

*(Convenience Translation of Consolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)*

## **Ziraat Katılım Bankası Anonim Şirketi**

**Consolidated Interim Financial Statements  
As at and for the Six-Month Period Ended  
30 June 2019**

With Auditors' Review Report Thereon

*(Convenience Translation of Consolidated Interim Financial Statements  
and Related Disclosures and Footnotes Originally Issued in Turkish)*



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

Convenience Translation of the Independent Auditor's Review Report Originally  
Prepared and Issued in Turkish to English (See Note I in Section Three)

## REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Ziraat Katılım Bankası Anonim Şirketi;

### *Introduction*

We have reviewed the accompanying consolidated balance sheet of Ziraat Katılım Bankası Anonim Şirketi (the "Bank") and its consolidated financial subsidiaries (together referred to as the "Group") as at 30 June 2019 and the related consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows and; a summary of significant accounting policies and other explanatory notes to the consolidated financial information for the six-month period then ended. The Bank Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and 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 Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by aforementioned legislations. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

### *Scope of review*

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



*Basis for the Qualified Conclusion*

As mentioned in Section Five Note II.8.c.1 of Explanations and Notes to the consolidated financial statements, the accompanying consolidated interim financial information as of 30 June 2019 include general provision of total TL 30.000 thousands, that had been fully recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

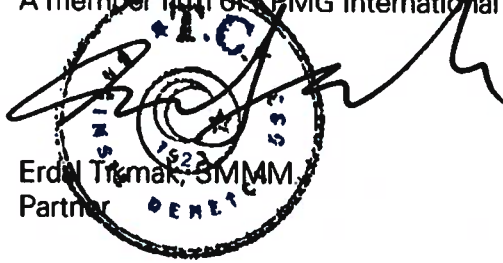
*Qualified Conclusion*

Based on our review, except for the effect of the matter on consolidated financial statements described in the basis for the qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not presented fairly in all material respects, the financial position of Ziraat Katılım Bankası A.Ş. and its consolidated financial subsidiaries at 30 June 2019, and its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

*Report on other regulatory requirements arising from legislation*

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative



7 August 2019  
İstanbul, Turkey

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

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

**ZİRAAT KATILIM BANKASI A.Ş.**  
**CONSOLIDATED FINANCIAL REPORT AS AT AND THE THREE**  
**MONTH PERIOD ENDED 30 JUNE 2019**

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 six months includes the following sections 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:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON REVIEW REPORT
- EXPLANATIONS ON INTERIM ACTIVITY REPORT

Subsidiaries financial statements have been consolidated in this annual consolidated financial report are as follows;

	Subsidiaries	Associates	Joint ventures
1	Ziraat Katılım Varlık Kiralama A.Ş.	Ziraat Yatırım Menkul Değerler A.Ş.	-
2	ZKB Varlık Kiralama A.Ş.	-	-

The accompanying consolidated financial statements for six months and notes to these financial statements 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 reviewed.

Hüseyin AYDIN  
Chairman of the Board

Metin ÖZDEMİR  
Member of the Board,  
General Manager

Cemalettin BAŞLI  
Member of the Board,  
Member of the Audit  
Committee

Feyzi ÇUTUR  
Member of the Board,  
Member of the Audit Committee

Osman KARAKÜTÜK  
Vice President of Treasury  
and Internal Operating

Gürkan ÇAKIR  
Head of Financial  
Coordination 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  
Telephone : 0 212 404 13 35  
Facsimile : 0 212 404 10 81

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# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

(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 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 Parent 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 Parent 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 Parent Bank’s Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Parent 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. The Bank’s paid-in capital was increased to TL 1.750.000 in 2017 Extraordinary General Assembly Meeting held on 20 September 2018 by increasing the paid-in capital of TL 500.000.

Main operation field of the Parent 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 Parent 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, Ziraat Katılım Bankası A.Ş (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 Parent Bank, T.C Ziraat 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.

#### II. SHAREHOLDING STRUCTURE, SHAREHOLDERS JOINTLY OR INDIVIDUALLY HAVING DIRECT OR INDIRECT, CONTROL OVER THE MANAGEMENT AND SUPERVISION OF THE BANK AND THE DISCLOSURES ON ANY RELATED CHANGES IN THE CURRENT PERIOD, IF ANY AND INFORMATION ABOUT THE GROUP THAT THE PARENT BANK BELONGS TO

As of 30 June 2019 and 31 December 2018, main shareholders and capital amounts as follows:

Name of Shareholders	30 June 2019		31 December 2018	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. (*)	1.750.000	99,9999996	1.750.000	99,9999996
Ziraat Sigorta A.Ş.	-	0,0000001	-	0,0000001
Ziraat 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
<b>Total</b>	<b>1.750.000</b>	<b>100,00</b>	<b>1.750.000</b>	<b>100,00</b>

