	Other Items Under Custody	2.607	611.077	613.684	29.472	347.982	377.454	
4.8	Custodians	-	2.899.859	2.899.859	-	859.652	859.652	
V.	PLEDGES RECEIVED	44.782.320	5.956.649	50.738.969	25.385.229	2.831.970	28.217.199	
5.1	Marketable Securities	4.625.008	81.855	4.706.863	907.668	150.109	1.057.777	
5.2	Guarantee Notes	1.730.425	202.551	1.932.976	1.138.470	177.775	1.316.245	
5.3	Commodity	2.190.421	803.351	2.993.772	1.493.748	544.166	2.037.914	
5.4	Warranty	-	-	-	-	-	-	
5.5	Immovable	30.944.489	3.734.417	34.678.906	17.783.352	1.032.354	18.815.706	
5.6	Other Pledged Items	5.291.977	1.134.475	6.426.452	4.061.991	927.566	4.989.557	
5.7	Pledged Items-Depository	-	-	-	-	-	-	
VI.	ACCEPTED BILL GUARANTEES AND WARRANTIES	-	-	-	-	-	-	
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)	58.995.924	23.554.814	82.550.738	35.624.027	13.249.061	48.873.088	

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR YEAR ENDED 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS				
INCOME/EXPENSE ITEMS		Notes (V-IV)	Current Period 01/01-31/12/2020	Prior Period 01/01-31/12/2019
I.	PROFIT SHARE INCOME	(1)	4.191.345	3.594.457
1.1	Profit Share on Loans		3.138.707	2.894.603
1.2	Profit Share on Reserve Deposits		24.005	39.137
1.3	Profit Share on Banks		23.995	574
1.4	Profit Share on Money Market Placements		-	-
1.5	Profit Share on Marketable Securities Portfolio		608.569	245.733
1.5.1	Financial Assets Measured at Fair Value Through Profit/Loss		7.457	16.716
1.5.2	Financial Assets Measured at Fair Value Through Other Comprehensive Income		560.652	229.017
1.5.3	Financial Assets Measured at Amortised Cost		40.460	-
1.6	Financial Lease Income		379.390	380.566
1.7	Other Profit Share Income		16.679	33.844
II.	PROFIT SHARE EXPENSE	(2)	2.122.807	2.225.532
2.1	Profit Share Expense on Participation Accounts		1.508.897	1.528.842
2.2	Profit Share Expense on Funds Borrowed		199.072	272.658
2.3	Profit Share Expense on Money Market Borrowings		63.603	12.323
2.4	Expense on Securities Issued		327.137	391.078
2.5	Lease Profit Share Expense		23.849	20.545
2.6	Other Profit Share Expenses		249	86
III.	NET PROFIT SHARE INCOME/EXPENSE (I - II)		2.068.538	1.368.925
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		92.541	94.452
4.1	Fees and Commissions Received		204.648	143.325
4.1.1	Non-cash Loans		111.337	114.436
4.1.2	Other		93.311	28.889
4.2	Fees and commissions paid (-)		112.107	48.873
4.2.1	Non-cash Loans		-	35
4.2.2	Other		112.107	48.838
V.	DIVIDEND INCOME	(3)	104	17.762
VI.	NET TRADING INCOME (Net)	(4)	83.310	69.478
6.1	Capital Market Transaction Gains/Losses		176.540	1.566
6.2	Gains/Losses From Derivative Financial Instruments		(75.588)	44.062
6.3	Foreign Exchange Gains/Losses		(17.642)	23.850
VII.	OTHER OPERATING INCOME	(5)	268.144	159.008
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		2.512.637	1.709.625
IX.	EXPECTED CREDIT LOSSES (-)	(6)	994.213	492.171
X.	OTHER PROVISIONS (-)		173.855	87.244
XI.	PERSONNEL EXPENSES (-)		235.155	183.767
XII.	OTHER OPERATING EXPENSES (-)	(7)	316.932	241.143
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		792.482	705.300
XIV.	INCOME RESULTED FROM MERGERS		-	-
XV.	INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XVI.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XVII.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XVI)	(8)	792.482	705.300
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(153.920)	(188.565)
18.1	Current Tax Provision		(201.535)	(202.224)
18.2	Expense Effect of Deferred Tax (+)		(35.731)	(4.150)
18.3	Income Effect of Deferred Tax (-)		83.346	17.809
XIX.	NETOPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	(10)	638.562	516.735
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from Assets Held for Sale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3	Income from Other Discontinued Operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses on Assets Held for Sale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3	Expenses from Other Discontinued Operations		-	-
XXII.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII.	PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-
23.1	Current Tax Charge		-	-
23.2	Expense Effect of Deferred Tax (+)		-	-
23.3	Income Effect of Deferred Tax (-)		-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XVIII+XXIV)	(11)	638.562	516.735
	Earnings per share income/loss (Full TL)		0,3649	0,2953

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
		Current Period 01/01-31/12/2020	Prior Period 01/01-31/12/2019
I.	CURRENT PERIOD PROFIT/LOSS	638.562	516.735
II.	OTHER COMPREHENSIVE INCOME	(71.117)	93.683
2.1	Other Income/Expense Items not to be Reclassified to Profit or Loss	(4.703)	43
2.1.1	Tangible Assets Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(5.738)	52
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1.035	(9)
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	(66.414)	93.640
2.2.1	Foreign Currency Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(85.243)	120.051
2.2.3	Gains/losses from Cash Flow Hedges	-	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	18.829	(26.411)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	567.445	610.418

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	1	2	3
PRIOR PERIOD								
31 DECEMBER 2019								
I.	Prior Period End Balance	1.750.000	-	-	250.000	-	(2.408)	-
II.	Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-
2.1.	Effects of Corrections	-	-	-	-	-	-	-
2.2.	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	1.750.000	-	-	250.000	-	(2.408)	-
IV.	Total Comprehensive Income	-	-	-	-	-	43	-
V.	Capital Increase by Cash	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-
VII.	Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes ⁽¹⁾	-	-	-	11.513	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-
11.1.	Dividends Paid	-	-	-	-	-	-	-
11.2.	Transfers to Reserves	-	-	-	-	-	-	-
11.3.	Other	-	-	-	-	-	-	-
Period End Balance (III+IV.....+X+XI)		1.750.000	-	-	261.513	-	(2.365)	-
CURRENT PERIOD								
31 DECEMBER 2020								
I.	Prior Period End Balance	1.750.000	-	-	261.513	-	(2.365)	-
II.	Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-
2.1.	Effect of Correction of Errors	-	-	-	-	-	-	-
2.2.	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	1.750.000	-	-	261.513	-	(2.365)	-
IV.	Total Comprehensive Income	-	-	-	-	-	(4.703)	-
V.	Capital Increase by Cash	--	--	--	--	--	--	--
VI.	Capital Increase by Internal Sources	--	--	--	--	--	--	--
VII.	Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-
X.	Increase/decrease by other Changes	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-
11.1.	Dividends Paid	-	-	-	-	-	-	-
11.2.	Transfers to Reserves	-	-	-	-	-	-	-
11.3.	Other	-	-	-	-	-	-	-
Period end Balance (III+IV.....+X+XI)		1.750.000	-	-	261.513	-	(7.068)	-

⁽¹⁾ The Bank, Turkey Wealth Funds in the Market Stability and Balance Sub-Fund from April 22, 2019 BRSA approval, amounting to 100,000 euros on April 24, 2019 demand and profit without allowances added that the company provided as part of core capital subordinated loans and financial assets measured at amortized cost are taken to the balance sheet includes the effect amounting to TL 11.513 resulting from the fair value calculation as of the date.

1. Increases and decreases in Tangible and Intangible Assets Revaluation Reserve
2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans,
3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Not Reclassified Through Profit or Loss)
4. Exchange Differences on Translation
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets at fair value through other comprehensive income
6. Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Reclassified Through Profit or Loss)

The accompanying explanations and notes form an integral part of these financial statements.

Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or Loss	Total Equity Excluding Minority Shares	Minority Shares	Total Equity
4	5								
-	(36.569)	-	232.981	350.893	-	2.544.897	-	2.544.897	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	(36.569)	-	232.981	350.893	-	2.544.897	-	2.544.897	
-	93.640	-	-	-	516.735	610.418	-	610.418	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	11.513	11.513	
-	-	-	322.665	(322.665)	-	-	-	-	
-	-	-	322.665	(322.665)	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	57.071	-	555.646	28.228	516.735	3.166.828	-	3.166.828	
-	57.071	-	555.646	544.963	-	3.166.828	-	3.166.828	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	57.071	-	555.646	544.963	-	3.166.828	-	3.166.828	
-	(66.414)	-	-	-	638.562	567.445	-	567.445	
--	-	--	-	-	-	-	-	-	
--	-	--	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	542.395	(542.395)	-	-	-	-	
-	-	-	542.395	(542.395)	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	(9.343)	-	1.098.041	2.568	638.562	3.734.273	-	3.734.273	

Ziraat Katılım Bankası A.Ş.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS				
		Notes (V-VI)	Current Period 01/01/2020 - 31/12/2020	Prior Period 01/01/2019 - 31/12/2019
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities		229.435	293.549
1.1.1	Profit Share Income Received	(1)	4.093.676	3.309.050
1.1.2	Profit Share Expense Paid	(1)	(2.010.679)	(2.110.916)
1.1.3	Dividend Received		104	17.762
1.1.4	Fees and Commissions Received		204.648	94.452
1.1.5	Other Income		351.453	11.871
1.1.6	Collections from Previously Written-off Loans		319.521	104.655
1.1.7	Payments to Personnel and Service Suppliers		(235.155)	(197.083)
1.1.8	Taxes Paid		(39.475)	(187.674)
1.1.9	Others		(2.454.658)	(748.568)
1.2	Changes in Operating Assets and Liabilities		2.171.575	796.115
1.2.1	Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(1.151.690)	(15.541)
1.2.2	Net (Increase)/Decrease in Due From Banks And Other Financial Institutions		(4.076.803)	(766.835)
1.2.3	Net (Increase)/Decrease in Loans		(12.314.753)	(4.890.063)
1.2.4	Net (Increase)/Decrease in Other Assets		(1.834.009)	812.165
1.2.5	Net Increase/(Decrease) in Bank Funds		6.633.581	10.306
1.2.6	Net Increase/(Decrease) in Other Funds		14.295.324	10.309.851
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		6.961	-
1.2.8	Net Increase/(Decrease) in Funds Borrowed		(2.118.238)	(3.828.707)
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		2.731.202	(835.061)
I.	Net Cash Provided from Banking Operations		2.401.010	1.089.664
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided from Investing Activities		(2.858.438)	(2.876.710)
2.1	Cash Paid for Acquisition of Associates, Subsidiaries and Entities under Common Control (Joint Ventures)		-	-
2.2	Cash Obtained from Disposal of Associates, Subsidiaries and Entities under Common Control (Joint Ventures)		-	46.778
2.3	Purchases of Property and Equipment		(111.502)	(64.867)
2.4	Disposals of Property and Equipment		-	-
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(2.501.065)	(2.314.864)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7	Purchase of Financial Assets Measured at Amortized Cost		(231.687)	(542.494)
2.8	Sale of Financial Assets Measured at Amortized Cost		-	-
2.9	Other		(4.184)	(1.263)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities		2.368.503	1.495.332
3.1	Cash Obtained from Funds Borrowed And Securities Issued		14.215.087	8.825.414
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued		(11.724.855)	(7.322.598)
3.3	Issued Equity Instruments		42.943	13.921
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		(164.672)	(43.744)
3.6	Other		-	22.339
IV.	Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(1)	1.456.262	195.076
V.	Net Increase/(Decrease) In Cash And Cash Equivalents (I+II+III+IV)		3.367.337	(96.638)
VI.	Cash And Cash Equivalents At The Beginning Of The Period	(1)	1.403.426	1.160.567
VII.	Cash And Cash Equivalents At The End Of The Period	(1)	4.770.763	1.063.929

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

CONSOLIDATED PROFIT DISTRIBUTION TABLE		Current Period ^(*) (31/12/2020)	Prior Period ^(*) (31/12/2019)
I. DISTRIBUTION OF PERIOD PROFIT			
1.1	Period Profit	792.482	705.300
1.2	Taxes Payable and Legal Obligations (-)	153.920	202.224
1.2.1	Corporate Tax (Income Tax) ^(**)	201.535	202.224
1.2.2	Income Tax Deduction	-	-
1.2.3	Other Taxes and Legal Obligations	(47.615)	-
A.	NET PROFIT (1.1-1.2)	638.562	503.076
1.3	Previous Periods Loss (-)	-	-
1.4	First Order Legal Reserve (-)	-	25.154
1.5	Legal Funds Required to Leave and Save at the Bank (-)	-	-
B.	DISTRIBUTABLE NET PROFIT [(A- (1.3 + 1.4 + 1.5))]	638.562	477.922
1.6	First Dividend To Shareholders (-)	-	-
1.6.1	To Shareholders	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	Participation in Redeemed Certificates	-	-
1.6.4	To Profit Participation Bonds	-	-
1.6.5	To Profit and Loss Sharing Certificate Holders	-	-
1.7	Dividend to Personnel (-)	-	-
1.8	Dividend to Board of Directors (-)	-	-
1.9	Second Dividend to Shareholders (-)	-	-
1.9.1	To Shareholders	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	Participation in Dividends	-	-
1.9.4	Profit Participation Bonds	-	-
1.9.5	Profit and Loss Sharing Certificate Holders	-	-
1.10	Second Legal Reserve Fund (-)	-	-
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves ^(***)	-	503.584
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II. DISTRIBUTION OF RESERVES			
2.1	Reserves Distributed	-	-
2.2	Second Order Legal Reserves (-)	-	-
2.3	Share to Shareholders (-)	-	-
2.3.1	Shareholders	-	-
2.3.2	To Privileged Stock Owners	-	-
2.3.3	Participation in Redeemable Certificates	-	-
2.3.4	To Profit Participation Bonds	-	-
2.3.5	To Profit and Loss Sharing Certificate Holders	-	-
2.4	Share to Personnel (-)	-	-
2.5	Share to the Board of Directors (-)	-	-
III. EARNINGS PER SHARE			
3.1	Shareholders ^(***)	0,3526	0,2731
3.2	Shareholders (%)	35,2589	27,3098
3.3	To Owners of Privileged Shares	-	-
3.4	To Owners of Privileged Shares (%)	-	-
IV. DIVIDEND PER SHARE			
4.1	Shareholders	-	-
4.2	Shareholders (%)	-	-
4.3	To Owners of Privileged Shares	-	-
4.4	To Owners of Privileged Shares (%)	-	-

^(*) Dividend distribution is realized with the decision of the General Assembly of the Bank, and as of the date the financial statements were prepared, the 2020 Ordinary General Assembly meeting has not been held yet.

^(**) In accordance with the decision of the Ordinary General Assembly dated 19 June 2020, TL 503.584 was left in the bank as extraordinary reserves. From the 2019 net distributable profit, 477.922 TL and previous year profit 25.662 TL were left within the bank as extraordinary reserves.

The accompanying explanations and notes form an integral part of these financial statements.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The consolidated financial statements of the Ziraat Katılım Bankası A.Ş. (“Bank” and “Parent Bank”) and its subsidiaries subject to consolidation are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” (“Regulation”) related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations published by BRSA (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards 34 (“TAS 34”) and Turkish Financial Reporting Standards (“TFRS”) and (referred as “Turkish Accounting and Financial Reporting Regulations” or “Reporting Standards”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”).

The format and content of the publicly announced consolidated financial statements and their explanations and footnotes, with the “Communiqué on the Financial Statements to Be Announced to Public by Banks” and the Announcements and Disclosures Related to These Communiqués published in the Official Gazette No. 28337 dated 28 June 2012. It has been prepared in accordance with. The Bank maintains its accounting records in Turkish currency in accordance with the Banking Law, Turkish Commercial Code and Turkish tax legislation.

Unless otherwise stated on the basis of historical cost, all balances are presented in thousands of Turkish lira (“TL”), except for the financial assets and liabilities shown at their fair values, on the basis of historical cost.

Preparation of consolidated financial statements requires making estimates and assumptions that affect the amounts of assets and liabilities reported or the contingent assets and liabilities disclosed as of the balance sheet date and the amounts of income and expenses reported in the relevant period. While these estimates are based on management’s best judgment and knowledge, actual results may differ from these estimates. The assumptions and estimates used are explained in the related footnotes.

A new type of coronavirus (COVID-19), first emerging in China, has been classified by the World Health Organization as an epidemic affecting countries globally. The COVID-19 outbreak not only affects economic conditions both regionally and globally, as well as it causes disruptions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 around the world, various measures have been taken in our country as well as in the world in order to prevent the transmission of the virus and are still being taken. In addition to these measures, economic measures are also taken in order to minimize the economic effects of the virus epidemic on individuals and businesses in our country and worldwide.

The effects of these effects on the Parent Bank’s financial statements are regularly monitored by the risk monitoring units and the Parent Bank’s Management. Within the scope of TFRS 13 Fair Value Measurement, the fair value measurements were revised in line with the expected credit loss provisions reflected in the financial statements and the assumptions and judgments used in the estimation of these losses.

While preparing the financial statements dated December 31, 2020, the Parent Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The Bank has revised its macroeconomic expectations and has reflected to the financial statement as of 31 December 2020, by taking into account the change in probability of default and loss given default. The estimates and assumptions used in calculating expected credit losses are explained in section three footnote VIII.

As of December 31, 2020, the Parent Bank has no assets or liabilities in the latest fair value hierarchy that would require any adjustment.

Ziraat Katılım Bankası A.Ş.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

With the regulations published regarding the implementation of the Indicator Interest Rate Reform, which brings changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from 1 January 2021, -Stage 2 was released in December 2020. The consolidated financial statements of the Group include loans borrowed indexed to benchmark interest rates, and the related reform is not expected to have a significant impact.

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

The Parent Bank’s main field of activity; It covers banking services such as opening loans in all kinds of cash and non-cash Turkish Lira and foreign currency, conducting transactions in domestic and international money and capital markets, collecting Turkish Lira and foreign currency current/participation accounts. As of the reporting date, most of the Bank’s resources consist of funds collected, loans received and equity. The Bank uses this resource mainly as loans and lease certificates. The liquidity structure of the Bank is taken into account in such a way that all liabilities that are due to be met can be met.

Foreign currency transactions are reflected in the records based on the Bank’s foreign exchange buying rates at the date of the transaction. At the end of the period, the balances of foreign currency assets and liabilities have been converted into Turkish currency by being evaluated at the end of the period with the Bank’s foreign exchange buying rates, and the exchange rate differences are reflected in the records as “foreign exchange transactions profit/loss”.

The differences arising from the conversion of securities representing borrowing and monetary financial assets into Turkish Lira are included in the income statement. The Bank does not have any foreign currency differences.

In order to keep liquidity, exchange rate and credit risks within certain limits and to maximize profitability, the Parent Bank’s Balance Sheet and Equity management is taken within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to maximize profitability.

III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES

Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette No. 26340 dated 8 November 2006 and the “Consolidated Financial Statements” (“TFRS 10”).

1. Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity) are all entities, in which the Parent Bank has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle.

Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

According to the full consolidation method, 100% of the balance sheet, profit or loss statement and off-balance sheet items of the subsidiaries are consolidated with the balance sheet, profit or loss statement and off-balance sheet items of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. There are no minority rights in the consolidated net income of the subsidiary.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

31 December 2020

Title	Address (City/Country)	Main Activities	Group's Share Percentage (%)	Direct and Indirect Partnership Rates (%)
Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100
ZKB Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100

Ziraat Katılım Varlık Kiralama A.Ş. was established and registered to the trade registry in 22 January 2016 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Ziraat Katılım Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. ZKB Varlık Kiralama Anonim Şirketi was established on 19 July 2017 with TL 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 8 September 2017.

2. Consolidation principles of associates and joint ventures:

As of 31 December 2020, the Group has no subsidiaries and jointly controlled entities.

3. Accounting for business combinations under common control

According to Turkey Financial Reporting Standards there is no special requirements for recognition in business combinations under common control. Therefore, subject to common control business of the acquirer in the merger, No. 2018-1 issued by POA of Turkish Financial Reporting Standards for the implementation of pooling of interest method is used. According to this method;

- The acquirer recognizes the assets and liabilities of the acquirer into the financial statements at their carrying amounts determined in accordance with TFRS at the date of merger.
- The acquirer measures the value of the non-controlling interests, if any, at the date of the merger over the proportional share of the carrying values of the assets and liabilities to which they relate. Changes in non-controlling interests arising from the merger are accounted for as equity transactions in accordance with TFRS 10 Consolidated Financial Statements.
- Costs arising from the merger are recognized directly in profit or loss.
- Goodwill does not exist in business combinations under common control.
- The principles set forth in Articles 6 and 7 are applied in order to eliminate any possible asset - liability mismatch arising from a business combination subject to common control.
- When the merger is recognized in ways other than a share exchange (e.g. when the merger occurs by cash payment or without paying any price):
 - If the carrying amount of the acquired net assets exceeds the transferred value, the difference is recognized as the additional capital of the shareholders and the value of the "Share Premium" item is increased.
 - If the transferred amount exceeds the carrying amount of the acquired net assets at the date of the merger, the difference is reflected in the "a Combination of Entities or Business Under Common Control" as an item reducing the equity.

Ziraat Katılım Bankası A.Ş.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

TFRS 3 is applied in the calculation of the transferred amount as of the merger date. However, in a merger subject to progressive joint control, the acquirer measures the equity shares in the acquired acquisitions over the book value at the beginning of the comparative period. However, equity shares acquired on a comparative date are measured at the purchase price. The acquirer eliminates the income or expenses that are reflected to the financial statements in relation to these shares in the period between these dates and the merger date.

7. When the merger is realized through share exchange:
 - a. The shares issued by the acquirer are included in the financial statements at their nominal values. Therefore, any share premiums related to these shares are not reflected in the financial statements.
 - b. The difference found by subtracting the nominal value of the shares issued by the acquirer from the book value of the acquired net assets of the merger on the date of merger is reflected to the “Effect of Mergers Including Joint Controlled Entity or Entities”.
8. When the merger is recognized partly through the exchange of shares and partly through the payment of other payments, the percentage of the acquired business is determined on the basis of the fair values of the issued shares and other amounts transferred and the clauses of Article 6 and 7 is applied accordingly.
9. The financial statements of the comparative period are restated as if the merger is recognized at the beginning of the period.
10. In the event that the subsidiary acquired as a result of a business combination subject to joint control is subsequently lost, the relevant clauses of TFRS 10 Consolidated Financial Statements are applied. When there is an amount recorded in the “a Combination of Entities or Business Under Common Control”, the amount is transferred to “Retained Earnings/Losses” and explained in the disclosures. The entity also discloses the gain or loss arising from the loss of control of the subsidiary in the statement of profit or loss and other comprehensive income in a separate item (Gains/Losses from the disposal of a subsidiary subject to joint control).

If the entity acquired as a result of a business combination subject to joint control expires and is included in the acquirer, or if such a situation arises or the subsidiary is subsequently dissolved, the amounts included in a Combination of Entities or Business Under Common Control or Entities shall be transferred to previous years’ profits/losses in equal installments within 5 accounting periods.

Acquired assets and liabilities are recorded at the book value previously recorded in the consolidated financial statements of the Bank’s shareholders. The equity items of the acquired companies are added to the same items in the Bank’s equity, except for the capital, and the resulting profit or loss is recognized in the equity.

With the Board of Directors decision dated 21 February 2019 and numbered 6/1, the Parent Bank takes over Ziraat Finansal Kiralama A.Ş. As a result of the merger, Ziraat Finansal Kiralama A.Ş.’ 24% stake in Ziraat Yatırım Menkul Değerler A.Ş. transferred to the Bank. Ziraat Yatırım Menkul Değerler A.Ş., registered in the 364979 registry number, was transferred to Ziraat Bankası A.Ş. on November 22, 2019, with a price of TL 39.703 and nominal value of TL14.400, corresponding to 24%.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

The Parent Bank’s derivative financial instruments consist of forward foreign currency buy/sell agreements.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as “Derivative Financial Assets at Fair Value Through Profit or Loss”, if the fair value is negative, the amount is classified as “Derivative Financial Liabilities 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.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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.

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

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share incomes are recognized in accordance with internal rate of return method. The bank started to calculate discounts for non-performing loans as of January 1, 2018. And the Bank calculates expense accrual in accordance with the unit value calculation method on participation accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Commission income from cash loans are transferred to income accounts in accordance with TFRS 15 Revenue from Customer Contracts standard by using internal rate of return method depending on the periodicity principle. Other fee and commission expenses are recorded in the expense account as soon as they are paid.

Commissions and fees received from cash loans and relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet. Prepaid expense amounts are recognized as expense on an accrual basis during the service period.

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of Bank, if the Bank is a legal party to these instruments.

The Parent Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the financial assets and related business model used for management of the financial assets at initial recognition.

a. Financial assets at fair value through profit or loss

"Financial assets at fair value through profit/loss" are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to "hold to collect" and "hold & sell" the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition.

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All gains and losses arising from these valuations are reflected in profit or loss account.

As of 31 December 2020, the Bank has reviewed the valuation of financial assets and liabilities at fair value through profit or loss due to the adverse effects of the COVID-19 epidemic, and as of the reporting date, there is no change in the fair valuation measurement.

b. Financial assets at fair value through other comprehensive income

Financial assets are classified as fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting 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 internal rate of return method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement “Unrealized gains and losses” arising from 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, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

Equity investments

At initial recognition, the Bank may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. The Bank makes the election on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit/loss. However, the cumulative gain or loss shall be transferred to prior periods’ profit/loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments measured at fair value through other comprehensive income are not subject to impairment calculation.

As of 31 December 2020, the Parent Bank has reviewed the valuation of financial assets whose fair value difference is reflected in other comprehensive income due to the negative effects of the COVID-19 epidemic, and as of the reporting date, there is no change in the fair valuation measurement that will require any correction.

c. Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit share are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using internal rate of return method. Profit share income obtained from financial assets measured at amortized cost is accounted in P&L.

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Loans

Loans are financial assets that are originated by the Bank by providing goods and services to the borrower. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Internal Rate of Return Method".

Cash loans are accounted with their original balances in the accounts specified in Uniform Chart of Accounts and Prospectus according to their type, maturity and collateral structures. FC loans are recognized with fixed price and revalued by the counter foreign exchange buying rate of the Group. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date. Group's loans are recognized under "Measured at Amortized Cost" account.

All loans of the Parent Bank, including its profit-loss partnership (müşareke) investments, are followed in the "Measured by Amortized Cost" account. The profit and loss partnership (müşareke) investments followed by the Bank in the loans account according to the BRSA Uniform Chart of Accounts, with the BRSA's letter numbered E-43890421-010.07.01-1294, those that will be valued for the first time as of 31 December 2020 or from 1 January 2021 implementation of "Interest-Free Finance Accounting Standard 3: Accounting Finance" or "Interest-Free Finance Accounting Standard 4: Consultant Financing" for partnership financing funds in the form of "labor-capital partnership" (mudarebe) or "profit-loss partnership" (müşareke). accounted in accordance with the provision.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on expected loss provisions

The Parent Bank sets aside the expected loss provision for its loans and receivables by taking into consideration the "Regulation on the Classification of Loans and the Procedures and Principles Regarding the Provisions to be Set Aside" (Regulation on Provisions) published in the Official Gazette dated 22 June 2016 and numbered 29750. In this context, the Group takes into consideration the general structure of the loan portfolio, the financial structure of the customers, the non-financial data and the economic conjuncture in line with the credit risk policies and prudence principle when determining its estimates.

Due to the effects of the COVID-19 pandemic, the BRSA took the decisions numbered 8949 dated 17 March 2020 and 8970 dated 27 March 2020, and as a result of these decisions, the second and the second articles of the Provisions Regulation, effective from 17 March 2020. The 30-day delay period envisaged for classification as a stage will be applied as 90 days until 31 December 2020 for the loans monitored in the first group and the 90-day delay period foreseen for the non-performing loans classification will be 180 days until 31 December 2020 for the loans monitored in the first and second stages and decided to continue separating the provisions to be made for these loans according to their own risk models used in the calculation of expected credit losses within the scope of TFRS 9. The BRSA extended this period until 30 June 2021 with its decision dated 8 December 2020 and numbered 9312. The practices of our group regarding classification and measurement are carried out in accordance with BRSA decisions.

The main principle of the expected credit loss model is to reflect the general outlook of deterioration or improvement in the credit quality of financial instruments. The amount of expected credit losses known as loss provision or provision varies according to the degree of increase in credit risk. There are two measurements according to the general approach:

- 12-Month Expected Loss Provision (Stage 1) applies to all assets unless there is a significant deterioration in credit quality.
- Lifetime Expected Loss (Stage 2 and Stage 3) is applied when there is a significant increase in credit risk.

Impairment

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables, contract assets, credit commitments and financial guarantee contracts.

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The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Time value of money,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Provision for 12 month expected credit loss (Stage 1)

These are the financial assets that do not have a significant increase in credit risk at their initial recognition or after the initial recognition to financial statements. Impairment for credit risk for these assets is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan.

The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Significant increase in credit risk (Stage 2)

In the event of a significant increase in credit risk, the financial asset is transferred to Stage 2. The expected loss provision is calculated for loans under stage 1 by calculating the 1-year maturity, while the expected loss provision for loans under stage 2 is calculated by taking into consideration the remaining maturity.

The main criteria taken into consideration in determining the credit risk of the financial asset to be significantly increased and transferred to the stage 2 are, having day-past-due more than and equal to 30 days (Based on the BRSA's decision dated 27 March 2020 and numbered 8970, effective from 17 March 2020 until 30 June 2021, it is applied as 90 days instead of 30 days), and the Bank's internal early warning system note.

Default (Stage 3)

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recorded.

The Bank assesses that debt is in default in the following two cases:

- Objective Default Definition: It means that the debt is delayed more than 90 days. This assumption can be proved otherwise in the light of supportable information. With the debt being overdue for 90 days, default status starts on the 91st day. (Based on the BRSA Decision No. 8948 dated March 17, 2020, the definition of default, based on March 17, 2020, until June 30, 2021, is based on the criterion that the debt is delayed more than 180 days instead of 90 days.
- Subjective Default Definition: It means that the bank is convinced the debt will not be paid. In the event that the debtor cannot fulfill the debts related to the loan, the debtor is considered to be in default regardless of the number of delay days.

The collective valuation of financial instruments is based on homogeneous group assets resulting from portfolio segmentation based on similar credit risk and product characteristics. This section presents an overview of the risk parameter estimation methods for the damage assessment approach that is expected on a common basis for each stage.

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Credits that differ in cash flows or have different characteristics with other credits may be subject to individual valuation instead of aggregate valuation. An expected credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original effective dividend and discounted cash flows.

When cash flows are estimated, the following situations are considered:

- During the expected life of the financial instrument, all contractual terms of the financial instrument,
- Cash flows expected to be obtained from collateral sales.

In the calculation of the expected credit loss, the basic parameters which are expressed as probability of default, loss in default and default amount are used.

Probability of Default

Probability of default refers to the likelihood that a loan will default at a certain time.

In Default Probability models, sectoral information for the corporate portfolio are taken as the basis.

Default Amount

The default amount represents the expected gross receivable if a loan is defaulted.

Loss Given Default

Loss given default refers to the ratio of the economic net loss resulting from the default of a loan to the default amount. In other words, it refers to the ratio of net loss due to a defaulted loan to the balance at the time of default.

Future Expectations

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. When including macroeconomic information, models and estimations that reflect the relationships between model risk parameters and macroeconomic variables are taken into account. While creating the relevant models, the effects of many macroeconomic variables (Credit Default Swap (CDS), CPI, Unemployment rate, GDP, Industry Tracking Rates, Deposit Interest Turkey, etc.) are analyzed, among which variables that best reflect the default probabilities of our Bank's customers are used.

The Group uses 3 scenarios for forward-looking expectations: base, bad and good. All 3 scenarios have predetermined weights. The Group applies macroeconomic variables to its models by updating them every 3 months in March, June, September and December, which is used in the evaluation of the significant increase in credit risk and in the calculation of expected credit loss. As of 31 December 2020, macroeconomic variables taken as basis in the calculation of expected credit loss were updated by using expert opinion to include the COVID-19 effect and reflected in the models.

The Methodology of Behavioral Maturity Calculation

The loans in Stage 1, expected loss provision is calculated until their maturity for the ones which have less than one year to due date and for 1 year which have more than one year to due date. The loans in Stage 2, expected loss provision is calculated for lifetime (until maturity date) of the loan. In this calculation, the remaining maturity information of the loan is taken as basis for each loan. While this information is used for products with real maturity information, behavioral maturity is calculated by analysing historical data for products with no maturity information. Expected loss provisions are calculated based on these maturities depending on the type of loan.

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Write-off Policy

The amendment with respect to the regulation on the Principles and Procedures Regarding the Classification of Loans and Reserves Set Aside for These Loans entered into force with its publication in the Official Gazette No.30961 on November 27, 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as “Group V Loan” (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. Since the reporting period, it can be written-off from the records under TFRS 9. The write-off is an accounting policy and does not result in the waiver of the right to receivable. Within the scope of this amendment, no credit has been written-off by the Bank as of the reporting date.

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Parent Bank has legally enforceable rights 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.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

As of the balance sheet date, there are no securities lending transactions. 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. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

The assets acquired by the Parent Bank due to its receivables are accounted for in accordance with “TFRS 5 Turkish Financial Reporting Standard for Non-current Assets Held for Sale and Discontinued Operations” in financial statement of the Parent Bank.

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, and depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. In order to have a high probability of sales, a plan for the sale of the asset (or group of assets to be disposed of) must have been prepared by an appropriate management team and an active program has been initiated to identify buyers and complete the plan.

The properties acquired by the Parent Bank due to receivables are shown in the line of held for sale in the financial statements depending on the termination of the term sales contract.

A discontinued operation is a division of a business that is classified as disposed or held for sale. The results related to discontinuing operations are presented separately in the profit or loss statement. The Parent Bank does not have any discontinued operations.

As of 31 December 2020, the Parent Bank’s held for sale tangible assets is TL75.240 (31 December 2019: TL104.069).

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, there is no goodwill in the financial statements of the Bank.

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases.

Other intangible assets are amortized by using the straight line method based on their useful life. Useful life of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence. There has been no change in the depreciation method applied in the current period.

The Parent Bank recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software's initial costs and amortized over 3-15 years considering the useful life.

XIII. EXPLANATIONS ON TANGIBLE ASSETS

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied depreciation rates are as follows;

Vehicles and Fixtures:	2% - 25%
Operational Lease Improvement Costs (Leasehold Improvements):	Leasing Period - 5 years

Ordinary maintenance and repair expenses incurred for tangible assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of property and equipment are capitalized. The investment 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.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There are no mortgages, pledges or similar precautionary measures on tangible assets or commitments given for the purchase or any restrictions designated for the use of those tangible assets.

There is no tangible assets that are held for sale.

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XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Operational Leasing Transactions

Transactions as a lessee

At the beginning of a contract, the Bank evaluates whether the contract has a lease or does not include a lease. In the event that the contract is transferred for a certain period of time to the right to control the use of the asset defined for a price, this contract is of a rental nature or includes a lease. The Bank reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

Right of use;

The Bank applies the “IFRS 16 - Leases” standard in the accounting of leasing transactions.

In accordance with the “IFRS 16 - Leases” standard, the Group calculates the “right of use” amount based on the present value of the lease payments of the fixed asset subject to lease at the beginning of the lease and includes it in “tangible fixed assets”.

The right of use asset is recognized first by cost method and includes below:

- a) The initial measurement amount of the lease obligation,
- b) The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease,
- c) All initial direct costs incurred by the Bank.

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

- a) Measures by deducting accumulated depreciation and accumulated impairment losses and
- b) The restatement of the lease obligation at the restated cost.

The Bank applies principle of amortization in TAS 16 Property, Plant and Equipment while depreciating the right of use.

Lease Liabilities:

At the date of the effective leasing of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at the time. Lease payments are discounted using the imputed rate of interest in the lease if they can be easily determined. If this rate cannot be easily determined, the Bank uses the Bank’s alternative borrowing rate. Lease payments that are included in the measurement of the lease liability at the date the lease is commenced consist of the unpaid payments to be made for the right of use during the lease term of the underlying asset and the date on which the lease has actually begun:

After the effective date of the lease, the Bank measures the leasing liability as follows:

- a) Increases the book value to reflect the rate of profit in the lease obligation,
- b) Reduces the book value to reflect the rent payments made and
- c) Re-assess the book value to reflect re-evaluations and reconstructions, or to reflect the lease payments that are fixed on the revised basis.

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The profit for the lease obligation for each period in the lease term is the amount calculated by applying a fixed periodic rate of profit to the remaining balance of the lease obligation. The Participation Bank takes part as a lessor in financial leasing transactions. The Participation Bank indicates the assets subject to financial leasing as a receivable equal to the net lease investment amount in the balance sheet. The total of the lease payments is gross in the financial leasing receivables account including the dividends and principal amounts. The profit share, which is the difference between the total of the lease payments and the cost of the related fixed assets, is included in the unearned finance lease income account. As the lease payments are realized, the rent amount is deducted from the financial lease receivables account; the profit share is reflected in the statement of profit or loss by deducting from the unearned profit share income account.

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 “Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding”.

The Parent Bank provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation cannot be made, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 “Accounting Standard of Employee Benefits” and the Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value.

According to the related regulation, the Group is obliged to pay termination benefits depending on the arise of the legal conditions for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or, for the female employees, who have voluntarily quit within one year after the date of their marriage. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling). Employment Termination Benefit is calculated based on actuarial assumptions.

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The Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 31 December 2020, the Bank’s employee termination benefit is TL18.984 (31 December 2019: TL8.662).

	Current period	Prior period
Discount rate	12,80%	12,10%
Inflation	10,10%	8,20%

Communiqué on “Turkish Accounting Standard (“TAS19”) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 7.068 was classified under shareholders’ equity in the financials. (31 December 2019: TL 2.365 missing).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2020 unused vacation liability of the Bank is TL7.250 (31 December 2019: TL6.050)

The Group does not employ its personnel by means of limited-period contracts.

b. Liability of T.C. Ziraat Bankası and T. Halk Bankası Members Pension and Relief Fund (TZHEMSAN)

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution (“SSI”) is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33. As of 31 December 2020 the number of personnel who benefit from the Fund, excluding dependents, is 24.212 (31 December 2019: 23.720). 20.297 of these members are active while 3.915 are passive members. (31 December 2019: 19.832 active members, 3.888 passive members). The number of active members of the Bank benefiting from the Fund is 1.239 (31 December 2019: 1.109).

With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9,80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

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In accordance with 58th article and 7th provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

Based on the Council of Ministers' decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 20th provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

Besides, the phrase of "two years" in Clause (2), Article 1 of the temporary 20th provision of the law numbered 5510 is revised as "four years" with the law numbered 6283 amending on the Social Insurance and General Health Insurance Law, published in the Official Gazette numbered 28227, dated 8 March 2012.

Based on the Council of Ministers' decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; "Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506.

As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law. Based on the decision of the Council of Ministers dated 24 February 2014; May 2015 was determined as the transfer period. As a result of the last amendment made in the first paragraph of the provisional article 20 of the Law No. 5510 and the Occupational Health and Safety Law No. 6645 published in the Official Gazette dated 23 April 2015 and numbered 29335; The Council of Ministers has been authorized to determine the transfer date and the President has been authorized to determine the transfer date in the repeated Official Gazette numbered 30473 on 9 July 2018.

The technical balance sheet report as of 31 December 2020 which is prepared in accordance with the new law and the allowance determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

XVII. EXPLANATIONS ON TAXATION

a. Current tax

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, Cabinet is made authorized to decrease this ratio to 20% from 22%. The bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

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Corporations are required to pay advance corporate tax quarterly at the current rate on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which does not accrue on time because the applying exemption for the transfer of the expemted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Tax returns are required to be filled and delivered to the related tax office until the end of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred tax

In accordance with TAS 12 “Turkish Accounting Standards Relating to Income Tax” and additional regulation introduced by Law No. 7061 of 28 November 2017 mentioned in the “Current Tax” section, the Parent Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity.

Deferred tax asset and deferred tax liability are presented as net in these consolidated financial statements.

Deferred tax effects related to transactions accounted directly in equity are also shown in equity.

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

The Group recognizes its debt instruments in accordance with TFRS 9 “Financial Instruments” and all financial liabilities are carried at amortized cost by using effective interest rate method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

There are no issued shares by The Parent Bank in 2020.

XX. EXPLANATIONS ON ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Group are presented in the “Off-Balance Sheet” commitments.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Group as of the balance sheet date.

XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values.

For the purposes of the cash flow statement, “Cash” includes cash, effectives, gold, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

XXIII. EXPLANATION ON SEGMENT REPORTING

Information about operating segments which are determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments” together with organizational and internal reporting structure of the Group, are disclosed in Note XII of Section Four.

XXIV. EXPLANATION ON OTHER MATTERS

None.

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SECTION FOUR

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

The equity amount and the capital adequacy standard ratio were calculated in accordance with the “Regulation on the Equity of Banks” and the “Regulation on the Measurement and Assessment of Capital Adequacy of Banks” and in addition to these, the BRSA's regulations dated March 23, 2020 and numbered 3397. According to the latest regulations;

- In calculating the amount subject to credit risk; Simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before the date of 31 December 2020 can be used to calculate the valued amounts in foreign currency.
- If the net valuation differences of the securities owned by the banks included in the “Securities with Fair Value Differences in Other Comprehensive Income” portfolio as of March 23, 2020 are negative, these differences may not be taken into account in the amount of equity.

As of 31 December 2020 current period capital amount of the Bank is TL 4.704.364 (31 December 2019: TL 3.901.711), and capital adequacy standard ratio is 14,75% (31 December 2019: 16,58%).

Information related to the components of shareholders' equity:

	Current Period 31.12.2020	Prior Period 31.12.2019
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	1.750.000
Share issue premiums	-	-
Reserves	1.098.041	817.159
Gains recognized in equity as per TAS	245.102	54.706
Profit	641.130	544.963
Current Period Profit	638.562	516.735
Prior Period Profit	2.568	28.228
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	3.734.273	3.166.828
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	-
Improvement costs for operating leasing	21.363	20.234
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	161.257	120.641
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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	Current Period 31.12.2020	Prior Period 31.12.2019
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	182.620	140.875
Total Common Equity Tier 1 Capital	3.551.653	3.025.953
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA (*)	706.370	519.350
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated 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 Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	706.370	519.350
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	4.258.023	3.545.303
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA (**)	300.000	300.000
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	149.669	57.294
Tier II Capital Before Deductions	449.669	357.294
Deductions From Tier II Capital	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	449.669	357.294
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.707.692	3.902.597

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	Current Period 31.12.2020	Prior Period 31.12.2019
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the 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	-	-
Other items to be defined by the BRSA	3,328	886
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
TOTAL CAPITAL		
Total Capital (Total capital and contribution capital)	4.704.364	3.901.711
Total risk weighted amounts	31.904.009	23.533.881
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11,13	12,86
Tier 1 Capital Adequacy Ratio (%)	13,35	15,06
Capital Adequacy Ratio (%)	14,75	16,58
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2,50	2,50
a) Capital conservation buffer requirement (%)	2,50	2,50
b) Bank specific counter-cyclical buffer requirement (%)	0,00	0,00
c) Systemic significant bank buffer ratio (%)	0,00	0,00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,63	8,36
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of Consolidated 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	-	-
Portion of the total of investments in equity items of consolidated 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	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	149.669	57.294
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	149.669	57.294
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 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	-	-

⁽¹⁾ The amount to be considered within the scope of transition provisions.

⁽²⁾ The Bank provided subordinated loan from Turkey Wealth Funds Market Stability and Equalization Fund in the scope of additional main capital amounting to EUR 100.000 without demand and profit share which is approved by BRSA dated April 22, 2019.

⁽³⁾ In order to obtain TL 300.000 contribution capital, T.C. Ziraat Bank A.S. on March 28, 2019, and this loan was effectively entered into the Bank's accounts on March 29, 2019. The maturity of the loan is 10 (ten) years and the profit share rate is 16.25%. There is no option to convert to stock.

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Information of the borrowing instruments to be included in equity calculation

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated/consolidated	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Murabaha Loan as Secondary Capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 300 Million
Par value of instrument	TL 300 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	29 March 2019
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (no conditional refund)
Subsequent call dates, if applicable	-
Coupons/dividends ^(*)	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	16,25%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	It gives the owner the right to be credited before the borrowing instruments to be included in the additional capital calculation, after the depositors and all other creditors.
In compliance with article number 7 and 8 of "Own fund regulation"	In Compliance with Article number 8
Details of incompliance with article number 7 and 8 of "Own fund regulation"	-

(*) Profit share for participation banks.

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Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated/consolidated	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 706 Million
Par value of instrument	TL 905 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	24 April 2019
Perpetual or dated	Undated
Original maturity date	24 April 2019
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (Subject to BRSA permission.)
Subsequent call dates, if applicable	-
Coupons/dividends ^(*)	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	In case the Core Capital adequacy ratio or consolidated Core Capital adequacy ratio falls below 5,125 percent
If write-down, full or partial	Yes
If write-down, permanent or temporary	Temporary
If temporary write-down, description of write-up mechanism	It is possible to increase the value after temporary reduction.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	i. After payments within the scope of priority liabilities, ii. Equal among themselves and with all other equal-level Liabilities without order of preference, and iii. Before all payments within the scope of low-level liabilities.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7
Details of noncompliances with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7

^(*) Profit share for participation banks.

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Required explanations for the reconciliation between table of equity components and balance sheet

	Current Period 31.12.2020	Prior Period 31.12.2019
Equity value of balance sheet	3.734.273	3.166.828
Cost of development of operating lease	(21.363)	(20.234)
Goodwill and other intangible assets and related deferred tax liability	(161.257)	(120.641)
Debt instruments and premiums approved by BRSA	300.000	300.000
Tier II Capital (Provisions)	149.669	57.294
Debt instruments and premiums approved by BRSA –subordinated loans	706.370	519.350
Other values deducted from equity	(3.328)	(886)
Amount taken into consideration in the calculation of legal equity	4.704.364	3.901.711

In accordance with the BRSA's letter dated 8 December 2020 and numbered 9312, in the calculation of the capital adequacy ratio, the equity calculated without taking into account the negative valuation differences regarding the securities included in the "Securities with Fair Value Differences Reflected in Other Comprehensive Income" portfolio acquired before 23 March 2020 amount has been used.

II. EXPLANATIONS ON CREDIT RISK

Credit risk is the possibility of loss that the bank may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The authority to allocate loans mainly belongs to the Board of Directors, and the limits of the loan customers are determined within the framework of the credit authorization limits of the Head Office Credit Committee and the Board of Directors pursuant to the authority given by the Board of Directors. Limits are allocated by evaluating many factors such as financial and non-financial data of loan customers, loan needs, sectoral and geographical characteristics.

In terms of credit risk, the debtor or group of debtors are subject to risk limitations. The debtor and group of debtors and the risk limitations of the sectors are monitored weekly within the scope of their risk appetite.

The limits for the loan portfolio are determined with the approval of the Board of Directors and revised when necessary. The determined limits are distributed by the relevant Head Office units, taking into account the existing portfolio structure, customer and loan potential, regional and sectoral characteristics, and the competence of the staff.

After the limit is allocated to customers in the commercial portfolio, companies continue to be monitored, and changes in the financial structures and market relations of the companies with funds are monitored.

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Documents to be obtained during limit allocation and fund utilization are clearly stated in the legislation, and whether the said documents are obtained in accordance with the legislation is controlled by the inspection units. The Bank considers the collateral important in terms of minimizing the risk and its liquidation. As a result of the credit policies and processes based on obtaining reliable and robust guarantees, the Bank is believed to significantly reduce the credit risk.

The Bank implements the internal rating procedures for the analysis of the credit worthiness of its Corporate/Entrepreneurial loan customers as a decision support system in loan allocation.

The Bank makes provision in conformity with the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks are done by rating which is determined by considering the needs of clients and departments together with financial and economic conditions of the banks and their countries.

Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are monitored.

The expected loss provision (third stage) is calculated for loans belonging to customers classified as non-performing loans in accordance with the the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, taking into account the guarantees received from the relevant customer.

The percentage of top 100 and top 200 cash loans in the total cash loan portfolio is 42,10% and 52,51% respectively (31 December 2019: 57,04% and 67,97%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 52,50% and 65,79% respectively (31 December 2019: 53,30% and 66,45%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 44,95% and 56,14% respectively (31 December 2019: 55,99% and 67,55%).