(\*) All of the shares of the Parent of the Parent Bank, T.C Ziraat 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.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

Name	Title
<b>Board of Directors</b>	
Hüseyin AYDIN	Chairman
Yusuf DAĞCAN	Vice President of the Executive Board, President of Corporate Management Committee, Substitute Member of Credit Committee
Metin ÖZDEMİR	Member of the BOD, General Manager, Member of Pricing Committee, President of Credit Committee
Cemalettin BAŞLI	Member of the BOD, Member of Audit Committee, Member of Credit Committee
Feyzi ÇUTUR	Member of the BOD, Member of Audit Committee, Member of Credit Committee
Mahmut KAÇAR	Member of the BOD, Member of Corporate Management Committee, Member of Pricing Committee
<b>Assistant General Managers</b>	
Dr. Ahmet ORTATEPE (*)	Loan Policies
Mehmet Said GÜL	Information Technologies and Operating
Osman KARAKÜTÜK	Treasury Management and International Banking
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Marketing

(\*) As of May 6, 2019, he was appointed as Executive Vice President in charge of Loan Policies. Chairman and members of the Board of Directors does not have any shares in the Bank’s capital.

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

Name / Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. (*)	1.750.000	99,9999996	1.750.000	-
Ziraat Sigorta A.Ş.	-	0,0000001	-	-
Ziraat Hayat ve Emeklilik A.Ş.	-	0,0000001	-	-
Ziraat Teknoloji A.Ş.	-	0,0000001	-	-
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	-
<b>Total</b>	<b>1.750.000</b>	<b>100,00</b>	<b>1.750.000</b>	<b>-</b>

(\*) All of the shares of the Parent of the Parent Bank, T.C Ziraat 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.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

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### GENERAL INFORMATION ABOUT THE GROUP (Continued)

#### V. EXPLANATIONS OF THE PARENT BANK’S SERVICES AND FIELD OF OPERATIONS

Operation field of the Parent Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The Parent Bank collects funds with the scope of Islamic Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Parent 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 Parent Bank sorts out participation accounts 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, three months, six months and annually).

The Parent Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss cannot be less than 50% of participation rate to profit.

The Parent Bank branches provides Islamic insurance within the principles of participation banking (takaful insurance) as an agent of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. to their client.

The Parent Bank together with its consolidated subsidiaries are referred to as the “Group” in these consolidated financial statements.

As of 30 June 2019, the Parent Bank has 1.094 (31 December 2018: 1042) workers domestically.

The Parent Bank has no branches abroad.

#### 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.

Ziraat Yatırım Menkul Değerler A.Ş., an associate of the Parent Bank operating as an intermediary corporation, is accounted by using the “equity method” in the consolidated financial statements.

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

None.



## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated balance sheet (statement of financial position)
- II. Consolidated statement of off-balance sheet commitments
- III. Consolidated statement of profit or loss
- IV. Consolidated statement of profit or loss and other comprehensive income
- V. Consolidated statements of changes in shareholders' equity
- VI. Consolidated statement of cash flows