The Banks general loan loss provision amount for its credit risk is TL 364.383.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The Profile of Important Risks of Important Regions

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Current Period								
31.12.2020								
Domestic	8.707.427	-	267.687	-	-	4.095.017	25.524.179	6.324.480
European Union Countries	-	-	-	-	-	855.147	549	6.786
OECD Countries ^(*)	-	-	-	-	-	13.521	-	75
Off-shore Banking Regions	-	-	-	-	-	160	-	-
USA, Canada	-	-	-	-	-	44.795	-	74
Other Countries	-	-	-	-	-	59.865	72.500	5.085
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ^(**)	-	-	-	-	-	-	-	-
Total	8.707.427	-	267.687	-	-	5.068.505	25.597.228	6.336.500

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

^(*) OECD Countries other than EU countries, USA and Canada.^(**) Assets and liabilities that could not be distributed on a consistent basis.

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Prior Period								
31.12.2019								
Domestic	4.559.049	-	28.235	-	-	2.794.537	17.546.529	3.490.654
European Union Countries	-	-	-	-	-	863.326	-	1.139
OECD Countries ^(*)	-	-	-	-	-	4.584	-	-
Off-shore Banking Regions	-	-	-	-	-	238.034	-	-
USA, Canada	-	-	-	-	-	305.303	-	62
Other Countries	-	-	-	-	-	20.465	121.340	182
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ^(**)	-	-	-	-	-	-	-	-
Total	4.559.049	-	28.235	-	-	4.226.249	17.667.869	3.492.037

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

^(*) OECD Countries other than EU countries, USA and Canada.^(**) Assets and liabilities that could not be distributed on a consistent basis.

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	4.366.671	258.567	-	-	-	-	-	584.743	50.128.771
	2.141	-	-	-	-	-	-	-	864.623
	6	-	-	-	-	-	-	-	13.602
	-	-	-	-	-	-	-	-	160
	82	-	-	-	-	-	-	-	44.951
	599	-	104.158	-	-	-	-	-	242.207
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	4.369.499	258.567	104.158	-	-	-	-	584.743	51.294.314

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	2.485.739	202.276	-	-	-	-	-	765.741	31.872.760
	1.162	-	-	-	-	-	-	-	865.627
	18	-	-	-	-	-	-	-	4.602
	-	-	-	-	-	-	-	-	238.034
	103	-	-	-	-	-	-	-	305.468
	428	-	45.500	-	-	-	-	-	187.915
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	2.487.450	202.276	45.500	-	-	-	-	765.741	33.474.406

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Risk Profile by Sectors or Counterparties

Current Period 31.12.2020	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Sectors/Counterparties								
Agriculture	-	-	-	-	-	-	198.878	134.867
Farming and Stockbreeding	-	-	-	-	-	-	164.440	106.604
Forestry	-	-	-	-	-	-	10.168	19.379
Fishing	-	-	-	-	-	-	24.270	8.884
Manufacturing	-	-	232.935	-	-	-	12.589.802	2.142.431
Mining and Quarrying Production	-	-	-	-	-	-	390.530	23.871
Manufacturing Industry	-	-	232.935	-	-	-	11.410.574	2.085.729
Electric, Gas and Water	-	-	-	-	-	-	788.698	32.831
Construction	-	-	-	-	-	-	4.081.413	892.080
Services	8.707.427	-	34.752	-	-	5.068.505	8.238.272	2.582.413
Wholesale and Retail Trade	-	-	216	-	-	-	4.208.885	2.014.549
Hotel Food and Beverage Services	-	-	-	-	-	-	270.435	66.012
Transportation and Telecommunication	-	-	-	-	-	-	1.056.587	140.483
Financial Institutions	8.707.427	-	-	-	-	5.068.505	604.869	5.252
Real Estate and Leasing Services	-	-	20.836	-	-	-	1.696.450	263.628
Self Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	48.585	19.292
Health and Social Services	-	-	13.700	-	-	-	352.461	73.197
Other	-	-	-	-	-	-	488.863	584.709
Total	8.707.427	-	267.687	-	-	5.068.505	25.597.228	6.336.500

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	19.600	986	-	-	-	-	-	-	258.757	95.574	354.331
	18.558	860	-	-	-	-	-	-	217.874	72.588	290.462
	1.042	126	-	-	-	-	-	-	29.664	1.051	30.715
	-	-	-	-	-	-	-	-	11.219	21.935	33.154
	432.093	88.841	-	-	-	-	-	-	7.461.418	8.024.684	15.486.102
	38.652	1.226	-	-	-	-	-	-	250.483	203.796	454.279
	369.386	87.443	-	-	-	-	-	-	6.857.675	7.328.392	14.186.067
	24.055	172	-	-	-	-	-	-	353.260	492.496	845.756
	577.461	107.024	-	-	-	-	-	-	4.193.742	1.464.236	5.657.978
	908.330	61.320	104.158	-	-	-	-	-	12.534.325	13.170.852	25.705.177
	557.651	53.714	-	-	-	-	-	-	5.448.425	1.386.590	6.835.015
	40.872	435	-	-	-	-	-	-	184.589	193.165	377.754
	21.772	1.012	-	-	-	-	-	-	286.709	933.145	1.219.854
	11.100	-	104.158	-	-	-	-	-	4.464.022	10.037.289	14.501.311
	211.819	4.441	-	-	-	-	-	-	1.795.336	401.838	2.197.174
	-	-	-	-	-	-	-	-	-	-	-
	52.394	1.717	-	-	-	-	-	-	100.566	21.422	121.988
	12.722	1	-	-	-	-	-	-	254.678	197.403	452.081
	2.432.016	395	-	-	-	-	-	584.743	3.137.322	953.404	4.090.726
	4.369.500	258.566	104.158	-	-	-	-	584.743	27.585.564	23.708.750	51.294.314

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Prior Period								
Sectors/Counterparties								
Agriculture	-	-	-	-	-	-	121.547	91.625
Farming and Stockbreeding	-	-	-	-	-	-	116.888	79.229
Forestry	-	-	-	-	-	-	4.654	9.046
Fishing	-	-	-	-	-	-	5	3.350
Manufacturing	-	-	1.172	-	-	-	8.478.192	1.180.360
Mining and Quarrying Production	-	-	-	-	-	-	439.862	17.585
Manufacturing Industry Electric, Gas and Water	-	-	1.172	-	-	-	7.025.149	1.134.034
Construction	-	-	-	-	-	-	1.013.181	28.741
Services	4.559.049	-	27.063	-	-	4.226.249	3.643.981	610.415
Wholesale and Retail Trade	-	-	-	-	-	-	2.816.442	934.732
Hotel Food and Beverage Services	-	-	-	-	-	-	159.604	46.362
Transportation and Telecommunication	-	-	-	-	-	-	523.093	48.246
Financial Institutions	4.559.049	-	3.847	-	-	4.226.249	352.690	3.302
Real Estate and Leasing Services	-	-	6.815	-	-	-	938.438	174.270
Self Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	34.428	14.176
Health and Social Services	-	-	16.401	-	-	-	297.263	49.385
Other	-	-	-	-	-	-	302.191	339.164
Total	4.559.049	-	28.235	-	-	4.226.249	17.667.869	3.492.037

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	15.209	698	-	-	-	-	-	-	108.846	120.233	229.079
	15.030	698	-	-	-	-	-	-	99.481	112.364	211.845
	51	-	-	-	-	-	-	-	9.162	4.589	13.751
	128	-	-	-	-	-	-	-	203	3.280	3.483
	402.410	38.593	-	-	-	-	-	-	3.714.387	6.386.340	10.100.727
	17.090	-	-	-	-	-	-	-	174.526	300.011	474.537
	370.826	38.593	-	-	-	-	-	-	2.854.792	5.714.982	8.569.774
	14.494	-	-	-	-	-	-	-	685.069	371.347	1.056.416
	437.998	41.214	-	-	-	-	-	-	3.024.393	1.709.215	4.733.608
	391.793	120.179	45.500	-	-	-	-	-	7.441.799	8.320.465	15.762.264
	236.664	79.001	-	-	-	-	-	-	2.217.876	1.848.963	4.066.839
	34.461	624	-	-	-	-	-	-	44.672	196.379	241.051
	3.769	1.191	-	-	-	-	-	-	96.140	480.159	576.299
	5.531	-	45.500	-	-	-	-	-	4.220.192	4.975.976	9.196.168
	38.217	35.316	-	-	-	-	-	-	624.072	568.984	1.193.056
	-	-	-	-	-	-	-	-	-	-	-
	58.798	4.009	-	-	-	-	-	-	91.486	19.925	111.411
	14.353	38	-	-	-	-	-	-	147.361	230.079	377.440
	1.240.040	1.592	-	-	-	-	-	765.741	1.617.667	1.031.061	2.648.728
	2.487.450	202.276	45.500	-	-	-	-	765.741	15.907.092	17.567.314	33.474.406

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Analysis of maturity-bearing exposures according to remaining maturities:

	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	3.347.758	165.173	157.858	725.478	4.311.160
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	20.047	158.642	20.955	68.043
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	4.870.053	181.554	11.422	-	5.476
Conditional and unconditional exposures to corporates	1.043.046	1.604.856	1.118.030	2.293.553	19.537.743
Conditional and unconditional retail exposures	359.541	166.441	257.891	515.412	5.037.215
Conditional and unconditional exposures secured by real estate property	21.354	49.906	66.697	259.680	3.971.863
Past due receivables	258.566	-	-	-	-
Receivables defined in high risk category by BRSA	104.158	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Investments in Equity Instruments	584.743	-	-	-	-
Grand Total	10.589.219	2.187.977	1.770.540	3.815.078	32.931.500

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

For the foreign banks, the ratings of the Fitch Ratings International Rating Agency is used for determining the risk weights for the risk classes by using a rating grade from the risk classes specified in Article 6 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. While the international rating score is taken into consideration for the entire risk class receivables from central governments or central banks, the ratings of the Islamic International Rating Agency (IIRA) are used. The country risk classification published by the Organization for Economic Cooperation and Development (OECD) is taken as basis for unclassified central government and central banks. The counterparties residing domestically are accepted as "Gradeless" and take the risk weight which is appropriate for the "Gradeless" category in the related risk class.

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**NOTES TO THE CONSOLIDATED
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Rating Grades;

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Governments
3. Receivables from Administrative Units and Non-Commercial Enterprises
4. Receivables from Banks and Intermediary Institutions are used in risk classes.

In the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments, and Receivables from Administrative Units and Non-Commercial Initiatives, the grade given by Fitch Ratings International Rating corresponds to the credit quality level 3. The grades used in the Credit from Banks and Intermediary Institutions risk class match with all credit quality levels from 1 to 6.

In order to determine the risk weight of regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer's credit rating is considered in the absence of export rating.

Exposures by risk weights:

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1 Exposures before Credit Risk Mitigation	11.202.029	-	5.288.936	2.650.350	2.001.044	6.336.500	26.206.249	104.501	-	-	-	182.620
2 Exposures after Credit Risk Mitigation	15.629.854	-	5.779.142	2.650.350	2.501.787	3.633.282	23.490.693	104.501	-	-	-	182.620

Prepared with the numbers after conversion rate to credit.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Information in terms of major sectors and type of counterparties:

Impaired Loans; These are the credits deemed to have been impaired due to their overdue more than 90 days as of the end of the reporting period (temporary 180 days until 30 June 2021) or their credibility. For these loans, the “Expected Credit Loss” (Third Stage) calculation is made within the scope of TFRS 9.

Non-Performing Loans; These are the loans that are overdue up to 90 days as of the end of the reporting period (180 days will be temporarily applied until 30 June 2021) but not impaired. For these loans, “Expected Credit Loss” (Second Stage) calculation is made within the scope of TFRS 9.

Current Period 31.12.2020	Loans		Provisions
	Impaired (TFRS 9)		2nd and 3rd Stage Loan Provisions)
	Significant Increase in Credit Risk (Stage 2)	Non-performing loans (Stage 3)	
Agriculture	13.807	18.201	16.964
Farming and Stockbreeding	13.807	13.518	13.489
Forestry	-	3.815	2.760
Fishery	-	868	715
Manufacturing	685.651	497.187	416.676
Mining and Quarrying	107.655	15.971	35.716
Production	577.996	475.769	377.024
Electricity, Gas and Water	-	5.447	3.936
Construction	212.835	404.887	268.168
Services	834.792	256.344	318.380
Wholesale and Retail Trade	702.366	185.849	253.685
Accommodation and Dining	9.615	2.782	1.933
Transportation and Telecom.	12.656	29.489	28.207
Financial Institutions	4.719	-	50
Real Estate and Rental Services	58.429	30.441	24.888
Professional Services	632	502	268
Educational Services	3.714	52	128
Health and Social Services	42.661	7.229	9.221
Other	4.619	4.439	4.720
Total	1.751.704	1.181.058	1.024.908

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

	Loans		Provisions
	Impaired (TFRS 9)		
	Significant Increase in Credit Risk (Stage 2)	Non-performing loans (Stage 3)	
Prior Period 31.12.2019			2nd and 3rd Stage Loan Provisions
Agriculture	22.176	15.350	9.424
Farming and Stockbreeding	20.761	12.001	7.152
Forestry	1.415	2.510	1.687
Fishery	-	839	585
Manufacturing	783.969	250.207	200.718
Mining and Quarrying	216.465	5.951	5.890
Production	561.512	239.581	192.284
Electricity, Gas and Water	5.992	4.675	2.544
Construction	297.042	76.453	51.851
Services	274.112	304.252	178.329
Wholesale and Retail Trade	204.127	161.902	106.601
Accommodation and Dining	6.991	1.357	790
Transportation and Telecom.	12.250	38.299	25.128
Financial Institutions	5.422	-	60
Real Estate and Rental Services	39.606	93.742	40.377
Professional Services	-	-	-
Educational Services	3.212	33	41
Health and Social Services	2.504	8.919	5.332
Other	20.827	29.020	84.073
Total	1.398.126	675.282	524.395

Information about Value Adjustment and Change in Provisions:

Current Period ^(*) 31.12.2020		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	467.773	434.862	(113.792)	-	788.843
2	Stage 1 and 2 Provisions	106.073	307.281	(48.971)	-	364.383
Prior Period ^(*) 31.12.2019		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	123.778	324.644	(17.064)	36.415	467.773
2	Stage 1 and 2 Provisions	84.621	79.834	(80.991)	22.609	106.073

^(*) Provisions for expected losses allocated for financial lease receivables are included.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The table below shows the maximum credit sensitivity of the financial statement items.

	Current Period 31.12.2020	Prior Period 31.12.2019
Financial Assets at Fair Value Through Profit/Loss	980.872	-
Banks	4.799.768	916.418
Money Markets Receivables	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.145.732	2.386.937
Financial Assets Measured at Amortised Cost	779.437	547.750
Loans Given	38.223.417	25.908.664
Financial lease receivables	5.136.219	3.656.366
Other Assets	-	-
Credit risk sensitivity of balance sheet items	55.065.445	33.416.135
Guarantees and Sureties	15.915.770	11.328.137
Commitments	661.597	400.233
Credit risk sensitivity of off-balance sheet items	16.577.367	11.728.370
Total credit risk sensitivity	71.642.812	45.144.505

Information on credit quality by financial asset class:

	Current Period			Prior Period		
	Not Overdue and Not Impaired	Overdue and Not Impaired	Total	Not Overdue and Not Impaired	Overdue and Not Impaired	Total
Financial Assests						
Banks	4.799.768	-	4.799.768	916.418	-	916.418
Financial Assets at Fair Value Through Profit/Loss	980.872	-	980.872	-	-	-
Loans Given:	40.426.874	1.751.704	42.178.578	23.835.256	1.398.126	25.233.382
Corporate/Entrepreneurial Loans	35.935.620	1.745.593	37.681.213	21.686.253	1.388.068	23.074.321
Personal Loans	4.491.254	6.111	4.497.365	2.149.003	10.058	2.159.061
Specialized Loans	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.145.732	-	5.145.732	2.386.937	-	2.386.937
Financial Assets Measured at Amortised Cost	779.437	-	779.437	547.750	-	547.750

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III. RISKS INCLUDED CAPITAL CAPACITY BUFFER CALCULATIONS

According to the Board decision published by the BRSA, the transactions between banks are not included in the Cyclical Capital Buffer rate calculation. In this context, as of 31 December 2020, the cyclical capital buffer rate formed as a result of the calculations made as a result of the Bank’s receivables from abroad other than Banks is 0%. The geographical distribution of receivables from the private sector, which is taken into account in the calculation of the circular capital buffer specific to the bank, is explained in the table below:

Current Period 31.12.2020			
Country	Banking accounts RWA	Trading accounts RWA	Total
United Arab Emirates	56.903	-	56.903
Germany	5.256	-	5.256
Saudi Arabia	1.568	-	1.568
England	712	-	712
Egypt	373	-	373
Bulgaria	152	-	152
Northern Cyprus Turkish Republic	100	-	100
France	85	-	85
USA	84	-	84
Senegal	75	-	75
Somalia	69	-	69
Switzerland	56	-	56
Jordan	40	-	40
Norway	2	-	2
Mauritania	-	-	-
Prior Period 31.12.2019			
Country	Banking accounts RWA	Trading accounts RWA	Total
United Arab Emirates	44.870	-	44.870
Marshall Islands	16.733	-	16.733
Saudi Arabia	1.553	-	1.553
Germany	415	-	415
Northern Cyprus Turkish Republic	88	-	88
USA	82	-	82
France	35	-	35
Holland	32	-	32
Jordan	22	-	22
Ghana	13	-	13
Austria	10	-	10
Italy	10	-	10
Romania	8	-	8
England	6	-	6
Norway	6	-	6
South Africa	2	-	2

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IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

a) Whether the Parent Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors:

The Parent Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. In addition to monitoring the currency risk through the currency risk table created within the scope of the standard method, the "Value at Risk" ("VAR") is calculated for the purpose of monitoring the foreign currency position at the Bank.

Moreover, dealer's positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:

None.

c) Foreign currency risk policy:

Periodic "Liquidity Gap Analysis" is performed to determine the liquidity risks in the most important foreign currencies in which the Parent Bank operates, the US Dollar and Euro. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

d) Current foreign exchange bid rates of the Group for the last 5 business days prior to the financial statement date:

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
31.12.2020	7,3857	9,0504	5,6805	1,2114	0,8992	8,3675	5,7475	0,8608	10,0376	1,9539	7,0960
30.12.2020	7,3433	9,0153	5,6026	1,2070	0,8933	8,2968	5,6890	0,8525	9,9325	1,9425	7,0530
29.12.2020	7,3323	8,9937	5,5490	1,2036	0,8909	8,2788	5,6703	0,8478	9,8462	1,9392	7,0080
28.12.2020	7,4097	9,0641	5,5972	1,2127	0,8916	8,3275	5,7176	0,8546	9,9662	1,9597	7,0770
27.12.2020	7,3433	9,0153	5,6026	1,2070	0,8933	8,2968	5,6890	0,8525	9,9325	1,9425	7,0530
25.12.2020	7,5374	9,1872	5,7005	1,2290	0,9061	8,4549	5,7981	0,8646	10,1606	1,9936	7,2110

e) Simple arithmetic average of the Parent Bank's current foreign exchange bid rates for the last 30 days prior to the balance sheet date:

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
7,6756	9,3492	5,7591	1,2503	0,9145	8,6268	5,9348	0,8778	10,2642	2,0305	7,3267

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Information on the foreign currency risk of the Group

	EUR	USD	Other FC ^(**)	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	1.446.293	2.463.064	1.158.184	5.067.541
Banks	341.378	3.291.531	1.154.465	4.787.374
Financial assets at fair value through profit and loss ^(****)	-	-	980.872	980.872
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	182.693	1.195.672	-	1.378.365
Loans ^(*)	7.454.281	5.615.649	-	13.069.930
Partnership Investments	-	-	-	-
Financial assets measured at amortised cost	779.437	-	-	779.437
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets	-	-	363	363
Intangible assets	-	-	-	-
Other assets	19.060	1.394	14.846	35.300
Total assets	10.223.142	12.567.310	3.308.730	26.099.182
Liabilities				
Current account and funds collected from Banks via participation accounts	932	3.148	-	4.080
Current and participation accounts FC	7.223.351	11.038.918	3.217.239	21.479.508
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	966.504	80.024	-	1.046.528
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities ^(****)	1.092.483	106.480	18.589	1.217.552
Total liabilities	9.283.270	11.228.570	3.235.828	23.747.668
Net balance sheet position	939.872	1.338.740	72.902	2.351.514
Net off-balance sheet position ^(**)	(1.089.668)	(1.414.557)	(227)	(2.504.452)
Financial derivative assets	-	1.068.995	59.008	1.128.003
Financial derivative liabilities	1.089.668	2.483.552	59.235	3.632.455
Net position	(149.796)	(75.817)	72.675	(152.938)
Non cash loans	5.489.608	3.480.241	106.639	9.076.488
Prior Period				
Total assets	8.991.264	6.308.602	991.454	16.291.320
Total liabilities	7.620.980	7.671.150	926.101	16.218.231
Net balance sheet position	1.370.284	(1.362.548)	65.353	73.089
Net off-balance sheet position	(1.316.302)	1.317.991	-	1.689
Financial derivative assets	-	1.317.991	-	1.317.991
Financial derivative liabilities	1.316.302	-	-	1.316.302
Non-cash loans	3.528.070	2.792.756	80.345	6.401.171

^(*) The financial leases, expected credit losses, foreign currency indexed loan with an amounts of TL 103.151 equivalent balance to USD and TL 215.718 equivalent balance to EUR are included in the loans balance.

^(**) Shows net receivables and debts from derivative financial instruments.

^(***) The currencies in the other FC column of the assets section consist of 90% Gold, 2% GBP, 3% CHF, and the remaining 7% other currencies. The currencies in the FC column of liabilities section consist of 95% Gold, 2% GBP, 1% CHF and the remaining 3% other currencies.

^(****) Provisions, lease liabilities and subordinated loans are included.

^(*****) It consists of a gold-based lease certificate in the amount of TL 980.872 issued by the Treasury.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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V. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS

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

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL10.412 all of which are 100% risk weighted (31 December 2019: TL7.672).

VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

General principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of "Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management".

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Parent Bank performs Remaining Maturity Analysis for the observation of the maturity structure of the balance sheet, Liquidity Gap Analysis for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. The main subject of the liquidity stress test is "Sudden Participation Fund Draws" and "Exchange Rate Changes". Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA weekly on consolidated basis and monthly on consolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation. Liquidity Coverage Ratio is above the limit value specified in the regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

1) Liquidity Risk

a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:

The Parent Bank's fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts. For this reason, the assets and liabilities of the Bank are compatible with the dividend rates.

The Parent Bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.

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b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:

Although the Parent Bank’s assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

d) Evaluation of the banks cash flow rates and its sources:

The Parent Bank’s main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank’s resource needs.

2) Liquidity coverage ratio

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the banks’ net cash outflow, calculated within the scope of “Calculation of The Liquidity Coverage Ratio” regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank’s asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

The Parent Bank’s premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey’s Treasury along with cash assets and care of Central Bank of the Republic of Turkey’s accounts.

The Parent Bank’s principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank’s main fund source, is provided from numerous customers.

The lowest and highest Liquidity Coverage Ratios in the fourth quarter of 2020 are listed in the table below.

Current Period	Highest	Date	Lowest	Date
TL+FC	169,71	29.12.2020	73,00	18.11.2020
FC	515,62	27.11.2020	276,94	04.10.2020

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

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Current Period 31.12.2020	Consideration Ratio Not Applied Total Value ^(*)		Consideration Ratio Applied Total Value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	10.264.831	6.800.303	10.264.831	6.800.303
High quality liquid assets	-	-	10.264.831	6.800.303
CASH OUTFLOWS	58.629.258	30.312.004	17.677.933	6.453.633
Real person deposits and retail deposits	18.045.333	11.702.096	1.848.015	1.255.054
Stable deposit	2.553.057	-	127.653	-
Deposit with low stability	15.492.276	11.702.096	1.720.362	1.255.054
Unsecured debts except real person deposits and retail deposits	22.978.598	8.224.931	13.838.433	3.631.821
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	22.978.598	8.224.931	13.838.433	3.631.821
Secured debts	-	-	-	-
Other cash outflows	17.605.327	10.384.977	1.991.486	1.566.757
Derivative liabilities and margin obligations	1.599.722	1.013.755	1.078.820	1.013.755
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	331.042	426.882	128.937	105.785
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	15.674.563	8.944.340	783.729	447.217
TOTAL CASH OUTFLOW	-	-	17.677.934	6.453.632
CASH INFLOWS	7.023.770	4.951.618	5.767.065	4.571.863
Secured receivables	-	-	-	-
Unsecured claims	5.893.623	4.030.512	4.636.918	3.650.757
Other cash inflows	1.130.147	921.105	1.130.147	921.105
TOTAL CASH INFLOWS	7.023.770	4.951.617	5.767.065	4.571.862
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	10.264.831	6.800.303
TOTAL NET CASH OUTFLOWS	-	-	11.910.869	1.881.770
LIQUIDITY COVERAGE RATIO (%)	-	-	86	361

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

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Prior Period 31.12.2019	Consideration Ratio Not Applied Total Value ^(*)		Consideration Ratio Applied Total Value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	4.906.883	3.146.170	4.906.883	3.146.170
High quality liquid assets	-	-	4.906.883	3.146.170
CASH OUTFLOWS	297.431.090	110.812.049	27.136.275	11.822.341
Real person deposits and retail deposits	141.981.326	62.695.083	12.003.597	6.269.508
Stable deposit	43.890.713	-	2.194.536	-
Deposit with low stability	98.090.613	62.695.083	9.809.061	6.269.508
Unsecured debts except real person deposits and retail deposits	17.275.939	7.766.427	7.924.323	3.287.399
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	17.275.939	7.766.427	7.924.323	3.287.399
Secured debts	-	-	-	-
Other cash outflows	138.173.825	40.350.539	7.208.355	2.265.434
Derivative liabilities and margin obligations	104.940	64.231	97.382	64.231
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	809.215	754.504	247.990	224.613
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	137.259.670	39.531.804	6.862.983	1.976.590
TOTAL CASH OUTFLOW	297.431.090	110.812.050	27.136.275	11.822.341
CASH INFLOWS	5.865.671	2.576.685	3.970.684	2.049.043
Secured receivables	-	-	-	-
Unsecured claims	5.768.697	2.511.025	3.873.710	1.983.383
Other cash inflows	96.974	65.660	96.974	65.660
TOTAL CASH INFLOWS	5.865.671	2.576.685	3.970.684	2.049.043
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	4.906.883	3.146.170
TOTAL NET CASH OUTFLOWS	-	-	23.165.591	9.773.298
LIQUIDITY COVERAGE RATIO (%)	-	-	21	32

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

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Presentation of assets and liabilities according to their remaining maturities

Current Period 31.12.2020	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistri- buted ^(*)	Total
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	640.288	4.833.974	-	-	-	-	-	5.474.262
Banks ^(*)	4.043.012	756.674	-	-	-	-	-	4.799.686
Financial Assets at Fair Value Through Profit and Loss	-	3.006	90.527	527.039	360.300	-	-	980.872
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	28.342	649.154	911.323	3.546.501	-	10.412	5.145.732
Loans Given	-	1.292.151	2.642.589	7.672.789	22.264.432	7.942.234	392.215	42.206.410
Financial Assets Measured at Amortised Cost	-	-	-	-	779.437	-	-	779.437
Other Assets	-	-	-	-	-	-	800.497	800.497
Total Assets	4.683.300	6.914.147	3.382.270	9.111.151	26.950.670	7.942.234	1.203.124	60.186.896
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	4.554.961	-	6.934	-	-	-	-	4.561.895
Current and Participation Accounts	7.445.184	25.764.602	6.452.479	2.113.970	47.920	-	-	41.824.155
Funds Provided from Other Financial Instruments	-	147.376	195.418	512.433	533.382	38.005	-	1.426.614
Money Market Borrowings	-	2.101.073	-	-	-	-	-	2.101.073
Issued Marketable Securities ^(**)	-	864.472	2.552.733	600.045	1.080.526	-	-	5.097.776
Other Liabilities	-	-	-	-	-	-	5.175.383	5.175.383
Total Liabilities	12.000.145	28.877.523	9.207.564	3.226.448	1.661.828	38.005	5.175.383	60.186.896
Liquidity Gap	(7.316.845)	(21.963.376)	(5.825.294)	5.884.703	25.288.842	7.904.229	(3.972.259)	-
Net Off-Balance Sheet Position	-	28.293	(14.906)	838	-	-	-	14.225
Receivables From Derivative Financial Instruments	-	3.090.778	548.603	8.631	-	-	-	3.648.012
Financial Derivative Liabilities	-	3.062.485	563.509	7.793	-	-	-	3.633.787
Non-Cash Loans	2.405.872	691.439	1.632.493	6.099.552	4.733.595	352.819	-	15.915.770

^(*) Includes expected loss provision.^(**) Assets which are required for banking operations and could not be converted into cash in short-term, such as; property and equipment associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net under follow-up loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.^(***) The total of subordinated debt instruments is shown in this column.

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Prior Period 31.12.2019	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistri- buted (**)	Total
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	418.735	2.475.665	-	-	-	-	-	2.894.400
Banks (*)	916.283	-	-	-	-	-	-	916.283
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	3.594	349.212	583.141	1.443.318	-	7.672	2.386.937
Loans Given	-	7.029.842	1.338.998	5.654.593	12.044.093	2.923.658	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	-	-	547.750	-	-	547.750
Other Assets (**)	-	-	-	-	-	-	655.520	655.520
Total Assets	1.335.018	9.509.101	1.688.210	6.237.734	14.035.161	2.923.658	663.192	36.392.074
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	123	-	-	-	-	-	-	123
Current and Participation Accounts	4.138.085	13.556.021	4.268.215	3.264.383	230.318	-	-	25.457.022
Funds Provided from Other Financial Instruments	-	84.509	320.539	2.439.289	575.484	75.850	-	3.495.671
Money Market Borrowings	-	19.135	-	-	-	-	-	19.135
Issued Marketable Securities	-	709.429	1.165.489	608.081	-	-	-	2.482.999
Other Liabilities (***)	-	-	-	-	849.689	-	4.087.435	4.937.124
Total Liabilities	4.138.208	14.369.094	5.754.243	6.311.753	1.655.491	75.850	4.087.435	36.392.074
Liquidity Gap	(2.803.190)	(4.859.993)	(4.066.033)	(74.019)	12.379.670	2.847.808	(3.424.243)	-
Net Off-Balance Sheet Position	-	(11.580)	18.056	158	-	-	-	6.634
Receivables From Derivative Financial Instruments	-	1.186.774	133.020	3.142	-	-	-	1.322.936
Financial Derivative Liabilities	-	1.198.354	114.964	2.984	-	-	-	1.316.302
Non-Cash Loans	2.018.432	487.579	1.480.078	4.981.773	2.136.365	223.910	-	11.328.137

(*) Includes expected loss provision.

(**) Assets which are required for banking operations and could not be converted into cash in short-term, such as; property and equipment associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net under follow-up loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

(***) The total of subordinated debt instruments is shown in this column.

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Presentation of liabilities according to their remaining maturities

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Banks special current account and participation accounts	4.554.961	6.934	-	-	-	4.561.895
Other special current account and participation accounts	33.209.786	6.452.479	2.113.970	47.920	-	41.824.155
Funds borrowed from other financial institutions	147.376	195.418	512.433	533.382	38.005	1.426.614
Funds borrowed from Interbank money market	2.101.073	-	-	-	-	2.101.073
Total	40.013.196	6.654.831	2.626.403	581.302	38.005	49.913.737
Prior Period						
Banks special current account and participation accounts	123	-	-	-	-	123
Other special current account and participation accounts	17.694.106	4.268.215	3.264.383	230.318	-	25.457.022
Funds borrowed from other financial institutions	793.938	1.486.028	3.047.370	575.484	75.850	5.978.670
Funds borrowed from Interbank money market	19.135	-	-	-	-	19.135
Total	18.507.302	5.754.243	6.311.753	805.802	75.850	31.454.950

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VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

As of 31 December 2020, the leverage ratio of the Group calculated from the average of three months is 5,65%. (31 December 2019: 7,73%). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks. The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital. The regulation stipulated the minimum leverage ratio as 3%.

Leverage ratio disclosure as follows:

	Current Period ^(*) 31.12.2020	Prior Period 31.12.2019
Balance sheet assets		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	58.662.572	33.912.099
(Assets deducted from main capital)	(176.435)	(136.619)
Assets deducted from main capital	58.486.137	33.775.480
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	22.027	20.334
Potential credit risk amount of derivative financial instruments and credit derivatives	21.256	14.549
Total risk amount of derivative financial instruments and credit derivative	43.283	34.883
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	145.965	65.054
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	145.965	65.054
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	16.834.815	11.309.929
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	16.834.815	11.309.929
Equity and total risk		
Main capital	4.267.519	3.484.433
Total risk amount	75.501.505	45.185.346
Leverage ratio		
Leverage ratio %	5,65	7,73

^(*) Three month average of the amounts in the table are taken into account.

VIII. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

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IX. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management to be Announced To Public By Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (“IRB”) have not been presented.

Within the scope of risk management, there are many risks that affect the Bank’s financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Risk management strategy is based on the mission and vision of the Bank and is aimed to respond to customers’ financial needs in the most appropriate way and to support their financial success. In this context, business practices and working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in the Bank.

The Bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

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1. Explanations on Risk Management and Risk-Weighted Assets

a) Overview of Risk-Weighted Assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period 31.12.2020	Prior Period 31.12.2019	Current Period 31.12.2020
1	Credit risk (excluding counterparty credit risk)	29.650.611	22.300.329	2.372.049
2	Standardized approach	29.650.611	22.300.329	2.372.049
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	131.015	45.469	10.481
5	Standardized approach for counterparty credit risk	131.015	45.469	10.481
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	290.659	183.570	23.253
17	Standardized approach	290.659	183.570	23.253
18	Internal model approaches	-	-	-
19	Operational risk	1.831.724	1.004.413	146.538
20	Basic indicator approach	1.831.724	1.004.413	146.538
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	31.904.009	23.533.781	2.552.321

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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2. Connections Between Financial Statements and the Risk Amounts

a) Differences between accounting consolidation and legal consolidation and matching of the subject

Current Period 31.12.2020	Valued amount according to TAS within legal consolidation (*)	Subject to credit risk framework	Subject to counterparty credit risk framework	Carrying values of items	
				Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and Balances at Central Bank	5.477.120	5.477.120	-	5.067.541	-
Derivative Financial Assets	28.253	-	28.253	-	-
Financial Assets Measured At Fair Value To Profit Or Loss	980.872	-	980.872	-	-
Banks	4.799.768	4.799.768	-	4.787.374	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	5.142.792	5.142.792	2.235.531	1.378.365	-
Loans and Receivable	37.070.191	37.070.191	-	10.466.219	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	779.437	779.437	-	779.437	-
Investments in Associates (Net)	-	-	-	-	-
Investments in Subsidiaries (Net)	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables form Leasing Transactions	5.136.219	5.136.219	-	2.284.842	-
Derivative Financial Assets for Hedging Purposes	-	-	-	9	-
Tangible Assets (Net)	177.964	177.964	-	363	21.363
Intangible Assets (Net)	161.257	-	-	-	161.257
Investment Properties (Net)	-	-	-	-	-
Tax Asset	108.597	108.597	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	75.240	75.240	-	-	-
Other Assets	249.186	249.186	-	35.458	-
Total Assests	60.186.896	59.016.514	3.244.656	24.799.608	182.620
Liabilities					
Deposits	46.386.050	-	-	21.483.588	-
Derivative Financial Liabilities	19.440	-	-	19.440	-
Funds Borrowed	1.426.614	-	-	1.046.528	-
Money Markets	2.101.073	-	2.079.285	-	-
Securities Issued (Net)	4.017.250	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	788.160	-	-	216.629	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	127.634	-	-	15.688	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	409.244	-	-	197.616	-
Tax Liability	96.632	-	-	142	-
Non-Currents Liabilities Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	1.080.526	-	-	768.037	-
Equity	3.734.273	-	-	(84)	-
Total Liabilities	60.186.896	-	2.079.285	23.747.584	-

(*) It represents the Bank's consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period 31.12.2019	Carrying values of items				
	Valued amount according to TAS within legal consolidation ^(*)	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and Balances at Central Bank	2.894.439	2.894.439	-	2.794.300	-
Derivative Financial Assets	17.496	-	17.496	-	-
Financial Assets Measured At Fair Value To Profit Or Loss	-	-	-	-	-
Banks	916.418	916.418	-	911.213	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	2.386.763	2.386.763	105.559	301.717	-
Loans and Receivable	25.334.818	26.010.100	-	8.862.682	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	547.750	547.750	-	547.750	-
Investments In Associates (Net)	-	-	-	-	-
Investments In Subsidiaries (Net)	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables Form Leasing Transactions	3.656.366	3.656.366	-	2.124.383	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets (Net)	157.597	137.362	-	-	20.234
Intangible Assets (Net)	120.641	-	-	-	120.641
Investment Properties (Net)	-	-	-	-	-
Tax Asset	42.153	42.153	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	104.069	104.069	-	-	-
Other Assets	213.564	213.564	-	65.527	-
Total Assests	36.392.074	36.908.984	123.055	15.607.572	140.875
Liabilities					
Deposits	25.457.145	-	-	12.425.040	-
Derivative Financial Liabilities	12.479	-	-	12.460	-
Funds Borrowed	5.978.670	-	-	3.121.136	-
Money Markets	19.135	-	19.135	-	-
Securities Issued (Net)	-	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	440.397	-	-	76.805	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	110.059	-	-	12.267	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	235.279	-	-	45.645	-
Tax Liability	122.393	-	-	-	-
Non-Currents Liabilities Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	849.689	-	-	537.338	-
Equity	3.166.828	-	-	642	-
Total Liabilities	36.392.074	-	19.135	16.231.333	-

^(*) It represents the Bank's consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

b) The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

Current Period 31.12.2020	Total	Subject to credit risk framework	Securitization position	Subject to counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of regulatory consolidation	60.186.896	59.016.514	-	3.244.656	24.799.608
Liabilities carrying value amount under regulatory scope of consolidation	2.101.073	-	-	2.079.285	-
Total net amount under regulatory scope of consolidation	58.085.823	59.016.514	-	1.165.371	24.799.608
Differences in valuations	23.859.166	16.422.235	-	7.436.931	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Amount of Risk	81.944.989	75.438.749	-	8.602.302	24.799.608
Prior Period 31.12.2019	Total	Subject to credit risk framework	Securitization position	Subject to counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of regulatory consolidation	36.392.074	36.908.984	-	123.056	15.607.573
Liabilities carrying value amount under regulatory scope of consolidation	19.135	-	-	19.135	-
Total net amount under regulatory scope of consolidation	36.372.939	36.908.084	-	103.921	15.607.573
Differences in valuations	12.082.308	11.619.628	-	462.681	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Amount of Risk	48.455.247	48.528.612	-	566.602	15.607.573

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**NOTES TO THE CONSOLIDATED
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3. Credit Risk Explanations

3.1) General information on credit risk

a) General qualitative information on credit risk

Effective management of credit risk is one of the important elements of a comprehensive approach to risk management. Corporate, retail and SME loans, financial lease receivables, other elements of bank assets and non-cash transactions, which are provided in connection with the activities of our bank, constitute the basis of the items that constitute credit risk. It is important to take into account the risk appetite of our bank in the activities carried out in this direction, in terms of effective credit risk management.

Credit risk limits; It has been designed in accordance with the risk levels the Bank may take, its activities, the size and complexity of its products and services, and was determined by taking the opinions and suggestions of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly reviewed and monitored periodically, adapted according to changes in market conditions, Bank strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance was reviewed and a policy was created in line with the Bank's strategies and objectives.

Credit risk calculations are made carefully and meticulously and controls are carried out in accordance with the legislation. Currently, calculations are made with the standard method, and infrastructure studies are ongoing for the use of advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit units, and legal requirements are taken into account at every stage.

Detailed reports including the credit risk exposure and its relations with other risks are periodically shared with the Board of Directors and Senior Managers, and the credit risk is effectively monitored by the risk management unit.

b) Credit quality of assets

		Defaulted	Non-defaulted	Allowances/ Amortisation and impairments	Net values
1	Loans ^(*)	1.181.058	42.178.578	1.153.226	42.206.410
2	Debt Securities	-	7.058.197	162.568	6.895.629
3	Off-balance sheet exposures	-	16.577.367	26.708	16.550.659
4	Total	1.181.058	65.814.142	1.342.502	65.652.698

^(*) Financial lease amounting to TL 5.136.219 is included in the table.

c) Changes on defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	947.102
2	Loans and debt securities that have defaulted since the last reporting period	132.910
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes ^(*)	101.046
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.181.058

^(*) A total of 101.046 TL receivables, which are monitored in the TOA accounts, with full provision, amounting to TL 89.382 and TL 11.664, respectively, were excluded from the consolidated and consolidated financial statements based on the transfer agreements of the receivables dated 1 December 2020 and 29 December 2020, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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i. Differences between definitions and explanations of “deferred” receivables and receivables for which “provision was allocated”, and definitions of “deferred” and “provision of allocation”, if any

The Bank allocates specific and general provisions for its loans and other receivables within the framework of the “Regulation on the Classification of Loans and the Procedures and Principles for the Provisions to be Set aside for These”.

ii. The portion that is not considered within the scope of “allocation of provision” among deferred receivables (over 90 days) and reasons for this practice

The Bank automatically transfers loans past due 90 days (to be temporarily applied as 180 days until June 30, 2021) to follow-up accounts in accordance with the provisions of the Provisions Regulation and allocates the corresponding class provision.

iii. Definitions of methods used for determining provision amount

The Bank sets expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

iv. Definitions of restructured receivable

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets

Current Period 31.12.2020	Credits			Total
	Significant Increase in Credit Risk (Stage 2)	Impaired (IFRS 9) Default (Stage 3)	Expected Credit Loss Provisions	
Domestic	1.751.704	1.181.058	1.153.226	1.153.226
European Union Countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other Countries	-	-	-	-
Total	1.751.704	1.181.058	1.153.226	1.153.226

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

	Credits			Total
	Significant Increase in Credit Risk (Stage 2)	Impaired (IFRS 9) Default (Stage 3)	Expected Credit Loss Provisions	
Prior Period 31.12.2019				
Domestic	1.398.126	675.282	573.846	573.846
European Union Countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other Countries	-	-	-	-
Total	1.398.126	675.282	573.846	573.846
Current Period 31.12.2020	Loans	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	992.055	18.201	20.991	989.265
Farming and Stockbreeding	704.420	13.518	16.415	701.523
Forestry	265.979	3.815	3.761	266.033
Fishing	21.656	868	815	21.709
Manufacturing	19.279.023	497.187	479.857	19.296.353
Mining and Quarrying	3.405.649	15.971	43.927	3.377.693
Production	15.455.153	475.769	429.492	15.501.430
Electric, Gas and Water	418.221	5.447	6.438	417.230
Construction	11.415.118	404.887	293.953	11.526.052
Services	10.483.535	256.344	356.848	10.387.650
Wholesale and Retail Trade	6.581.978	185.849	274.660	6.493.167
Hotel Food and Beverage Services	351.341	2.782	3.809	350.314
Transportation and Telecommunication	303.608	29.489	33.008	300.089
Financial Institutions	1.201.035	-	1.154	1.199.881
Real Estate and Leasing Services	1.367.910	30.441	31.066	1.367.285
Self Employment Services	87.162	502	1.344	86.320
Education Services	91.006	52	560	90.498
Health and Social Services	499.495	7.229	11.247	495.477
Other	8.847	4.439	5.371	7.915
Total	42.178.578	1.181.058	1.153.226	42.206.410

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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Prior Period 31.12.2019	Loans	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	801.694	15.350	10.194	806.850
Farming and Stockbreeding	700.355	12.001	7.750	704.606
Forestry	88.553	2.510	1.823	89.240
Fishing	12.786	839	621	13.004
Manufacturing	10.435.958	250.207	221.954	10.464.211
Mining and Quarrying	2.085.611	5.951	9.695	2.081.867
Production	7.745.368	239.581	208.652	7.776.297
Electric, Gas and Water	604.979	4.675	3.607	606.047
Construction	4.479.509	76.453	63.398	4.492.564
Services	10.887.275	304.252	193.335	10.998.192
Wholesale and Retail Trade	4.183.944	161.902	114.417	4.231.429
Hotel Food and Beverage Services	166.539	1.357	1.594	166.302
Transportation and Telecommunication	248.139	38.299	25.629	260.809
Financial Institutions	5.399.102	-	2.873	5.396.229
Real Estate and Leasing Services	666.932	93.742	42.647	718.027
Self Employment Services	-	-	-	-
Education Services	65.099	33	398	64.734
Health and Social Services	157.520	8.919	5.777	160.662
Other	2.285.312	29.020	84.965	2.229.367
Total	28.889.748	675.282	573.846	28.991.184

vi. Aging analysis for overdue receivables

Current Period 31.12.2020	1 month	1-2 months	2-3 months	Total
Loans and Receivables ⁽¹⁾	-	-	-	-
Corporate/Entrepreneurial Loans	121.578	38.696	644.845	805.119
Personal Credit	32.330	7.234	5.108	44.672
Total	153.908	45.930	649.953	849.791

⁽¹⁾ The amounts in the table are the installment amounts due for installment loans, and the principal amounts due for other loans, and the total remaining principal amounts of the installment loans are 365.120 TL.

Prior Period 31.12.2019	1 month	1-2 months	2-3 months	Total
Loans and Receivables ⁽¹⁾	-	-	-	-
Corporate/Entrepreneurial Loans	314.941	131.792	187.144	633.877
Personal Credit	246	-	-	246
Total	315.187	131.792	187.144	634.123

⁽¹⁾ The amounts in the table are the installment amounts due for installment loans, and the principal amounts due for other loans, and the total remaining principal amounts of the installment loans are 764.003 TL.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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3.2) Credit risk mitigation

a) Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

In the collateralization transactions related to the lending processes of the Bank, the issues that may pose a risk from now on are taken into consideration. In the bank collateral policy, risks are now managed by taking into account all risks such as failure to seize the received collateral in time or not being able to convert it into cash, refusal or delay of payment by the guarantor, failure of credit documents whose legal validity has not been sufficiently investigated to achieve the desired legal result.

Transactions carried out by the Bank within the scope of market risk are not subject to collateral.

Financial collaterals are taken into consideration in credit risk mitigation in the Bank, and real estate mortgages are not considered as collateral as a rule. Mortgage-backed receivables are a separate risk class, and the financial collaterals used in the Bank consist of cash blockage, loan guarantee fund and assignment of arising public receivables.

b) Credit risk mitigation techniques – Overview

Current Period 31.12.2020	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans ^(*)	36.296.201	5.910.209	4.717.707	4.924.960	4.189.451	-	-
Debt Securities ^(*)	6.895.629	-	-	-	-	-	-
Total	43.191.830	5.910.209	4.717.707	4.924.960	4.189.451	-	-
Of which defaulted ^(*)	1.152.871	-	-	-	-	-	-

^(*) Based on the BRSB's letter dated 08.12.2020 on “Extension of the Period of Pandemic Measures”, the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date was used in the calculation of the Amount Subject to Credit Risk. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of TL 1.128.770 thousand in “Loans”, TL 58.371 thousand in “Debt Instruments” and TL 28.187 thousand in “Default” class.

Priond Period 31.12.2019	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	27.117.320	1.873.864	1.250.795	1.280.636	808.337	-	-
Debt Securities	2.927.015	-	-	-	-	-	-
Total	30.044.335	1.873.864	1.250.795	1.280.636	808.337	-	-
Of which defaulted	675.282	-	-	-	-	-	-

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3.3) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach

a) Qualitative explanations to be made about the rating grades used by banks when calculating credit risk with a standard approach

The Parent Bank uses the ratings given by the Fitch Ratings International Rating Agency in the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments, and Receivables from Administrative Units and Non-Commercial Enterprises. Receivables from Banks in the risk class, Fitch Ratings notes are used for Receivables from Resident Banks, and no rating agency notes are used for receivables from domestic resident Banks. While our Country grade used for Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments and Receivables from Administrative Units and Non-Commercial Enterprises corresponds to 3 in the Credit Quality Level, the notes used in the Receivables from Banks and Intermediary Institutions risk class are from 1 to 6 matched with credit quality tiers.

b) Standard Approach - Loan risk exposure and the effects of loan risk reduction technique

Current Period 31.12.2020	Exposures before CCF and CRM		Exposures post- CCF and CRM		RWA and RWA density		
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	RWA amount	RWA density amount	
1	Exposures to sovereigns and their central banks	8.707.427	-	12.870.880	23.363	-	0%
2	Exposures to regional and local governments	-	-	25.999	5.815	15.907	50%
3	Exposures to administrative bodies and non-commercial entities	264.828	5.784	264.828	2.858	266.044	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	5.024.106	62.368	5.024.106	44.399	1.025.480	20%
7	Exposures to corporates	16.970.986	12.490.186	15.275.823	8.613.143	23.153.759	97%
8	Retail exposures	5.076.333	2.581.421	2.582.045	1.244.087	2.746.074	72%
9	Exposures secured by residential property	2.624.630	47.664	2.624.630	25.720	927.622	35%
10	Exposures secured by commercial property	1.481.948	402.902	1.481.948	237.202	859.575	50%
11	Past-due items	258.567	-	258.567	-	174.139	67%
12	Exposures in high-risk categories	104.158	-	104.158	-	156.237	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	584.743	-	584.743	-	325.774	56%
17	Equity share investments	-	-	-	-	-	0%
18	Total	41.097.726	15.590.325	41.097.727	10.196.587	29.650.611	58%

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	Prior Period 31.12.2019	Exposures before CCF and CRM		Exposures post- CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	RWA amount	RWA density amount
	Risk Classes						
1	Exposures to sovereigns and their central banks	4.559.048	-	5.334.261	36.491	575.422	11%
2	Exposures to regional and local governments	-	-	33.126	4.978	19.052	50%
3	Exposures to administrative bodies and non-commercial entities	26.537	3.459	26.536	1.699	28.096	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	4.194.333	57.053	4.194.332	31.917	1.215.161	29%
7	Exposures to corporates	11.565.094	8.812.943	11.159.498	6.088.935	16.649.558	97%
8	Retail exposures	2.245.181	2.377.277	1.842.440	1.219.227	2.214.229	72%
9	Exposures secured by residential property	1.375.833	57.934	1.375.834	40.101	495.577	35%
10	Exposures secured by commercial property	868.529	288.347	868.528	202.987	535.758	50%
11	Past-due items	202.276	-	202.276	-	152.213	75%
12	Exposures in high-risk categories	41.924	3.577	41.923	3.577	68.250	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	765.741	-	765.741	-	347.013	45%
17	Equity share investments	-	-	-	-	-	0%
18	Total	25.844.496	11.600.590	25.844.495	7.629.912	22.300.329	67%

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c) Standard Approach: Receivables related with risk classes and risk weights

Current Period Risk Classes/Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage
Exposures to sovereigns and their central banks	12.894.243	-	-	-	-
Exposures to regional and local government	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	1.542	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	5.029.242	-	-
Exposures to corporates	152.069	-	395.853	-	-
Retail exposures	87.286	-	105.564	-	-
Exposures secured by residential property	-	-	-	2.650.350	-
Exposures secured by commercial property	-	-	-	-	1.719.150
Past-due items	112	-	72	-	-
Exposures in high-risk categories	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Equity share investments	-	-	-	-	-
Other exposures	259.071	-	-	-	-
Total	13.394.323	-	5.530.731	2.650.350	1.719.150

							Total risk amount (post-CCF and CRM)
	50%^(*)	75%	100%	150%	200%	Other	
	-	-	-	-	-	-	12.894.243
	31.814	-	-	-	-	-	31.814
	-	-	266.144	-	-	-	267.686
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	39.263	-	-	-	-	-	5.068.505
	532.912	-	22.808.132	-	-	-	23.888.966
	-	3.633.282	-	-	-	-	3.826.132
	-	-	-	-	-	-	2.650.350
	-	-	-	-	-	-	1.719.150
	168.517	-	89.866	-	-	-	258.567
	-	-	-	104.158	-	-	104.158
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	325.772	-	-	-	584.743
	772.506	3.633.282	23.489.914	104.158	-	-	51.294.314

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Prior Period Risk Classes/Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage
Exposures to sovereigns and their central banks	4.219.908	-	-	-	-
Exposures to regional and local government	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	139	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	2.998.347	-	-
Exposures to corporates	-	98.254	-	-	258.881
Retail exposures	-	34.821	-	-	2.193
Exposures secured by residential property	-	-	-	1.415.935	-
Exposures secured by commercial property	-	-	-	-	1.071.515
Past-due items	-	89	-	-	99.714
Exposures in high-risk categories	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Equity share investments	-	-	-	-	-
Other exposures	418.728	-	-	-	-
Total	5.112.836	-	3.131.511	1.415.935	1.071.515

	50% ^(*)	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
	1.150.844	-	-	-	-	-	5.370.752
	38.104	-	-	-	-	-	38.104
	-	-	28.096	-	-	-	28.235
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	1.224.820	-	3.082	-	-	-	4.226.249
	-	16.500.467	-	-	-	17.248.433	-
	2.941.558	-	-	-	-	3.061.667	-
	-	-	-	-	-	-	1.415.935
	-	-	-	-	-	-	1.071.515
	-	102.338	-	-	-	202.276	-
	-	-	-	45.500	-	-	45.500
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	347.013	-	-	-	765.741
	2.774.556	2.941.558	16.980.996	45.500	-	-	33.474.407

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X. EXPLANATIONS ON RISK PROTECTION PROCEDURES

It is essential to limit the risk levels to limits compatible with the risk profile and risk tolerance in order to prevent the Bank from being affected by the adverse events that may occur while conducting its operations.

Risk limits are determined by taking the opinions and suggestions of the General Manager, Audit Committee and relevant Senior Managers and approved by the Board of Directors.

Risk limits; it has been determined in accordance with the risk levels, activities, size and complexity of its products and services that the Bank can take. Limits are regularly reviewed and monitored periodically, adapting to changes in market conditions, the Bank's strategy and risk appetite.

In addition, derivative transactions are carried out at the Bank and FX and TL liquidity risk is limited by the transactions performed.

1) Credit risk under IRB (Internal Rating Based) Approach

Within the scope of the footnotes and related explanations prepared in accordance with the "Communiqué on Public Disclosure by the Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 by the BRSA and entered into force as of 31 March 2016, it is given annually and quarterly. The following required tables are not presented as of 31 December 2020 as the standard approach is used in the calculation of the Bank's credit risk:

Qualitative information regarding IRB to be disclosed to the public

IRB - Credit risk amounts based on IRB and Portfolio and PoD (Probability of Default) range

IRB - Effect of credit derivatives used as CRM (Credit Risk Mitigation) technique on RWA (Risk Weighted Amounts)

Statement of changes in RWA under IRB approach

IRB - Retrospective testing of default probabilities in each risk class

IRB (Specialized loans and stock investments subject to basic risk weight approach)

XI. COUNTERPARTY CREDIT RISK EXPLANATIONS

a) Qualitative explanations on counterparty credit risk

In an attempt to identify the counter party credit risk that the Parent Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

As part of the Parent Bank's counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

It is essential that the Parent Bank manages the counterparty credit risk level in a manner that keeps it above the minimum limits specified in the legal regulations.

Parent Bank risk measurement system; it takes measures to operate in a reliable and integrity manner compatible with legal regulations, fields of activity and product types, and to maintain it accordingly. In this context, as a minimum, for counterparty credit risk measurement and monitoring activities; Calculation of counterparty credit risk weighted asset amount and legal capital requirement, and monitoring of the Bank's compliance level with regard to allocated limits are carried out.

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b) Evaluation of counterparty credit risk in accordance with the measurement methods

	Current Period 31.12.2020	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	215.028	44.736		1,4	259.764	56.140
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.235.531	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						56.140

^(*)Effective expected positive exposure

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	Prior Period 31.12.2019	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	17.498	13.773		1,4	31.271	15.508
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					105.559	21.112
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						36.620

(*) Effective expected positive exposure

c) Capital requirement for loan valuation adjustment

	Current Period 31.12.2020	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	259.764	74.875
4	Total subject to the CVA capital charge	259.764	74.875

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	Prior Period 31.12.2019	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	31.271	8.850
4	Total subject to the CVA capital charge	31.271	8.850

d) Standard Approach: Receivables related with risk classes and risk weights

Risk weight/Regulatory portfolio (Current Period)	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure ^(*)
Exposures to sovereigns and their central banks	2.235.531	-	195.301	-	-	-	-	-	39.060
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	53.111	10.132	-	-	-	-	15.688
Exposures to corporates	-	-	-	-	-	877	-	-	877
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	343	-	515
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total ^(*)	2.235.531	-	248.412	10.132	-	877	343	-	56.140

^(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

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Risk weight/Regulatory portfolio (Prior Period)	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure ^(*)
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	106.083	30.688	-	-	-	-	36.561
Exposures to corporates	-	-	-	-	-	58	-	-	58
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total^(*)	-	-	106.083	30.688	-	58	-	-	36.619

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

e) Risk classes and counterparty credit risk explanation

None.

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f) Collaterals for CCR

Current Period 31.12.2020	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	2.079.285	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securiyies	-	-	-	-	-	-
Other collateral	-	-	-	-	-	2.235.531
Total	-	-	-	-	2.079.285	2.235.531

Prior Period 31.12.2019	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	19.135	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securiyies	-	-	-	-	-	-
Other collateral	-	-	-	-	-	105.559
Total	-	-	-	-	19.135	105.559

g) Credit Derivatives

None.

h) Risk Weight changes under CCR on the Internal Modeling Management Methods

None.

i) Risks Related with Central Counterparties

None.

5. Explanations on Securitization Disclosure

The Bank does not have any securitization positions as of 31 December 2020. (31 December 2020: None).

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6. Explanations on Market Risk

a) Qualitative information about market risk to be disclosed to the public

Within the framework of BRSA's regulations, the Parent Bank ensures effective management of market risk and market concentration risk arising from market risk components, in accordance with the volume, nature and complexity of its activities, taking into account the best practices.

The Parent Bank ensures that measurement, monitoring, limitation, stress test and scenario analysis studies are carried out in accordance with the structure and complexity of its positions regarding market risk management and the results are reported. It is essential that new products and services are evaluated in terms of market risk.

In this context, as a minimum;

- Follow-up of the Parent Bank's accounts and positions subject to market risk and market developments affecting the value of these accounts and positions on a minimum daily basis,
- Amount calculations based on market risk to which the Bank is exposed within the framework of trading accounts,
- Analysis of the effects of up and down normal and extraordinary movements in the markets on the Bank's accounts and positions subject to market risk,
- Backtest analysis of internal models used for monitoring purposes in calculating the amount subject to market risk,
- Regarding market risk, risk limits are regularly calculated and followed up.

In the Parent Bank, the Board of Directors, Audit Committee and the General Manager fulfill their duties, powers and responsibilities within the scope of market risk management within the framework defined in the legislation. All Units, including the Units within the Scope of Internal Systems, fulfill their duties, powers and responsibilities within the scope of market risk management within the framework of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process and their own Regulations.

In order to reveal the market risk that the Parent Bank may encounter, it is essential to carry out risk measurement and monitoring activities and to consider the results in the strategic decision-making process of the Bank.

Within the framework of these principles, at least the following analyzes are made for measurement and monitoring activities.

As a minimum within the scope of Market Risk:

- Standard Method: It is made in accordance with the Market Risk Reporting Set statements published by the BRSA.
- Value at Risk Analysis: Historical Simulation is performed using Parametric, Exponentially Weighted Moving Average (EWMA) or a different method deemed appropriate by the Bank.
- Internal Capital Requirement: Parameters determined by the BRSA and/or the Bank that may affect the financial strength of the Bank and the level of capital that will meet the risks the Bank is or may be exposed to, with stress tests and/or scenario analysis related to these parameters, a future perspective It is calculated using appropriate methods.

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b) Standard Approach

		Current Period 31.12.2020	Prior Period 31.12.2019
		RWA	RWA
Outright products			
1	Interest rate risk (general and specific)	118.100	7.025
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	172.559	176.545
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	290.659	183.570

Issued quarterly and semi-annually and annually within the scope of the footnotes prepared by the BRSA in accordance with the “Communiqué on the Public Disclosures on Risk Management by Banks” published in the Official Gazette dated 23 October 2015 and numbered 29511 and entered into force as of 31 March 2016. The required tables below are not presented as of 31 December 2020, as the standard approach is used in the Bank’s market risk calculation:

Quantitative information to be disclosed to the public for banks using the internal model approach

Market risk RAT (Risk Weighted Amounts) change table according to the internal model approach

Internal model approach for trading account

Comparison of VaR (Value at Risk) estimates with profit/loss

7. Explanations on the Operational Risk

In the Parent Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of securities monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

	31.12.2017	31.12.2018	31.12.2019	Total/Number of Positive GI years	Ratio (%)	Total
Gross Income	482.004	892.243	1.556.512	976.920	15	146.538
Amount Subject to Operational Risk	-	-	-	-	-	1.831.724

XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group is determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments”.

The Bank operates in retail, corporate/entrepreneurial banking, treasury/investment banking.

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Table for Segment Reporting:

Current Period 1 January - 31 December 2020	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	381.619	2.757.088	656.569	396.069	4.191.345
Profit Shares from Loans	381.619	2.757.088	-	-	3.138.707
Profit Shares from Banks	-	-	23.995	-	23.995
Profit Shares from Securities	-	-	608.569	-	608.569
Other Profit Shares	-	-	24.005	396.069	420.074
Profit Shares Expense	(663.913)	(844.970)	(589.826)	(24.098)	(2.122.807)
Profit Shares Expense on Participation Funds	(663.913)	(844.970)	(14)	-	(1.508.897)
Profit Shares Expense on Funds Borrowed	-	-	(199.072)	-	(199.072)
Profit Shares Expense on Money Market Transactions	-	-	(63.603)	-	(63.603)
Profit Shares Expense on Securities Issued	-	-	(327.137)	-	(327.137)
Other Profit Shares Expense	-	-	-	(24.098)	(24.098)
Net Profit Shares Income/Expense	(282.294)	1.912.118	66.743	371.971	2.068.538
Net Fees and Commission Income/Expense	12.750	111.337	-	(31.546)	92.541
Fees and Commissions Received	12.750	111.337	-	80.561	204.648
Fees and Commissions Paid	-	-	-	(112.107)	(112.107)
Dividend Income	-	-	104	-	104
Trading Income/Loss (Net)	-	-	83.310	-	83.310
Other Operating Income	-	343	-	267.801	268.144
Provision for Expected Losses	(104.292)	(781.660)	-	(108.261)	(994.213)
Other Provision Expense	-	-	-	(173.855)	(173.855)
Personnel Expenses	-	-	-	(235.155)	(235.155)
Other Operating Expense	-	4.959	-	(311.973)	(316.932)
Net Operating Profit/Loss	(373.836)	1.237.179	150.157	(221.018)	792.482
Tax Provision	-	-	-	(153.920)	(153.920)
Net Profit/Loss	(373.836)	1.237.179	150.157	(374.938)	638.562
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	980.872	-	980.872
Banks (*)	-	-	4.799.686	-	4.799.686
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	5.145.732	-	5.145.732
Loans (*) (*)	4.850.077	36.350.940	1.005.393	-	42.206.410
Financial Assets Measured at Amortised Cost	-	-	779.437	-	779.437
Derivative Financial Assets	-	-	28.253	-	28.253
Partnership Investment	-	-	-	-	-
Other Assets (*)	-	-	-	6.246.506	6.246.506
Total Segment Assets	4.850.077	36.350.940	12.739.373	6.246.506	60.186.896
SEGMENT LIABILITIES					
Funds Collected	18.467.116	27.918.934	-	-	46.386.050
Derivative Financial Liabilities	-	-	19.440	-	19.440
Funds Borrowed	-	-	1.426.614	-	1.426.614
Money Market Funds	-	-	2.101.073	-	2.101.073
Securities Issued (Net)	-	-	4.017.250	-	4.017.250
Provisions	-	-	-	409.244	409.244
Other Liabilities	-	-	-	2.092.952	2.092.952
Shareholders' Equity	-	-	-	3.734.273	3.734.273
Total Segment Liabilities	18.467.116	27.918.934	7.564.377	6.236.469	60.186.896

(*) Includes expected loss provisions.

(**) Includes lease receivables.

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Table for Segment Reporting:

Prior Period 1 January - 31 December 2019	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	218.165	2.676.438	285.444	414.410	3.594.457
Profit Shares from Loans	218.165	2.676.438	-	-	2.894.603
Profit Shares from Banks	-	-	574	-	574
Profit Shares from Securities	-	-	245.733	-	245.733
Other Profit Shares	-	-	39.137	414.410	453.547
Profit Shares Expense	(817.982)	(705.564)	(681.355)	(20.631)	(2.225.532)
Profit Shares Expense on Participation Funds	(817.982)	(705.564)	(5.296)	-	(1.528.842)
Profit Shares Expense on Funds Borrowed	-	-	(272.658)	-	(272.658)
Profit Shares Expense on Money Market Transactions	-	-	(12.323)	-	(12.323)
Profit Shares Expense on Securities Issued	-	-	(391.078)	-	(391.078)
Other Profit Shares Expense	-	-	-	(20.631)	(20.631)
Net Profit Shares Income/Expense	(599.817)	1.970.874	(395.911)	393.779	1.368.925
Net Fees and Commission Income/Expense	16.937	114.436	-	(36.921)	94.452
Fees and Commissions Received	16.937	114.436	-	11.952	143.325
Fees and Commissions Paid	-	-	-	(48.873)	(48.873)
Dividend Income	-	-	17.762	-	17.762
Trading Income/Loss (Net)	-	-	69.478	-	69.478
Other Operating Income	-	431	-	158.577	159.008
Provision for Expected Losses	(39.535)	(394.513)	-	(58.123)	(492.171)
Other Provision Expense	-	-	-	(87.244)	(87.244)
Personnel Expenses	-	-	-	(183.767)	(183.767)
Other Operating Expense	-	-	-	(241.143)	(241.143)
Net Operating Profit/Loss	(622.415)	1.691.228	(308.671)	(54.842)	705.300
Tax Provision	-	-	-	(188.565)	(188.565)
Net Profit/Loss	(622.415)	1.691.228	(308.671)	(243.407)	516.735
SEGMENT ASSETS					
Financial Assets at FV Through P/L Banks ^(*)	-	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income Loans ^(**)	2.159.061	21.671.460	5.160.663	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	547.750	-	547.750
Derivative Financial Assets	-	-	17.496	-	17.496
Partnership Investment	-	-	-	-	-
Other Assets ^(*)	-	-	-	3.532.424	3.532.424
Total Segment Assets	2.159.061	21.671.460	9.029.129	3.532.424	36.392.074
SEGMENT LIABILITIES					
Funds Collected	15.884.116	9.573.029	-	-	25.457.145
Derivative Financial Liabilities	-	-	12.479	-	12.479
Funds Borrowed	-	-	3.495.671	-	3.495.671
Money Market Funds	-	-	19.135	-	19.135
Securities Issued (Net)	-	-	2.482.999	-	2.482.999
Provisions	-	-	-	235.279	235.279
Other Liabilities	-	-	-	1.522.538	1.522.538
Shareholders' Equity	-	-	-	3.166.828	3.166.828
Total Segment Liabilities	15.884.116	9.573.029	6.010.284	4.924.645	36.392.074

(*) Includes expected loss provisions.

(**) Includes lease receivables.

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XIII. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES

a) Information regarding the fair value offFinancial assets and liabilities:

Current Period 31.12.2020	Book Value	Fair Value
Financial Assets	52.931.347	52.931.347
Due from Interbank Money Market	-	-
Banks	4.799.768	4.799.768
Financial Assets Measured at Fair Value Through Other Comprehensive Income	5.145.732	5.145.732
Financial Assets Measured at Amortised Cost	779.437	779.437
Loans	42.206.410	42.206.410
Financial Liabilities	52.152.860	52.152.860
Bank Deposits	4.561.895	4.561.895
Other Deposits	41.824.155	41.824.155
Funds Borrowed from Other Financial Institutions	1.426.614	1.426.614
Issued Marketable Securities	4.017.250	4.017.250
Miscellaneous Payables	322.946	322.946
Prior Period 31.12.2019	Book Value	Fair Value
Financial Assets	32.842.289	32.842.289
Due from Interbank Money Market	-	-
Banks	916.418	916.418
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.386.937	2.386.937
Financial Assets Measured at Amortised Cost	547.750	547.750
Loans	28.991.184	28.991.184
Financial Liabilities	31.595.127	31.595.127
Bank Deposits	123	123
Other Deposits	25.457.022	25.457.022
Funds Borrowed from Other Financial Institutions	3.495.671	3.495.671
Issued Marketable Securities	2.482.999	2.482.999
Miscellaneous Payables	159.312	159.312

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

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b) Information on fair value measurements recognized in the financial statements:

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related notes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank’s balance sheet, are presented with respect to such basis of classification in the table below.

Current Period 31.12.2020	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	-	980.872	-	980.872
Government Debt Securities	-	-	-	-
Marketable Securities	-	-	-	-
Other Marketable Securities	-	980.872	-	980.872
Financial Assets at Fair Value Through Other Comprehensive Income	3.756.955	1.378.365	10.412	5.145.732
Marketable Securities	-	-	10.412	10.412
Government Debt Securities	-	-	-	-
Other Marketable Securities	3.756.955	1.378.365	-	5.135.320
Derivative Financial Assets	-	28.253	-	28.253
Total Assets	3.756.955	2.387.490	10.412	6.154.857
Derivative Financial Liabilities	-	19.440	-	19.440
Total Liabilities	-	19.440	-	19.440
Prior Period 31.12.2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	-	-	-	-
Government Debt Securities	-	-	-	-
Marketable Securities	-	-	-	-
Other Marketable Securities	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	2.077.548	301.717	7.672	2.386.937
Marketable Securities	-	-	7.672	7.672
Government Debt Securities	-	-	-	-
Other Marketable Securities	2.077.548	301.717	-	2.379.265
Derivative Financial Assets	-	17.496	-	17.496
Total Assets	2.077.548	319.213	7.672	2.404.433
Derivative Financial Liabilities	-	12.479	-	12.479
Total Liabilities	-	12.479	-	12.479

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

1.a) Information on cash and balances with Central Bank of the Republic of Turkey

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Cash/Foreign Currency	34.139	185.722	28.617	50.616
Central Bank of the Republic of Turkey ^(*)	375.440	4.821.782	71.522	2.404.187
Other	-	60.037	-	339.497
Total	409.579	5.067.541	100.139	2.794.300

^(*) According to the letter of BRSA dated 3 January 2008, it includes the average TL required reserve balance.

1.a.1) Information on Required Reserves

According to the CBRT's Communiqué No: 2013/15 on Required Reserves, the Bank establishes a reserve requirement at the CBRT for Turkish currency and foreign currency liabilities. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold according to the "Communiqué on Required Reserves" at the CBRT.

As of 31 December 2020, the valid rates for required reserves at the CBRT are between 1% and 6% for Turkish currency deposits and other liabilities (31 December 2019: 1%-7%); for foreign currency deposits and for foreign currency other liabilities is between 5% and 22% (31 December 2019:5%-21%).

b) Information on the account of the Central Bank of the Republic of Turkey

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Unrestricted Demand Deposit	363.240	8	38	6
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves ^(*)	12.200	4.821.774	71.484	2.404.181
Total	375.440	4.821.782	71.522	2.404.187

^(*) TL904.016 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2019: TL180.501).

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2. Information on banks and other financial institutions

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Banks				
Domestic Banks	12.394	3.688.774	5.205	332.276
Foreign Banks	-	1.098.600	-	578.937
Foreign Head Office and Branches	-	-	-	-
Total	12.394	4.787.374	5.205	911.213

Information on foreign banks account

	Unrestricted Amount		Restricted Amount	
	Current Period 31.12.2020	Prior Period 31.12.2019	Current Period 31.12.2020	Prior Period 31.12.2019
European Countries	920.314	263.313	-	-
USA, Canada	47.203	305.303	-	-
OECD Countries	14.483	4.550	-	-
Off-Shore Banking Regions	-	-	-	-
Other	62.716	5.771	53.884	-
Total	1.044.716	578.937	53.884	-

3. a) Explanation regarding the comparison of net values of financial assets through other comprehensive income available-for-sale given or blocked as collateral and subject to repurchase agreements

	Current Period 31.12.2020	Prior Period 31.12.2019
Assets Subject to Repurchase Agreements	2.145.367	16.497
Assets Blocked/Given as Collateral	147.536	84.643
Total ^(*)	2.292.903	101.140

^(*) Accruals and provisions for impairment are not included.

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b) Information on financial assets at fair value through other comprehensive income

	Current Period 31.12.2020	Prior Period 31.12.2019
Debt Securities	5.282.808	2.380.681
Quoted in Stock Exchange	3.904.444	2.078.312
Not Quoted in Stock Exchange	1.378.364	302.369
Share Certificates	10.412	7.672
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange ^(*)	10.412	7.672
Provision for Impairment (-) ^(**)	147.488	1.416
Total	5.145.732	2.386.937

^(*) The aforementioned amounts consist of TL 2.753, TL 7.659 Credit Guarantee Fund paid by the Bank to JCR Avrasya Rating A.Ş. for a share of 2.86% and are shown in the line that is not traded in the stock exchange (31 December 2019: TL 7.672 Credit Guarantee Fund).

^(**) Includes negative differences between the acquisition costs of financial assets and market prices.

4. Financial assets at fair value through profit or loss

	Current Period 31.12.2020	Prior Period 31.12.2019
Financial Assets at Fair Value Through Profit/Loss	808.723	-
Other Dividends and Income Rediscounts	187.229	-
Provision for Impairment (-)	(15.080)	-
Total	980.872	-

5. Information on derivative financial assets

a) Information on derivative assets at fair value through profit or loss

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Forward Transactions	889	-	27	17.469
Swap Transactions	27.215	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	140	9	-	-
Total	28.244	9	27	17.469

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**NOTES TO THE CONSOLIDATED
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6. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	540	-	3.097.903	-
Corporate Shareholders	540	-	3.097.903	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	5.804	-	2.372	-
Total (*)	6.344	-	3.100.275	-

(*) Includes rediscount amounts.

b) Information on the first and second group loans and other receivables including restructured loans

Current Period 31.12.2020	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured or Rescheduled	
			Loans with revised contract terms	Refinancing
Cash Loans				
Loans (*)	35.213.881	486.490	-	668.893
Export Loans	2.814.464	4.080	-	-
Import Loans	63.885	-	-	-
Commercial Loans	24.477.947	406.370	-	668.893
Consumer Loans	4.810.580	7.259	-	-
Credit Cards	4.591	10	-	-
Loans Given to Financial Sector	960.141	-	-	-
Other (**)	2.082.273	68.771	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	613.567	16.823	-	42.705
Total	35.827.448	503.313	-	711.598

(*) Related amounts do not include finance lease receivables

(**) As of 31 December 2020, TL 33.033 (31 December 2019: TL 21.034) of the relevant balance consists of funds made available through the müşareke partnership financing method. By means of this financing method, the Bank has signed a shareholding agreement in 2019 for two companies in different sectors, and has provided fixed negotiation müşareke financing for one company in 2019 as a founding partner.

In the financing partnership agreements established with this method, it is obligatory to include the rights and obligations of the parties, especially the management of the partnership to which the capital is participated, and in accordance with the "Regulation on Amendments to the Regulation on Credit Transactions of Banks" published in the Official Gazette dated 25 December 2019 and numbered 30666 there is a requirement that the shares be disposed of within seven years. This requirement may be extended with the permission of the BRSA, if the Bank applies to the BRSA with the relevant documents.

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As of 31 December the Bank has accounted these fixed müşareke financing loans, which it carries in the statement of financial position, at historical cost in accordance with the Article 2/3/1 of Interest-Free Finance Accounting Standard 4: Müşar Financing “FFMS 4”.

Prior Period 31.12.2019				
	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured or Rescheduled	
Cash Loans			Loans with revised contract terms	Refinancing
Loans	23.409.267	550.499	-	749.829
Export Loans	1.226.789	55.944	-	-
Import Loans	85.536	-	-	-
Commercial Loans	13.668.959	401.691	-	748.347
Consumer Loans	2.149.003	8.576	-	1.482
Credit Cards	-	-	-	-
Loans Given to Financial Sector	5.160.663	-	-	-
Other	1.118.317	84.288	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	425.989	44.146	-	53.652
Total	23.835.256	594.645	-	803.481

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
Expected Credit Loss of Stage 1 and Stage 2				
12 Month Expected Credit Losses	128.318	-	49.451	-
Significant Increase in Credit Risk	-	236.065	-	56.622

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
No. of extensions				
1 or 2 Times Extended	193.975	668.893	-	803.481
3 - 4 or 5 Times Extended	-	-	-	-
Over 5 Times Extended	-	-	-	-
Total	193.975	668.893	-	803.481

Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Extension Periods	Current Period 31.12.2020		Prior Period 31.12.2019	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
0 - 6 Months	-	24.485	-	57
6 Months - 12 Months	109.355	241.825	-	6.952
1 - 2 Years	33.198	153.176	-	352.578
2 - 5 Years	1.229	2.369	-	334.045
5 Years and Over	50.193	247.038	-	109.849
Total	193.975	668.893	-	803.481

c) Loans According to maturity structure

Current Period 31.12.2020			
	Standard Loans and Other Receivables	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured
Short-term Loans	7.513.548	300.792	12.567
Medium and Long-term Loans	27.700.333	185.698	656.326
Total	35.213.881	486.490	668.893

Prior Period 31.12.2019			
	Standard Loans and Other Receivables	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured
Short-term Loans	10.937.943	32.480	43.376
Medium and Long-term Loans	12.471.324	518.019	760.105
Total	23.409.267	550.499	803.481

Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

Current Period 31.12.2020	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	32.041	4.780.664	4.812.705
Housing Loans	2.229	4.474.142	4.476.371
Vehicle Loans	1.093	171.567	172.660
Consumer Loans	28.719	134.955	163.674
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	3.934	4	3.938
With Installment	1.180	4	1.184
Without Installment	2.754	-	2.754
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	61	5.073	5.134
Housing Loans	-	-	-
Vehicle Loans	-	89	89
Consumer Loans	61	4.984	5.045
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	655	8	663
With Installment	112	7	119
Without Installment	543	1	544
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	36.691	4.785.749	4.822.440

(*) Profit share rediscount amounting to TL 47.414 is not included in the table.

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Prior Period 31.12.2019	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	4.690	2.152.010	2.156.700
Housing Loans	748	1.975.401	1.976.149
Vehicle Loans	2.987	100.020	103.007
Consumer Loans	955	76.589	77.544
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	112	2.249	2.361
Housing Loans	-	95	95
Vehicle Loans	-	92	92
Consumer Loans	112	2.062	2.174
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	4.802	2.154.259	2.159.061

(*) Profit share rediscount amounting to TL 11.516 is not included in the table.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

e) Information on installment commercial loans and corporate credit cards

Current Period 31.12.2020	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	120.795	531.124	651.919
Business Loans	-	41.214	41.214
Vehicle Loans	107.336	489.910	597.246
Consumer Loans	13.459	-	13.459
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	2.943	2.943
Business Loans	-	-	-
Vehicle Loans	-	2.943	2.943
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	23.550	23.550
With Installment	-	-	-
Without Installment	-	23.550	23.550
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	120.795	557.617	678.412

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Prior Period 31.12.2019	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	43.631	249.623	293.254
Business Loans	1.000	17.657	18.657
Vehicle Loans	42.631	231.966	274.597
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	11.999	11.999
Business Loans	-	-	-
Vehicle Loans	-	11.999	11.999
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	24.730	24.730
With Installment	-	-	-
Without Installment	-	24.730	24.730
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	43.631	286.352	329.983

f) Loans according to types of borrower:

	Current Period 31.12.2020	Prior Period 31.12.2019
Public	461.569	718.900
Private	35.907.695	23.990.695
Profit Share Income Accruals and Rediscounts	673.095	523.787
Total *	37.042.359	25.233.382

^(*) Financial lease receivables and non-performing loans are not included.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

g) Breakdown of domestic and international loans

	Current Period 31.12.2020	Prior Period 31.12.2019
Domestic Loans	36.256.108	23.677.914
Foreign Loans	113.156	1.031.681
Profit Share Income Accruals and Rediscounts	673.095	523.787
Total (*)	37.042.359	25.233.382

(*) Financial lease receivables and non-performing loans are not included.

h) Loans granted to subsidiaries and participations

As of 31 December 2020, the Bank has no loans granted to subsidiaries and participations (31 December 2019: None).

g) Provision for default (Stage 3/Specific Provision)

	Current Period 31.12.2020	Prior Period 31.12.2019
Loans and receivables with limited collectability	83.330	136.955
Loans and receivables with doubtful collectability	89.754	77.186
Uncollectible loans and other receivables	615.759	253.632
Total	788.843	467.773

i) Information on lease receivables

i.1) Analysis of investments made in financial leasing by remaining maturity

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Gross	Net	Gross	Net
Less than 1 year	229.444	218.891	71.065	70.080
1-5 year	4.431.155	3.904.522	3.611.355	3.088.196
More than 5 years	1.262.735	1.012.806	860.343	498.090
Total	5.923.334	5.136.219	4.542.763	3.656.366

i.2) Information on Net Investments Made in Financial Leasing

	Current Period 31.12.2020	Prior Period 31.12.2019
Gross Lease Receivable	5.923.334	4.542.763
Financial Income Unearned From Financial Leasing (-)	(787.115)	(886.397)
Canceled Rental Amounts	-	-
Total	5.136.219	3.656.366

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

j) Information on non-performing receivables (net)

j.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled

As of 31 December 2020 the Bank has loans and other receivables included in non-performing receivables which are restructured or rescheduled amount TL13.039 (31 December 2019: TL29.542).

j.2) Information on the movement of total non-performing loans

	Group III Loans and other receivables with limited collectability	Group IV Loans and other receivables with doubtful collectability	Group V Uncollectible loans and other receivables
Ending balance of prior period	155.555	195.532	324.195
Additions in the current period (+)	454.803	230.798	240.742
Transfers from other categories of non-performing loans (+)	-	392.746	503.145
Transfers to other categories of non-performing loans (-)	392.746	503.145	-
Collections in the current period (-)	14.165	143.531	161.825
Write offs (-) ^(*)	-	-	101.046
Corporate and commercial loans	-	-	101.046
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	203.447	172.400	805.211
Expected Loss Provision (Stage 3) (-)	83.330	89.754	615.759
Net balance on balance sheet	120.117	82.646	189.452

^(*) A total of TL 101,046 receivables, which are followed in the accounts of non-collectible receivables, have been excluded from the unconsolidated and consolidated financial statements, respectively, based on the receivables transfer agreements dated December 1, 2020 and December 29, 2020, respectively, amounting to TL 89.382 and TL 11.664.

j.3) Information on foreign currency non-performing loans:

	Group III Allocated for Loans with Limited Collection	Group IV Allocated for Doubtful Loans	Group V Allocated for Loss Loans
Current Period ^(*)			
Ending Balance	14.935	57.475	221.893
Provision for Expected Loss (Stage 3) (-)	4.056	32.515	167.226
Net Balance in the Balance Sheet	10.879	24.960	54.667

^(*) As of 4 July 2020, Bank started to monitor its non-performing loans as FC, arising from FC loans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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k) Gross and net amounts of non-performing receivables according to user groups

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period (Net)	120.117	82.646	189.452
Loans to Real Persons and Legal Entities (Gross)	203.447	172.400	805.211
Specific Provisions (-)	83.330	89.754	615.759
Loans to Real Persons and Legal Entities (Net)	120.117	82.646	189.452
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	18.600	118.346	70.563
Loans to Real Persons and Legal Entities (Gross)	155.555	195.532	324.195
Specific Provisions (-)	136.955	77.186	253.632
Loans to Real Persons and Legal Entities (Net)	18.600	118.346	70.563
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

Information on accruals, valuation differences and related provisions calculated for non performing loans for Banks which are providing expected credit loss according to TFRS 9:

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible loans
Current Period			
31.12.2020			
Profit Share Accrual and Valuation Differences Provision	9.402	17.192	74.182
Provision Amount (-)	3.994	8.714	60.296
Prior Period			
31.12.2019			
Profit Share Accrual and Valuation Differences Provision	3.951	6.233	39.915
Provision Amount (-)	1.748	3.746	28.626

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Provision changes according to TFRS 9

	Current Period 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at the Beginning of the Period	49.467	56.606	467.773	573.846
Addition	85.387	216.872	417.298	719.557
Disposals (-)	(11.713)	(19.694)	(7.725)	(39.132)
Sold (-)	-	-	(101.045)	(101.045)
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	6.103	(6.103)	-	-
Transfer to Stage 2	(915)	5.937	(5.022)	-
Transfer to Stage 3	(11)	(17.553)	17.564	-
Balance at the Closing of the Period	128.318	236.065	788.843	1.153.226

	Prior Period 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at the Beginning of the Period	33.198	51.637	123.778	208.613
Addition	29.469	49.937	879.332	958.738
Disposals (-)	(11.571)	(25.622)	(6.161)	43.354
Sold (-)	-	-	(445.643)	(445.643)
Deleted From Actual (-)	-	-	(104.508)	(104.508)
Transfer to Stage 1	1.027	(1.027)	-	-
Transfer to Stage 2	(1.965)	1.965	-	-
Transfer to Stage 3	(707)	(20.268)	20.975	-
Balance at the Closing of the Period	49.451	56.622	467.773	573.846

	Current Period 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at the Beginning of the Period	26.765.484	2.124.264	675.282	29.565.030
Addition	22.861.738	239.857	302.932	23.404.527
Disposals (-)	(9.131.240)	(257.645)	(119.991)	(9.508.876)
Sold (-)	-	-	(101.045)	(101.045)
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	366.194	(366.194)	-	-
Transfer to Stage 2	(430.123)	445.945	(15.822)	-
Transfer to Stage 3	(5.179)	(434.523)	439.702	-
Balance at the Closing of the Period	40.426.874	1.751.704	1.181.058	43.359.636

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Cash loan changes according to TFRS 9

	Prior Period 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at the Beginning of the Period	33.198	51.637	123.778	208.613
Addition	29.469	49.937	879.332	958.738
Disposals (-)	(11.571)	(25.622)	(6.161)	(43.354)
Sold (-)	-	-	(445.643)	(445.643)
Deleted From Actual (-)	-	-	(104.508)	(104.508)
Transfer to Stage 1	1.027	(1.027)	-	-
Transfer to Stage 2	(1.965)	1.965	-	-
Transfer to Stage 3	(707)	(20.268)	20.975	-
Balance at the Closing of the Period	49.451	56.622	467.773	573.846

l) Information on liquidating policy of uncollectible loans and other receivables

Execution proceedings are carried out for the collection of receivables from loan services of Bank. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

m) Explanations on write-off policy

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

7. Financial assets at amortized cost

a) Information on government debt securities measured at amortized cost

	Current Period 31.12.2020	Prior Period 31.12.2019
Debt Securities ^(*)	779.437	547.750
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
Total	779.437	547.750

^(*) The Bank has calculated the fair value of these borrowings in accordance with TFRS 9 by using the prices of similar financial assets at the balance sheet date and reflected them to the financial statements.

b) Information on financial assets valued at amortized cost

None (31 December 2019: None).

c) Information on government debt securities measured at amortized cost

As of 31 December 2020, government debt securities measured at amortized cost of the Bank is TL779.437 (31 December 2019: TL547.750).

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	Current Period 31.12.2020	Prior Period 31.12.2019
Balances at Beginning of Period	547.750	-
Foreign Currency Differences on Monetary Assets	191.227	7.757
Purchases during the Period ⁽¹⁾	40.460	539.993
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	779.437	547.750

⁽¹⁾ Rediscounts are shown in “Purchases during the Period” line.

8. Information on assets related to trading investments and discontinued operations

As of 31 December 2020, the amount of assets due to trading is TL75.240 (31 December 2019: TL104.069).

	Current Period 31.12.2020	Prior Period 31.12.2019
Beginning Balance (Net)	104.069	4.259
Changes During the Period (Net)	(28.829)	99.810
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net) ⁽¹⁾	75.240	104.069

⁽¹⁾ The bank has a right of fidelity of over TL 57.817 (31 December 2019: 41.356) of assets held for sale.

As of 31 December 2020, the Bank has no discontinued operations (31 December 2019: None).

9. Equity Investments

a) Information about investments in associates (net)

None (31 December 2019: None).

b) Information on subsidiaries (net)

b.1) Information on unconsolidated subsidiaries

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior Period Income/ Loss	Fair Value	Needed Shareholders Equity
1 ⁽¹⁾	4.013.981	167	-	327.137	-	95	5	-	-
2 ⁽¹⁾	3.587	83	-	2.248	-	22	21	-	-

⁽¹⁾ Independently audited financial statements of 31 December 2020 are used.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

	Current Period 31.12.2020	Prior Period 31.12.2019
Balance at the beginning of the year	100	100
Movements during the year	-	-
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Revaluation/Impairment (-)	-	-
Balance at the end of the year	100	100
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

b.2) Sectoral information on unconsolidated subsidiaries and the related carrying amounts

	Current Period 31.12.2019	Prior Period 31.12.2019
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

b.3) Subsidiaries that are quoted on the stock exchange

As of 31 December 2020, the Bank has no subsidiaries are quoted on the stock exchange (31 December 2019: None).

c) Information on entities under common control (joint ventures)

None (31 December 2019: None).

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**NOTES TO THE CONSOLIDATED
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10. Explanations on property and equipment

	Immovables	Right of Use Immovables	Movable	Right of Use Movable	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:							
Cost	-	113.603	71.139	14.072	42.500	-	241.314
Accumulated Depreciation (-)	-	20.376	36.939	4.111	22.291	-	83.717
Net Book Value	-	93.227	34.200	9.961	20.209	-	157.597
Current Period End:							
Net Book Value at the Beginning of the Period	-	93.227	34.200	9.961	20.209	-	157.597
Change During the Period (Net)	-	8.226	7.319	3.670	1.152	-	20.367
Cost	-	32.100	17.912	6.852	9.552	-	66.416
Amortization (Net) (-)	-	23.874	10.593	3.182	8.400	-	46.049
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	145.703	89.051	20.924	52.052	-	307.730
Accumulated Depreciation at Period End (-)	-	44.250	47.532	7.293	30.691	-	129.766
Provisions for losses	-	-	-	-	-	-	-
Closing Net Book Value	-	101.453	41.519	13.631	21.361	-	177.964

For the impairment, which are either recorded or canceled in the current period and each or some of them are not important for the whole of the financial statements, the sum of the impairment amounts that are separated or canceled by the related asset groups and the events and conditions that cause them: None.

Pledges, mortgages and other restrictions on tangible assets, amount of expenses made during construction for tangible assets, commitments made for purchase of tangible assets: None.

11. Information on intangible assets

	Current Period 31.12.2020			Prior Period 31.12.2019		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	198.433	37.176	161.257	143.633	22.992	120.641
Total	198.433	37.176	161.257	143.633	22.992	120.641

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- a) In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- b) Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- c) The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- d) Book value of intangible assets with restrictions on use or pledged: None.
- e) Amount of commitments given for acquisition of intangible asset: None.
- f) Intangible assets based on revalued asset type: None.
- g) Total amount of research and development expenses recorded in the period, if any: None.
- h) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- i) Information on goodwill: None.

12. Information on the investment properties:

As of 31 December 2020, the Bank has no investment properties (31 December 2019: None).

13. Information on the current period assets related to tax:

As of 31 December 2020, the Bank has no assets related to tax (31 December 2019: None).

14. Information on deferred tax asset:

As at 31 December 2020, deferred tax liabilities of TL68.859 (31 December 2019: TL33.127) and deferred tax assets of TL177.456 TL (31 December 2019: TL75.280) have been offset and TL108.597 deferred tax asset (31 December 2019: TL42.153 deferred tax asset) is reflected in the financial statements.

	Current Period 31.12.2020	Prior Period 31.12.2019
Deferred Tax Assets	177.456	75.280
Deferred Tax Liabilities	68.859	33.127
Net Deferred Tax Assets/(Liabilities)	108.597	42.153
Net Deferred Tax Income/(Expense)	47.615	4.150
	Current Period 31.12.2020	Prior Period 31.12.2019
Reserve for Employee Benefits	11.347	6.868
Financial Assets Valuation Differences	28.650	9.770
Other	68.600	25.515
Net Deferred Tax Asset	108.597	42.153

15. Information on other assets:

As of 31 December 2020, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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**NOTES TO THE CONSOLIDATED
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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES**1. a) Information on funds collected****a.1) Information on maturity structure of funds collected**

Current Period 31.12.2020	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 Year	1 Year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts non-trade TL	547.690	-	-	-	-	-	-	-	547.690
II. Real persons participation accounts non-trade TL	-	460.869	4.921.147	47.420	-	57.942	306.722	-	5.794.100
III. Other current accounts-TL	5.992.402	-	-	-	-	-	-	-	5.992.402
Public sector	173.231	-	-	-	-	-	-	-	173.231
Commercial sector	1.219.708	-	-	-	-	-	-	-	1.219.708
Other institutions	47.949	-	-	-	-	-	-	-	47.949
Commercial and other institutions	633	-	-	-	-	-	-	-	633
Banks and participation banks	4.550.881	-	-	-	-	-	-	-	4.550.881
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	6	-	-	-	-	-	-	-	6
Foreign banks	4.550.867	-	-	-	-	-	-	-	4.550.867
Participation banks	8	-	-	-	-	-	-	-	8
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	1.700.665	10.174.612	94.150	-	220.688	378.157	-	12.568.272
Public sector	-	620.289	899.416	41.069	-	106.655	-	-	1.667.429
Commercial sector	-	1.053.627	8.465.785	49.958	-	114.030	378.068	-	10.061.468
Other institutions	-	26.749	795.695	3.123	-	3	89	-	825.659
Commercial and other institutions	-	-	6.782	-	-	-	-	-	6.782
Banks and participation banks	-	-	6.934	-	-	-	-	-	6.934
V. Real persons current accounts non-trade FC	1.495.884	-	-	-	-	-	-	-	1.495.884
VI. Real persons participation accounts-FC	-	493.578	5.322.190	73.336	-	143.786	1.285.468	-	7.318.358
VII. Other current accounts-FC	2.638.698	-	-	-	-	-	-	-	2.638.698
Commercial residents in Turkey	2.571.320	-	-	-	-	-	-	-	2.571.320
Commercial residents in Abroad	63.298	-	-	-	-	-	-	-	63.298
Banks and participation banks	4.080	-	-	-	-	-	-	-	4.080
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	4.080	-	-	-	-	-	-	-	4.080
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	309.325	5.963.344	35.670	-	47.954	592.942	-	6.949.235
Public sector	-	-	2.009	-	-	-	-	-	2.009
Commercial sector	-	309.230	5.941.971	35.551	-	47.954	592.942	-	6.927.648
Other institutions	-	95	8.475	119	-	-	-	-	8.689
Commercial and other institutions	-	-	10.889	-	-	-	-	-	10.889
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	1.325.471	-	1.651.045	44.328	-	19.203	41.364	-	3.081.411
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+....+IX+X+XI)	12.000.145	2.964.437	28.032.338	294.904	-	489.573	2.604.653	-	46.386.050

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Prior Period 31.12.2019	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts non-trade TL	350.043	-	-	-	-	-	-	-	350.043
II. Real persons participation accounts non-trade TL	-	627.089	4.775.595	68.752	-	72.399	260.155	-	5.803.990
III. Other current accounts-TL	1.324.855	-	-	-	-	-	-	-	1.324.855
Public sector	136.022	-	-	-	-	-	-	-	136.022
Commercial sector	1.163.277	-	-	-	-	-	-	-	1.163.277
Other institutions	24.833	-	-	-	-	-	-	-	24.833
Commercial and other institutions	716	-	-	-	-	-	-	-	716
Banks and participation banks	7	-	-	-	-	-	-	-	7
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4	-	-	-	-	-	-	-	4
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	3	-	-	-	-	-	-	-	3
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	404.033	4.163.238	608.928	-	301.861	75.154	-	5.553.214
Public sector	-	53.827	235.600	53.833	-	117.818	57.911	-	518.989
Commercial sector	-	322.540	3.590.103	153.636	-	184.008	14.834	-	4.265.121
Other institutions	-	27.666	337.535	401.459	-	35	2.409	-	769.104
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	724.646	-	-	-	-	-	-	-	724.646
VI. Real persons participation accounts non-trade FC	-	310.421	3.635.775	74.453	-	75.918	854.408	-	4.950.975
VII. Other current accounts non-trade FC	1.483.626	-	-	-	-	-	-	-	1.483.626
Commercial residents in Turkey	1.425.008	-	-	-	-	-	-	-	1.425.008
Commercial residents in Abroad	58.502	-	-	-	-	-	-	-	58.502
Banks and participation banks	116	-	-	-	-	-	-	-	116
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	116	-	-	-	-	-	-	-	116
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	269.674	1.927.397	188.365	-	328.520	1.687.014	-	4.400.970
Public sector	-	757	1.022	-	-	-	-	-	1.779
Commercial sector	-	268.708	1.888.846	188.318	-	328.520	1.687.014	-	4.361.406
Other institutions	-	209	37.529	47	-	-	-	-	37.785
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	255.038	-	557.789	25.188	-	5.545	21.266	-	864.826
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI)	4.138.208	1.611.217	15.059.794	965.686	-	784.243	2.897.997	-	25.457.145

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a.2) Exceeding amounts of insurance limit

i. Information's on current and participation accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund

	Under the guarantee of saving deposit insurance	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Exceeding the limit of saving deposit
	Current Period 31.12.2020	Prior Period 31.12.2019	Current Period 31.12.2020	Prior Period 31.12.2019
Real persons current and profit sharing accounts that are not subject to commercial activities	6.262.307	5.251.128	11.597.180	7.383.152
TL accounts	3.102.912	3.496.444	3.238.877	2.657.587
FC accounts	3.159.395	1.754.684	8.358.303	4.725.565
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

ii. Amounts which are not within the scope of insurance

Participation fund of the real persons who are not within the scope of Saving Deposits Insurance Fund

	Current Period 31.12.2020	Prior Period 31.12.2019
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	672	770
Profit sharing account and other accounts within the 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	-	-

2. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	380.086	1.012.839	374.535	1.498.426
From Foreign Banks, Institutions and Funds	-	33.689	-	1.622.710
Total	380.086	1.046.528	374.535	3.121.136

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b) Information on maturity structure of borrowings

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Short-term	104.520	750.707	33.786	179.422
Medium and Long-term	275.566	295.821	340.749	2.941.714
Total	380.086	1.046.528	374.535	3.121.136

c) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations

77% of Bank's liabilities consists of current and participation account.

3. Funds provided under repurchasing agreements

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Domestic	2.101.073	-	19.135	-
Financial Institutions	2.101.073	-	19.135	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	2.101.073	-	19.135	-

4. Information on securities issued

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Bond	-	-	-	-
Asset Backed Securities	4.017.250	-	2.482.999	-
Bill	-	-	-	-
Total	4.017.250	-	2.482.999	-

5. Information on financial liabilities at fair value through profit and loss

None (31 December 2019: None).

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6. Information on derivative financial liabilities

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Forward transactions	-	19.213	19	12.460
Swap transactions	-	227	-	-
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
Total	-	19.440	19	12.460

7. Information on financial lease obligations

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Gross	Net	Gross	Net
Less than 1 year	73.018	42.158	4.342	3.953
Between 1-5 years	126.116	78.453	64.193	46.451
More than 5 years	9.770	7.023	123.525	59.655
Total	208.904	127.634	192.060	110.059

8. Information on provisions

a) Information on provisions related with foreign currency difference of foreign currency indexed loans and lease receivables

There is no foreign exchange loss provisions on foreign currency indexed loans and financial lease receivables (31 December 2019: None).

b) Information on special provisions related with uncompensated and non- liquidated non-cash loans

Specific provisions for indemnified non-cash loans amounting to TL26.708 (31 December 2019: TL18.452).

c) Information on other provisions

c.1) Information on free provisions for possible risks

With the decision of the bank management, within the framework of the precautionary principle, free reserves of TL 80.000 were recorded in previous years and TL 35.000 was canceled in the current year. As of 31 December 2020, the free reserves allocated for possible risks amounted to TL 45.000. (31 December 2019: TL 80.000).

c.2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount

As of December 31 2020, TL206.087 of other reserves is reserved for use in meeting the part of the Savings Deposit Insurance Fund premium that falls on the participation accounts share in accordance with the 19th article of the “Regulation on Procedures and Principles Regarding the Classification of Loans and Provisions to be Allocated for them”. (31 December 2019: TL64.051).

The Bank has provided specific provisions amounting to TL26.708 (31 December 2019: TL18.452) for non-cash loans that are not indemnified, amounting to TL38.619 (31 December 2019: TL19.923) for the expected credit loss for (Stage 1 and 2) non-cash loans and amounting to TL147 (31 December 2019: TL17.140) for other provisions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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c.3) Information on litigation provisions

A provision of TL36.613 has been set aside in the financial statements for litigation that have not yet been finalized against the bank (31 December 2019: TL17.038).

d) Information on provisions for employee benefits

d.1) Employment termination benefits and unused vacation rights

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, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2020, the amount payable consists of one month's salary limited to a maximum of TL7.117 (full TL) (31 December 2019: TL6.380 (full TL)) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 – “Turkish Accounting Standard on Employee Benefits”.

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period 31.12.2020	Prior Period 31.12.2019
Discount Rate (%)	12,80%	12,10%
Inflation	10,10%	8,20%

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

	Current Period 31.12.2020	Prior Period 31.12.2019
Balance at the 1 January	8.662	5.736
Current service cost	4.616	2.268
Dividend cost	1.148	801
Severance Pay	(429)	(316)
Loss/(gain) obtained from layoff	284	216
Actuarial loss/(gain)	4.703	(43)
Balance at the end of the period	18.984	8.662

As of 31 December 2020, the Bank has a TL7.250 short-run employees' rights provision (31 December 2019: TL 6.050).

d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial ratio 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2020, no technical deficit has been reported.

As of the balance sheet date, the Bank's liability for the benefits to be transferred to SGK is the estimated amount of payment that will be required to be made during the transfer to SGK. The actuarial parameters and the results used in the measurement of this amount reflect the provisions of Law No. 5754 on the pension and health benefits to be transferred to the SGK (9,80% real discount rate, etc.) published in the Official Gazette dated 8 May 2008 and numbered 26870.

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**NOTES TO THE CONSOLIDATED
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

d.3) Additional Bonus Provision to be paid to Personnel

The Bank has allocated a provision amounting to TL 29.836 based on the bonus to be paid in a current period (31 December 2019: TL 21.000).

9. Explanations on tax liability

a) Information on tax provisions

As of 31 December 2020 the Banks’s corporate income tax liability is TL31.074 (31 December 2019: TL85.445).

b) Information on taxes payable

	Current Period 31.12.2020	Prior Period 31.12.2019
Corporate Tax Payable	57.157	85.480
Taxation on Income From Securities	18.264	18.470
Property Tax	159	286
Banking Insurance Transactions Tax (BITT)	12.977	11.395
Foreign Exchange Transactions Tax	1.099	392
Value Added Tax Payable	3.642	3.708
Other	2.975	2.418
Total	96.273	122.149

c) Information on premiums:

	Current Period 31.12.2020	Prior Period 31.12.2019
Social Security Premiums - Employee	8	8
Social Security Premiums - Employer	14	11
Bank Social Aid Pension Fund Premium - Employee	1	-
Bank Social Aid Pension Fund Premium - Employer	7	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee	110	87
Unemployment Insurance - Employer	219	173
Other	-	-
Total	359	279

10. Information on deferred tax liabilities

The Bank has no deferred tax liability as of the balance sheet date (31 December 2019: None).

11. Information on payables for assets held for sale and discontinued operations

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2019: None).

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12. Explanations on subordinated debts

	Current period 31.12.2020		Prior period 31.12.2019	
	TL	FC	TL	FC
From Domestic Banks	312.489	-	312.351	-
Domestic Other Organizations	-	768.037	-	537.338
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
Total	312.489	768.037	312.351	537.338

	Current period 31.12.2020		Prior period 31.12.2019	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:	-	768.037	-	537.338
Subordinated Loans ^(*)	-	768.037	-	537.338
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:	312.489	-	312.351	-
Subordinated Loans ^(*)	312.489	-	312.351	-
Equity-like Debt Instruments	-	-	-	-
Total	312.489	768.037	312.351	537.338

^(*) The Bank provided subordinated loan from Turkey Wealth Funds Market Stability and Equalization Fund in the scope of additional main capital amounting to EUR 100.000 without demand and profit share which is approved by BRSA dated 22 April 2019. The Bank has calculated the fair value of the loan in accordance with TFRS 9 and TFRS 13 using the prices of similar financial instruments on the balance sheet date and reflected them to the financial statements.

^(**) The Tier II capital amounting to TL 300.000 is T.C. Ziraat Bank A.Ş. has been signed on 28 March 2019. This loan has been entered into the accounts of the Bank on 29 March 2019. The maturity of the loan is 10 (ten) years and the profit share rate is 16.25%. There is no option to convert to stock.

13. If the other liabilities of the balance exceed 10% of the balance sheet total, the names and amounts of the sub-accounts constituting at least 20% of them

The amount of other liabilities of balance sheet does not exceed 10% of total amount of balance sheet.

14. Information on shareholders' equity

a) Presentation on paid-in capital

	Current Period	Prior Period
Common stock	1.750.000	1.750.000
Preferred stock	-	-

b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount

None.

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

None.

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d) Information on additions from capital reserves to capital in the current period

None.

e) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments

There is no capital commitment for the last financial year and the end of the following interim period (31 December 2019: None).

f) Indicators of the Bank’s income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank’s equity

The Bank has no any uncertainty related to profitability and liquidity according to the prior period’s indicators (31 December 2019: None).

g) Summary information on privileges given to shares representing the capital

As of 31 December 2020, the Bank has no preferred shares (31 December 2019: None).

h) Disclosure of accumulated other comprehensive income or expenses to be reclassified to profit or loss

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	(9.259)	(84)	56.429	642
Revaluation Difference	(12.063)	(84)	72.454	642
Deferred Tax Effect	2.804	-	(16.025)	-
Foreign Exchange Difference	-	-	-	-
Total	(9.259)	(84)	56.429	642

i) Profit reserves and profit distribution

Legal reserves are divided into first and second reserves in the Turkish Commercial Code (“TCC”). Primary legal reserves are separated from the profit at the rate of 5% until the total reserves reach 20% of the paid-in capital. Secondary legal reserves are allocated at the rate of 10% over cash profit distributions exceeding 5% of the paid-in capital.

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At the Ordinary General Assembly Meeting of the Bank held on 19 June 2020, it was decided to distribute the 2019 profit as follows.

Profit distribution table for 2019:

Profit for the year 2019	503.076
A - 1st Tier general legal reserves (TTK 519/A) 5%	25.154
B - First dividend to shareholders	-
C - Extraordinary reserves	477.922
D - Special funds	-

III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities

a) Nature and amount of irrevocable loan commitments

	Current Period 31.12.2020	Prior Period 31.12.2019
Commitments for Credit Card Expenditure Limits	155.132	108.744
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	268.625	157.323
Loan Granting Commitments	16.428	11.509
Asset Purchase Commitments	48.071	-
Tax and Fund Liabilities from Export Commitments	173.340	122.657
Promotion Commitment Regarding Credit Card and Banking Services	1	-
Total	661.597	400.233

b) The nature and amount of possible losses and commitments from off-balance sheet items including the following

The amount of provision for Stage 3 possible losses arising from the off-balance sheet items is TL 26.708 (31 December 2019: TL 18.452).

b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits

	Current Period 31.12.2020	Prior Period 31.12.2019
Guarantee Letters	12.574.368	9.381.555
Bank Acceptances	7.687	18.753
Letter of Credits	1.380.643	983.145
Other Contingencies	1.953.072	944.684
Total	15.915.770	11.328.137

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b.2) Certain guarantees, temporary guarantees, surety ships and similar transactions

	Current Period 31.12.2020	Prior Period 31.12.2019
Letters of Temporary Guarantees	945.817	764.821
Letters of Certain Guarantees	6.505.269	4.596.487
Letters of Advance Guarantees	592.998	621.598
Letters of Guarantees given to Customs Offices	100.010	77.809
Other Letters of Guarantees	4.430.274	3.320.840
Total	12.574.368	9.381.555

b.3) Total non-cash loans

	Current Period 31.12.2020	Prior Period 31.12.2019
Non-Cash Loans for Providing Cash Loans	4.430.274	3.320.852
With Original Maturity of One Year or Less	406.570	83.917
With Original Maturity of More than One Year	4.023.704	3.236.935
Other Non-Cash Loans	11.485.496	8.007.285
Total	15.915.770	11.328.137

c) Information on sectoral risk concentrations of non-cash loans

	Current Period 31.12.2020				Prior Period 31.12.2019			
	TP	(%)	YP	(%)	TP	(%)	YP	(%)
Agricultural	56.462	1	56.269	1	16.917	-	45.320	1
Farming and Raising Livestock	38.164	1	34.277	1	11.548	-	45.320	1
Forestry	18.243	-	-	-	5.284	-	-	-
Fishing	55	-	21.992	-	85	-	-	-
Manufacturing	1.295.191	19	6.285.349	69	875.150	18	3.872.614	60
Mining and Quarrying	21.053	-	60.462	1	35.406	-	14.976	-
Production	1.003.857	15	6.194.957	68	715.084	15	3.832.906	60
Electric, Gas and Water	270.281	4	29.930	-	124.660	3	24.732	-
Construction	3.522.025	51	836.526	9	2.724.386	55	677.991	11
Services	1.894.262	28	1.887.525	21	1.307.130	27	1.786.358	28
Wholesale and Retail Trade	1.334.199	20	1.053.809	12	761.328	15	1.251.131	20
Hotel, Food and Beverage Services	56.366	1	144.016	2	33.744	1	155.961	2
Transportation and Telecommunication	123.352	2	367.698	4	89.887	2	22.522	-
Financial Institutions	34.655	1	68.313	1	22.833	-	39.727	1
Real Estate and Leasing Services	293.691	3	222.510	2	324.252	7	266.364	4
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	2.336	-	22.241	-	657	-	17.050	-
Health and Social Services	49.663	1	8.938	-	74.429	2	33.603	1
Other	71.342	1	10.819	-	3.383	-	18.888	-
Total	6.839.282	100	9.076.488	100	4.926.966	100	6.401.171	100

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d) Information on non-cash loans classified in groups I and II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	6.682.472	8.793.961	156.810	282.527
Letters of Guarantee	6.535.161	5.599.870	156.810	282.527
Aval and Acceptance Loans	-	7.687	-	-
Letters of credit	40.077	1.340.566	-	-
Turnover	-	-	-	-
Our Guarantees for Purchase in Securities Issue	-	-	-	-
From Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	107.234	1.845.838	-	-

2. Explanations on derivative transactions:

	Current Period 31.12.2020	Prior Period 31.12.2019
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions: (I)	7.281.799	2.639.238
Forward Foreign Exchange Transactions	2.183.637	2.639.238
Swap Money Exchange Transactions	5.098.162	-
Futures Money Transactions	-	-
Money Trading Options	-	-
Other Trading Derivative Transactions: (II)	-	-
A. Total Trading Derivative Transactions (I+II)	7.281.799	2.639.238
Types of Hedging Derivative Transactions	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Derivative Transactions for Total Hedging Purposes	-	-
Total Derivative Transactions (A + B)	7.281.799	2.639.238

The Bank has no derivative instruments for hedging purposes. There are no unrealized transactions, those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized, or expense and income from agreements in the income statement in the current period.

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Current Period 31.12.2020	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives:	28.293	(14.906)	838	-	-	14.225
- Inflow	3.090.778	548.603	8.631	-	-	3.648.012
- Outflow	(3.062.485)	(563.509)	(7.793)	-	-	(3.633.787)
Derivatives held for hedging	-	-	-	-	-	-
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	3.090.778	548.603	8.631	-	-	3.648.012
Total Outflow	(3.062.485)	(563.509)	(7.793)	-	-	(3.633.787)
Prior Period 31.12.2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives:	(11.580)	18.056	158	-	-	6.634
- Inflow	1.186.774	133.020	3.142	-	-	1.322.936
- Outflow	(1.198.354)	(114.964)	(2.984)	-	-	(1.316.302)
Derivatives held for hedging	-	-	-	-	-	-
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	1.186.774	133.020	3.142	-	-	1.322.936
Total Outflow	(1.198.354)	(114.964)	(2.984)	-	-	(1.316.302)

3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank's liability resulting from the cheques given to its customers amounts TL 268.625 (31 December 2019: TL 157.323).

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

4. Explanations on services in the name of others:

The Bank provides safe deposit box services on behalf of real and legal persons. The Bank does not provide consultancy and management services.

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IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS

1. a) Information on profit share received from loans

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	YP
Profit share on loans ^(*)	2.650.825	487.882	2.515.125	379.478
Short term loans	688.309	102.573	1.112.505	117.674
Medium and long term loans	1.901.533	377.501	1.361.878	261.804
Profit share on non-performing loans	60.983	7.808	40.742	-
Premiums received from resource utilization support fund	-	-	-	-

(*) Includes fees and commissions income on cash loans.

b) Information on profit share received from banks

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	22.086	488	530	44
Foreign Banks	-	1.421	-	-
Head Office and Branches	-	-	-	-
Total	22.086	1.909	530	44

c) Information on profit share income from securities portfolio

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit and Loss	7.457	-	16.716	-
Financial Assets at Fair Value through Other Comprehensive Income	525.705	34.947	220.709	8.308
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	40.460	-	-
Total	533.162	75.407	237.425	8.308

d) Information on profit share income received from associates and subsidiaries

None (31 December 2019: None).

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2. a) Information on profit share expense on borrowing

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Banks	100.342	55.051	133.500	121.170
Central Bank of the Republic of Turkey	2.428	-	-	-
Domestic Banks	5.625	39.332	58.905	64.946
Foreign Banks	92.289	15.719	74.595	56.224
Head Office and Branches	-	-	-	-
Other Institutions	-	43.679	-	17.988
Total	100.342	98.730	133.500	139.158

b) Information on profit share expense given to associates and subsidiaries

None (31 December 2019: None).

c) Information on profit share expense paid to securities issued

Profit share expense on securities issued is TL327.137 (31 December 2019: TL391.078).

d) Presentation of dividends paid to participation accounts according to maturity structure

Current Period 31.12.2020 Account Name	Participation Accounts					Total
	1 Month	3 Months	6 Months	1 Year	Over 1 Year	
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	14	-	-	-	14
Real Person's Non Commercial Participation Accounts	55.456	420.858	5.616	5.466	28.565	515.961
Public Sector Participation Accounts	31.401	42.276	8.558	19.858	5.455	107.548
Commercial Sector Participation Accounts	66.019	537.096	14.481	31.788	25.261	674.645
Other Institutions Participation Accounts	6.020	45.690	8.292	144	58	60.204
Total	158.896	1.045.934	36.947	57.256	59.339	1.358.372
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	4.542	47.680	946	1.315	24.562	79.045
Public Sector Participation Accounts	6	32	-	-	-	38
Commercial Sector Participation Accounts	3.073	47.138	963	2.110	15.132	68.416
Other Institutions Participation Accounts	1	451	1	-	-	453
Public Sector Participation Accounts	2.573	-	-	-	-	2.573
Total	10.195	95.301	1.910	3.425	39.694	150.525
Grand Total	169.091	1.141.235	38.857	60.681	99.033	1.508.897

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Prior Period 31.12.2019	Participation Accounts					
	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	87	4.883	326	-	-	5.296
Real Person's Non Commercial Participation Accounts	71.104	535.780	5.902	7.087	39.397	659.270
Public Sector Participation Accounts	6.155	28.584	10.609	16.489	19.808	81.645
Commercial Sector Participation Accounts	26.263	392.515	23.661	20.286	2.406	465.131
Other Institutions Participation Accounts	2.343	79.396	67.876	2.577	928	153.120
Total	105.952	1.041.158	108.374	46.439	62.539	1.364.462
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	138	-	-	-	138
Real Person's Non Commercial Participation Accounts	7.126	68.457	1.714	1.249	20.990	99.536
Public Sector Participation Accounts	13	279	-	-	-	292
Commercial Sector Participation Accounts	1.982	37.792	1.355	1.782	14.405	57.316
Other Institutions Participation Accounts	1	1.428	1	-	-	1.430
Public Sector Participation Accounts	5.668	-	-	-	-	5.668
Total	14.790	108.094	3.070	3.031	35.395	164.380
Grand Total	120.742	1.149.252	111.444	49.470	97.934	1.528.842

3. Information on dividend income

Dividend revenue is TL104 as of 31 December 2020. (31 December 2019: TL17.762).

4. a. Information on trading income/loss (net)

	Current Period 31.12.2020	Prior Period 31.12.2019
Income	13.705.661	7.627.672
Foreign exchange gains	13.423.821	7.544.152
Gain on derivative financial instruments	84.275	81.310
Gain on capital market transactions	197.565	2.210
Losses (-)	13.622.351	7.558.194
Foreign exchange losses	13.441.463	7.520.302
Losses on derivative financial instruments	159.863	37.248
Losses on capital market transactions	21.025	644
Net	83.310	69.478

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a. Information on Profit/Loss on Derivative Financial Operations

	Current Period 31.12.2020	Prior Period 31.12.2019
Effect of the change in exchange rates on profit/loss	(75.588)	44.062
Total	(75.588)	44.062

5. Information on other operating income

Information on factors covering the recent developments which has significant effect on the Bank's income and the extent of effect on income

	Current Period 31.12.2020	Prior Period 31.12.2019
Correction Account for Previous Years Expenses	215.301	155.601
Income from the Sale of the Asset	48.060	1.072
Provision for Communication Expenses	953	666
Checkbook Fees	392	266
Other	3.438	1.403
Total	268.144	159.008

6. Provision expenses for impairment on loans and other receivables

	Current Period 31.12.2020	Prior Period 31.12.2019
Expected Credit Loss	885.952	434.048
12 month expected credit loss (Stage 1)	124.815	33.252
Significant increase in credit risk (Stage 2)	269.250	55.049
Non-performing loans (Stage 3)	491.887	345.747
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities Under Common Control Impairment Provision	-	-
Associates	-	-
Subsidiaries	-	-
Entities Under Common Control (Joint Ventures)	-	-
Other ^(*)	108.261	58.123
Total	994.213	492.171

^(*) In accordance with Article 19 of the "Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Allocated for These", 108.261 TL (31 December 2019 58.123 TL) of the balance that constitutes the other item is from the amount allocated to be used to meet the part of the special and general provisions and the share of participation accounts.

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7. Information on other operating expenses

	Current Period 31.12.2020	Prior Period 31.12.2020
Reserve for Employee Termination Benefits	5.620	3.606
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	50.519	43.238
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	14.184	10.350
Impairment Expense of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses for Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	131.289	94.779
Leasing Expenses Related to TFRS 16 Exceptions	584	162
Maintenance Expenses	23.158	19.724
Advertisement Expenses	34.332	26.718
Other Expenses	73.215	48.175
Loss on Sales of Assets	945	7.923
Other (*)	114.375	81.247
Total	316.932	241.143

(*) The balance which forms the other item part, TL 64.370 (31 December 2019: TL 25.253), Saving Deposit Insurance Fund ("SDIF") premium and audit and consultancy service expenses, while TL 39.026 (31 December 2019: TL 37.718) consists of taxes, fees and funds and other service expenses.

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

As of 31 December 2020, the Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period 31.12.2020	Prior Period 31.12.2020
Net Profit Share Income	2.068.538	1.368.925
Net Fees and Commissions Income	92.541	94.452
Dividend Income	104	17.762
Trading Income/Expense (Net)	83.310	69.478
Other Operating Income	268.144	159.008
Expected Loss Provision (-)	994.213	492.171
Other Provision Expense	173.855	87.244
Personnel Expense	235.155	183.767
Other Operating Expenses (-)	316.932	241.143
Income/(Loss) from Continuing Operations	792.482	705.300

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9. Information on tax provision for continued and discontinued operations

As of 31 December 2020, the Bank's total tax provision expense amounting to TL153.920 (31 December 2019: TL188.565) consists of TL201.535 (31 December 2019: TL202.224) of current tax expense and TL47.615 (31 December 2019: TL13.659) of deferred tax expense.

10. Explanation on net income/loss for the period for continuing and discontinued operations

The Bank's net operating income after tax amounts to TL638.562 (31 December 2019: TL516.735 net profit).

11. Information on net profit/loss

a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period

The Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

12. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below

None (31 December 2019: None).

V. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED THE CHANGES IN SHAREHOLDERS' EQUITY

a) Explanations on Profit Distribution:

In accordance with the profit distribution decision taken at the 2019 Ordinary General Assembly meeting held on 19 June 2020, the Bank set aside a general legal reserve of 25.154 TL at the rate of 5% from the net profit of the period of TL 503.076 after deducting the financial liabilities amounting to TL 202.224 from the balance sheet profit of the year 2019 amounting to TL 705.300, and 477.922 TL remaining after distributions and followed up in previous years profit; As of January 1, 2018 date being implemented "IFRS-9 Financial Instruments" from Turkey Financial Reporting Standards regulations due to be recalculated in accordance with the provisions of TL 25,662 has been decided to leave the Bank.

The Bank plans to distribute its profit in 2020 in line with its articles of association. However, no decision has been taken regarding the distribution of profits as of the date the financial reports were prepared.

b) Explanations on Financial Assets at Fair Value through Other Comprehensive Income:

Information on financial assets at fair value through other comprehensive income is presented in the fifth section, footnote 1.3-b.

c) Profit Reserves:

As of the balance sheet date, the profit reserves were 1.098.041 TL, legal reserves were 60.388 TL, extraordinary reserves were 991.586 TL, and other profit reserves were 46.067 TL.

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d) Explanations on Previous Period Profit/Loss:

As of 31 December 2020, the Bank’s previous period profit is 2.568 TL.

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED CASH FLOW STATEMENTS

1. Explanations on the “Other” items and “The Effect Of The Change in Foreign Currency on Cash and Cash Equivalent” item in the Cash Flow Statement:

Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 229.435 gain is composed mainly from interest received from loans and securities amounting to TL 4.093.676 and interest paid to deposit and money market operations which is amounting to TL 2.010.679. Other earnings consists primarily net fee, commission income and other operation gains.

The effect of the change in foreign exchange rate on cash and cash equivalents is determined as TL 1.456.262 as of 31 December 2020 (31 December 2019: TL 195.076).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

Period opening and end cash and cash equivalents balance:

	Current Period 31.12.2020	Prior Period 31.12.2020
Cash in TL and in Foreign Currency	279.899	418.728
Central Bank of the Republic of Turkey and Other Banks	4.490.864	984.698
Money Market Operations	-	-
Total Cash and Cash Equivalents	4.770.763	1.403.426

VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK

1) a) Information on the volume of transactions relating to the Parent Bank’s risk group, outstanding loans and funds collected and income and expenses for the period

Current Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		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	-	-	3.097.903	-	-	-
Balance at end of period	-	-	540	-	-	-
Profit share and commission income	-	-	3.356	-	-	-

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Prior Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		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	-	-	2.180.316	-	-	-
Balance at end of period	-	-	3.097.903	-	-	-
Profit share and commission income	-	-	21.276	-	-	-

b) Current and profit sharing account held by the Bank's risk group:

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and participation accounts						
Balance at the beginning of period	-	-	59.324	42.411	-	-
Balance at the end of period	-	-	2.715	59.324	-	-
Participation Accounts Profit Share Expenses	-	-	21	6.005	-	-

2) Information on forward transactions, option agreements and similar transactions between the Parent Bank's risk group:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	2.383.936	2.401.773	-	-
Closing Balance	-	-	2.153.566	2.383.936	-	-
Total Profit/Loss	-	-	230.370	17.837	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

3) Information on remunerations provided to top management

The Bank has paid TL6.104 (31 December 2019: TL4.689) to top management.

Ziraat Katılım Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VIII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO CONSOLIDATED BALANCE SHEET DATE

None.

IX. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

1) Information on the Bank's domestic and foreign branches and foreign representatives of the Bank

	Number	Number of Employees			
Domestic Branch ^(*)	104	1.260			
			Country of Incorporation		
Foreign Representative Office	-	-	-		
				Total Assets	Statutory Share Capital
Foreign Branch ^(**)	1	1	Sudan	86.171	73.760
Off-Shore Banking Region Branches	-	-	-	-	-

^(*) Includes the employees of the domestic branches, including the employees of Head Office.

^(**) Excluding the local employees of the foreign branches.

2) Information on The Bank about opening, closing, changing its organization considerably for domestic and foreign branches and foreign representatives of the Bank:

In 2020, 11 new branches in country (31 December 2019: 13 Branches).

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE GROUP'S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

	Note	Explanation
Fitch Ratings: 14 December 2020		
Foreign Currency Long Term Credit Rating	B+ class	It is very speculative under the investment
Foreign Currency Short Term Credit Rating	B class	It is very speculative under the investment
Local Currency Long Term Credit Rating	BB-	It is speculative under the investment class.
Local Currency Short Term Credit Rating	B class	It is very speculative under the investment
National Long Term Credit Rating Support	AA (tur) 4	It is a high level investment grade. The possibility of external support is limited.

II. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

Ziraat Katılım Bankası A.Ş.
**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

SECTION SEVEN**EXPLANATIONS ON INDEPENDENT AUDIT REPORT****I. MATTERS TO BE EXPLAINED ON THE INDEPENDENT AUDITOR’S REPORT**

The consolidated financial statements prepared as of 31 December 2020 and for the fiscal period ending on the same date have been audited by PwC Bağımsız Denetim ve SMMM A.Ş. and presented preceding the consolidated financial statements of independent auditors’ report dated 19 February 2021.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

Directory

ZİRAAT KATILIM HEAD OFFICE

	Phone	Address
Head Office	+90 212 404 10 00	Hobyar Mahallesi, Şeyhülislam Hayri Efendi Caddesi, No: 12 Posta Kodu: 34112 Bahçekapı-Fatih, İstanbul
Supplementary Service Building	+90 216 559 20 58	Girne Mahallesi, Narlıdere Caddesi, No: 55 Maltepe, İstanbul

ZİRAAT KATILIM BRANCHES

	Phone	Address
Adana Branch	+90 322 359 63 04	Tepebağ Mahallesi, Abidinpaşa Caddesi No: 11 Seyhan, Adana
Adapazarı Branch	+90 264 281 57 16	Semerciler Mahallesi, Saraçlar Sokak No: 1 Adapazarı, Sakarya
Adıyaman Branch	+90 416 213 06 30	Hoca Ömer Mahallesi, Atatürk Caddesi, Çalkağışoğlu Apt. Sit. No: 28 A Merkez, Adıyaman
Afyon Branch	+90 272 212 02 64	Burmali Mahallesi, Milli Egemenlik Caddesi No: 18/1 Afyonkarahisar
Aksaray Branch	+90 382 203 02 82	Hacı Hasanlı Mahallesi, Bankalar Caddesi No: 30 Aksaray
Alanya Branch-Antalya	+90 242 512 66 92	Güller Pınarı Mahallesi, Hasan Akçalıoğlu Caddesi Liva Apartmanı No: 50/A Alanya, Antalya
Altunizade Branch-İstanbul	+90 216 474 8472	Altunizade Mahallesi, Kısıklı Caddesi No: 37 Üsküdar, İstanbul
Ankara Corporate Branch	+90 312 433 48 22	Sancak Mahallesi Turan Güneş Bulvarı No: 29/A Çankaya, Ankara (Yıldızevler Ankara Şubesi Üstü)
Antakya Branch	+90 326 216 66 19	Cumhuriyet Mahallesi Adnan Menderes Caddesi No: 1/1 Antakya, Hatay
Antalya Branch	+90 242 345 75 10	Tahıl pazarı Mahallesi, Şarampol Cad. T.C. Ziraat Bankası Sit. No: 68 Muratpaşa, Antalya
Aydın Branch	+90 256 212 76 42	Hasanefendi Mahallesi, Gençlik Caddesi No: 6/1 Efeler, Aydın
Bağcılar Branch-İstanbul	+90 212 436 47 79	Çınar Mahallesi, Osman Gazi Caddesi No: 12 B Bağcılar, İstanbul
Balgat Branch-Ankara	+90 312 473 16 25	Balgat Mahallesi, Ceyhun Atıf Kansu Caddesi Başkent Plaza, No: 106/57 Çankaya, Ankara
Balıkesir Branch	+90 266 244 82 65	Altıeylül Mahallesi, 4. Anafartalar Caddesi No: 35 B/B Altıeylül, Balıkesir
Başakşehir Branch-İstanbul	+90 212 485 72 11	İkitelli OSB Mahallesi, Tümsan 1. Kısım 3. Blok Apt. No: 9/A Başakşehir, İstanbul
Batman Branch	+90 488 213 34 31	Cumhuriyet Mahallesi, Atatürk Bulvarı No: 132 B Merkez, Batman
Beyazıt Branch-İstanbul	+90 212 638 83 68	Mimar Hayrettin Mahallesi, Yeniçeriler Caddesi Sinekli Medrese Sokak No: 2 Fatih, İstanbul
Beylikdüzü Branch-İstanbul	+90 212 872 68 21	Barış Mahallesi, Belediye Caddesi Ginza Lavinya Apt. No: 30/83 Beylikdüzü, İstanbul
Bolu Branch	+90 374 217 75 20	Karaçayır Mahallesi, İzzet Baysal Caddesi Pasaj Girişi Sit. No: 100/C Merkez, Bolu
Bornova Branch-İzmir	+90 232 343 09 43	Kazım Dirik Mahallesi, 152. Sokak No: 9 Bornova, İzmir
Bursa Branch	+90 224 225 00 24	Setbaşı Kayahan Mahallesi, Atatürk Cad. No: 26/1 Osmangazi, Bursa
Büsan Branch-Konya	+90 362 622 0049	Fevzi Çakmak Mahallesi, Kosgeb Caddesi No: 3 Karatay, Konya
Çankaya Branch-İzmir	+90 232 425 79 98	Yenigün Mahallesi, Fevzipaşa Bulvarı No: 124 Konak, İzmir

Directory

ZİRAAT KATILIM BRANCHES

	Phone	Address
Çorlu Branch-Tekirdağ	+90 282 673 35 89	Kazımiye Mahallesi, Salih Omurtak Caddesi A Blok Apt. No: 22 - 1/2 Çorlu, Tekirdağ
Çorum Branch	+90 364 224 89 64	Çepni Mahallesi, İnönü Caddesi No: 61 Merkez, Çorum
Çukurambar Branch-Ankara	+90 312 287 72 01	Kızılırmak Mahallesi, Muhsin Yazıcıoğlu Caddesi No: 25/G Çankaya, Ankara
Denizli Branch	+90 258 265 68 56	Saraylar Mahallesi, Gazi Mustafa Kemal Blv. No: 74/1 Merkezefendi, Denizli
Dudullu Branch-İstanbul	+90 216 313 72 05	Yukarı Dudullu Mahallesi, Necip Fazıl Bulvarı, Keresteciler (KEYAP) Sitesi, B1 Blok Apt. No: 44/19 Ümraniye, İstanbul
Elazığ Branch	+90 424 237 13 68	Nailbey Mahallesi, Gazi Caddesi No: 9 Elazığ
Eminönü Branch-İstanbul	+90 212 522 59 82	Hobyar Mahallesi, Şeyhülislam Hayri Efendi Caddesi No: 12/1 Bahçekapı-Fatih, İstanbul
Erenköy Branch-İstanbul	+90 216 359 71 64	Erenköy Mahallesi, Şemsettin Günaltay Caddesi No: 213-A/1 Kadıköy, İstanbul
Erzincan Branch	+90 446 502 03 67	Atatürk Mahallesi, Fevzipaşa Caddesi 357. Sokak No: 2 Merkez, Erzincan
Erzurum Branch	+90 442 235 87 74	Lalapaşa Mahallesi, Orhan Şerifsoy Caddesi No: 9 Yakutiye, Erzurum
Esenler Branch-İstanbul	+90 212 568 17 51	Fevzi Çakmak Mahallesi, 1107. Sokak No: 2/B Esenler, İstanbul
Esenyurt Branch-İstanbul	+90 212 596 8899	İnönü Mahallesi, Doğan Araslı Bulvarı, Kars Business Center No: 88/A Esenyurt, İstanbul
Eskişehir Branch	+90 222 221 55 97	Arifiye Mahallesi, İki Eylül Caddesi No: 68/1 Odunpazarı, Eskişehir
Fatih Branch-İstanbul	+90 212 621 86 76	Alikuşçu Mahallesi, Fevzipaşa Caddesi No: 10 Fatih, İstanbul
Gatem Branch-Gaziantep	+90 342 238 43 17	Sanayi Mahallesi, 60401. Sok. No: 7 Şehitkamil, Gaziantep
Gaziantep Branch	+90 342 230 91 90	İncirli Pınar Mahallesi, Muammer Aksoy Cad. No: 20 Şehitkamil, Gaziantep
OSB Branch-Gaziantep	+90 342 337 22 74	Başpınar Osb Mahallesi, O.S.B. 2.Bölge, Celal Doğan Bulvarı No: 71 A/52 Şehitkamil, Gaziantep
Gaziosmanpaşa Branch-İstanbul	+90 212 497 12 58	Merkez Mahallesi, Cumhuriyet Meydanı No: 26/A Gaziosmanpaşa, İstanbul
Gebze Branch-Kocaeli	+90 262 643 36 98	Hacı Halil Mahallesi, Körfez Caddesi No: 8/B Gebze, Kocaeli
Gıda Çarşısı Branch-İzmir	+90 232 459 52 31	Halkapınar Mahallesi, 1202/2 Sokak No: 31-F/F Konak, İzmir
Giresun Branch	+90 454 212 95 90	Hacısiyam Mahallesi İnönü Caddesi No: 22/A Merkez, Giresun
Güneşli Branch-İstanbul	+90 212 550 76 54	Hürriyet Mahallesi, Atatürk Caddesi No: 13-15 B Bağcılar, İstanbul
Hadımköy Branch-İstanbul	+90 212 809 31 05	Alkent 2000 Mahallesi, Hadımköy Yolu Caddesi C Blok Apt. No: 151/1/3 Büyükçekmece, İstanbul
İkitelli Branch-İstanbul	+90 212 549 60 53	Ziya Gökalp Mahallesi, Bedrettin Dalan Bulvarı A Blok No: 18 Başakşehir, İstanbul
İnegöl Branch-Bursa	+90 224 712 28 99	Orhaniye Mahallesi, Nuri Doğrul Caddesi, No: 67 İnegöl, Bursa
İskenderun Branch-Hatay	+90 326 614 12 25	Savaş Mahallesi, Mareşal Çakmak Caddesi 41. Sokak, Sümerhan İşhanı, No: 9/3 (Zemin Kat BB: 1) İskenderun, Hatay
Isparta Branch	+90 246 202 26 42	Kutlubey Mahallesi, 1001. Sokak No: 4, D: 9-10 Merkez, Isparta
İstanbul Anadolu Corporate Branch-İstanbul	+90 216 356 18 63	Sahrayıcedit Mahallesi, Atatürk Caddesi No: 48/1 Kadıköy, İstanbul
İstanbul Avrupa Corporate Branch-İstanbul	+90 212 275 39 08	Fulya Mahallesi, Büyükdere Caddesi İmar İş Hanı Apt. No: 48/2 Şişli, İstanbul

ZİRAAT KATILIM BRANCHES

	Phone	Address
İstasyon Branch-Kahramanmaraş	+90 344 235 06 51	İstasyon Mahallesi Doğu Çevre Yolu Bulvarı No: 38/E Dulkadiroğlu, Kahramanmaraş
İzmit Branch-Kocaeli	+90 262 322 93 52	Kemalpaşa Mahallesi, İstiklal Caddesi No: 20 İç Kapı No: 30 İzmit, Kocaeli
Kadıköy Branch-İstanbul	+90 216 474 8472	Osmanağa Mahallesi, Rıhtım Cad. No: 4 Kat: 2 Kadıköy, İstanbul
Kahramanmaraş Branch	+90 344 223 97 01	Yenişehir Mahallesi, Trabzon Bulvarı Durak Apt. No: 70, Dulkadiroğlu, Kahramanmaraş
Karaman Branch	+90 342 238 43 17	Tahsin Ünal Mahallesi, Atatürk Bulvarı No: 43 A Merkez, Karaman
Kartal Branch-İstanbul	+90 216 306 00 83	Kordonboyu Mah. Ankara Cad. B Blok No: 102/A Kartal, İstanbul
Kastamonu Branch	+90 366 214 70 85	Topçuoğlu Mahallesi, Cumhuriyet Cad. No: 30 B 37100 Merkez, Kastamonu
Kavacık Branch-İstanbul	+90 216 693 23 91	Kavacık Mah. Orhan Veli Kanık Cad. No: 92/B Beykoz, İstanbul
Kayapınar Branch-Diyarbakır	+90 412 502 26 38	Peyas Mahallesi, Şanlıurfa Bulvarı Ekinciler Sitesi No: 80/A Kayapınar, Diyarbakır
OSB Branch-Kayseri	+90 352 503 50 17	Kayseri OSB Mahallesi, 11. Caddesi No: 9/K Melikgazi, Kayseri
Kayseri Branch	+90 352 221 32 43	Cumhuriyet Mahallesi, Vatan Cad. No: 19 Melikgazi, Kayseri
Keçiören Branch-Ankara	+90 312 381 52 86	Pınarbaşı Mahallesi, Kızlar Pınarı Caddesi No: 177 A Keçiören, Ankara
Kestel Branch-Bursa	+90 224 372 83 33	Ahmet Vefik Paşa Mahallesi, Organize Sanayi Bölgesi Bursa Cad. No: 75 B Blok Kestel, Bursa
Kızılay Branch-Ankara	+90 312 435 1350	Cumhuriyet Mahallesi, Atatürk Bulvarı No: 67/C Kızılay, Ankara
Kıztaşı Branch-İstanbul	+90 212 635 29 98	Zeyrek Mahallesi, Macar Kardeşler Caddesi No: 18 A Fatih, İstanbul
Konya Branch	+90 332 236 99 65	Musalla Bağları Mah. Ankara Cad. No: 113/1 Selçuklu, Konya
Konyaaltı Branch-Antalya	+90 242 502 45 88	Arapşuyu Mahallesi, Atatürk Bulvarı No: 25 A Konyaaltı, Antalya
Kütahya Branch	+90 274 333 02 95	Gazi Kemal Mahallesi, Cumhuriyet Caddesi No: 79/A Merkez, Kütahya
Malatya Branch	+90 422 325 60 05	Nuriye Mahallesi Halep Cad. No: 51/A Merkez, Battalgazi, Malatya
Maltepe Branch-İstanbul	+90 216 305 68 83	Altayçeşme Mahallesi, Bağdat Caddesi No: 385/A Maltepe, İstanbul
Manisa Branch	+90 236 231 03 68	1. Anafartalar Mahallesi, 1603. Sokak No: 11/A Şehzadeler, Manisa
Mecidiyeköy Branch-İstanbul	+90 212 267 2666	Gülbahar Mahallesi, Büyükdere Cad. No: 99/A Şişli, İstanbul
Merkezi Bankacılık Branch-İstanbul	+90 216 559 21 03	Mimar Sinan Mahallesi, Hâkimiyeti Milliye Cad. No: 49 Üsküdar, İstanbul
Mersin Branch	+90 324 237 54 70	Çankaya Mahallesi, Atatürk Caddesi Mersin Çarşısı No: 26 A Akdeniz, Mersin
Merter Branch-İstanbul	+90 212 504 95 61	Mehmet Nesih Özmen Mah. Fatih Cad. Yalçın İş Merkezi No: 13 Güngören, İstanbul
Mevlana Branch-Konya	+90 332 350 58 48	Şems-i Tebrizi Mahallesi, Mevlana Caddesi No: 23/A Karatay, Konya
Nazilli Branch-Aydın	+90 256 315 33 58	Altıntaş Mahallesi, 155. Sokak, No: 1/B Nazilli, Aydın
Nevşehir Branch	+90 384 212 39 36	İbrahimpaşa Mahallesi Eski Sanayi Meydanı No: 60/A Merkez, Nevşehir
Nilüfer Branch-Bursa	+90 224 441 53 65	Üçevler Mahallesi, Nilüfer Caddesi 3 No'lu Bağımsız Apt. No: 6 C Nilüfer, Bursa
Ordu Branch	+90 452 222 01 55	Yeni Mahallesi, Zübeyde Hanım Caddesi No: 123 A Altınordu, Ordu
Osmanbey Branch-İstanbul	+90 212 522 59 82	Meşrutiyet Mahallesi, Halaskargazi Caddesi No: 116 Şişli, İstanbul
Ostim Branch-Ankara	+90 312 385 08 63	Ostim Mahallesi, Ostim OSB 100. Yıl Bulvarı No: 46 Yenimahalle, Ankara
Pendik Branch-İstanbul	+90 216 390 46 38	Batı Mahallesi, Erol Kaya Caddesi No: 121 A Pendik, İstanbul
Rize Şubesi	+90 464 212 27 69	Piriçelebi Mahallesi, Cumhuriyet Caddesi No: 7 Rize

Directory

ZİRAAT KATILIM BRANCHES

	Phone	Address
Samsun Branch	+90 362 431 99 73	Kale Mahallesi, Kazımpaşa Caddesi No: 11 A İlkadım, Samsun
Şanlıurfa Branch	+90 414 315 66 38	Kanberiyeh Mah. Gazhane Mevkii Kadri Erdoğan Cad. No: 10 Haliliye, Şanlıurfa
Selçuklu Branch-Konya	+90 332 235 41 56	Nişantaşı Mahallesi, Metehan Cad. No: 4/A Selçuklu, Konya
Sincan Branch-Ankara	+90 312 271 30 35	Atatürk Mahallesi, Meltem Sok. No: 21 Sincan, Ankara
Sivas Branch	+90 346 221 55 16	Eski Kale Mahallesi, Bankalar Caddesi 13-2. Sokak No: 3/A Merkez, Sivas
Sultanbeyli Branch-İstanbul	+90 216 496 27 38	Hasanpaşa Mahallesi, Fatih Bulvarı A. Apt No: 19 A /1 Sultanbeyli, İstanbul
Tokat Branch	+90 356 214 31 30	Yeşilirmak Mah. Gazi Osman Paşa Bulvarı No: 98/A Merkez, Tokat
Trabzon Branch	+90 462 326 40 84	Kemerkaya Mahallesi, Kahramanmaraş Caddesi No: 13/A Ortahisar, Trabzon
Trakya Corporate Branch-İstanbul	+90 212 549 72 97	İkitelli OSB Mahallesi, Bağcılar Güngören Metro AVM B Blok Sk., Bağcılar Güngören Sanayi Sit. AVM B Blok Apt. No: 1-B/34 Başakşehir, İstanbul
Turgut Özal Bulvarı Branch-Adana	+90 322 234 39 21	Güzelyalı Mahallesi, Turgut Özal Bulvarı, No: 92/C Çukurova, Adana
Tuzla OSB Branch-İstanbul	+90 216 593 45 58	Aydınlı-Birlik OSB Mahallesi, 1 No'lu Cadde No: 2 Tuzla, İstanbul
Ulus Branch-Ankara	+90 312 312 76 31	Anafartalar Caddesi, No: 16/B Ulus, Ankara
Uşak Branch	+90 276 224 67 13	Kurtuluş Mahallesi, Barbaros Caddesi, No: 5/C Merkez, Uşak
Ümraniye Branch-İstanbul	+90 216 474 84 72	Alemdağ Caddesi, Mevlana İş Merkezi A Blok No: 174 Ümraniye, İstanbul
Üsküdar Branch-İstanbul	+90 216 201 16 12	Mimar Sinan Mahallesi, Uncular Cad. Özden İş Hanı No: 6/B Üsküdar, İstanbul
Van Branch	+90 432 210 14 34	Şerefiye Mahallesi, Cumhuriyet Bulvarı No: 63 İpekyolu, Van
Yıldırım Branch-Bursa	+90 224 502 72 01	Anadolu Mahallesi Ankarayolu Caddesi No: 109/C Yıldırım, Bursa
Yıldızevler Branch-Ankara	+90 312 441 59 07	Sancak Mahallesi Turan Güneş Bulvarı No: 29/A Çankaya, Ankara
Zeytinburnu Branch-İstanbul	+90 212 679 49 92	Beştelsiz Mahallesi, Prof. Dr. Muammer Aksoy Cad. No: 38 A Zeytinburnu, İstanbul

ZİRAAT KATILIM FOREIGN BRANCH

	Phone	Address
Sudan Branch	+249 183 460 208	Northern Extension 1/60, Block 9/10 G 15.Street Al Amarat, Khartoum

www.ziraatkatilim.com.tr