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 30 JUNE 2019

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (FINANCIAL POSITION)							
ASSETS	Note (V)	THOUSANDS OF TURKISH LİRA (TL)					
		Reviewed Current Period (30/06/2019)			Audited Prior period (31/12/2018)		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>1.537.725</b>	<b>3.086.366</b>	<b>4.624.091</b>	<b>1.520.928</b>	<b>2.577.299</b>	<b>4.098.227</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>214.802</b>	<b>2.742.798</b>	<b>2.957.600</b>	<b>337.570</b>	<b>2.456.239</b>	<b>2.793.809</b>
1.1.1 Cash and Balances with Central Bank	(1)	206.299	2.288.042	2.494.341	333.810	1.673.503	2.007.313
1.1.2 Banks	(2)	8.891	454.756	463.647	4.935	782.736	787.671
1.1.3 Money Market Placements		-	-	-	-	-	-
1.1.4 Expected Credit Losses (-)	(4)	388	-	388	1.175	-	1.175
<b>1.2 Financial Assets Measured at Fair Value Through Profit/Loss (FVTPL)</b>		-	-	-	-	-	-
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	-	-	-
<b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	(3)	<b>1.322.915</b>	<b>329.836</b>	<b>1.652.751</b>	<b>1.183.345</b>	<b>121.017</b>	<b>1.304.362</b>
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		7.672	-	7.672	4.897	-	4.897
1.3.3 Other Financial Assets		1.315.243	329.836	1.645.079	1.178.448	121.017	1.299.465
<b>1.4 Derivative Financial Assets</b>	(5)	<b>8</b>	<b>13.732</b>	<b>13.740</b>	<b>13</b>	<b>43</b>	<b>56</b>
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit/Loss		8	13.732	13.740	13	43	56
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)</b>		<b>13.572.598</b>	<b>10.161.028</b>	<b>23.733.626</b>	<b>12.565.543</b>	<b>5.173.882</b>	<b>17.739.425</b>
<b>2.1 Loans</b>	(6)	<b>12.585.248</b>	<b>7.421.434</b>	<b>20.006.682</b>	<b>12.274.161</b>	<b>4.969.829</b>	<b>17.243.990</b>
<b>2.2 Lease Receivables</b>		<b>1.447.728</b>	<b>2.211.060</b>	<b>3.658.788</b>	<b>499.781</b>	<b>204.053</b>	<b>703.834</b>
<b>2.3 Measured at Amortized Cost</b>	(7)	-	<b>528.534</b>	<b>528.534</b>	-	-	-
2.3.1 Government Securities		-	528.534	528.534	-	-	-
2.3.2 Other Financial Assets		-	-	-	-	-	-
<b>2.4 Expected Credit Losses (-)</b>		<b>460.378</b>	-	<b>460.378</b>	<b>208.399</b>	-	<b>208.399</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(8)	<b>55.249</b>	-	<b>55.249</b>	<b>4.259</b>	-	<b>4.259</b>
3.1 Asset Held for Sale		55.249	-	55.249	4.259	-	4.259
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>	(9)	<b>34.523</b>	-	<b>34.523</b>	-	-	-
<b>4.1 Associates (Net)</b>		<b>34.523</b>	-	<b>34.523</b>	-	-	-
4.1.1 Associates Consolidated Under Equity Accounting		34.523	-	34.523	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
<b>4.2 Subsidiaries (Net)</b>		-	-	-	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
<b>4.3 Joint Ventures (Net)</b>		-	-	-	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (NET)</b>	(10)	<b>141.628</b>	-	<b>141.628</b>	<b>52.116</b>	-	<b>52.116</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(11)	<b>95.860</b>	-	<b>95.860</b>	<b>80.396</b>	-	<b>80.396</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		95.860	-	95.860	80.396	-	80.396
<b>VII. INVESTMENT PROPERTY (NET)</b>	(12)	-	-	-	-	-	-
<b>VIII. CURRENT TAX ASSET</b>	(13)	-	-	-	-	-	-
<b>IX. DEFERRED TAX ASSETS</b>	(14)	<b>62.295</b>	-	<b>62.295</b>	<b>49.870</b>	-	<b>49.870</b>
<b>X. OTHER ASSETS</b>	(15)	<b>78.198</b>	<b>4.361</b>	<b>82.559</b>	<b>161.719</b>	<b>2.691</b>	<b>164.410</b>
<b>TOTAL ASSETS</b>		<b>15.578.076</b>	<b>13.251.755</b>	<b>28.829.831</b>	<b>14.434.831</b>	<b>7.753.872</b>	<b>22.188.703</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT 30 JUNE 2019

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (FINANCIAL POSITION)								
		Thousands of Turkish Lira						
		Reviewed Current period (30/06/2019)			Audited Prior period (31/12/2018)			
LIABILITIES AND SHAREHOLDERS' EQUITY		TL	FC	Total	TL	FC	Total	
<b>I.</b>	<b>FUNDS COLLECTED</b>	(1)	8.833.919	9.584.964	18.418.883	8.248.433	6.902.550	15.150.983
<b>II.</b>	<b>FUNDS BORROWED</b>	(2)	392.948	3.884.025	4.276.973	16.648	1.970.129	1.986.777
<b>III.</b>	<b>MONEY MARKET DEBTS</b>	(3)	109.746	-	109.746	864.414	-	864.414
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>	(4)	1.906.644	-	1.906.644	1.375.097	-	1.375.097
<b>V.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	(5)	-	-	-	-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	(6)	-	11.239	11.239	-	6.145	6.145
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	11.239	11.239	-	6.145	6.145
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VII.</b>	<b>LEASE PAYABLES</b>	(7)	88.868	6.908	95.776	-	415	415
<b>VIII.</b>	<b>PROVISIONS</b>	(8)	95.111	32.331	127.442	117.948	14.016	131.964
8.1	Restructuring Provisions		-	-	-	-	-	-
8.2	Reserve for Employee Benefits		21.615	-	21.615	21.640	-	21.640
8.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4	Other Provisions		73.496	32.331	105.827	96.308	14.016	110.324
<b>IX.</b>	<b>CURRENT TAX LIABILITY</b>	(9)	68.939	-	68.939	53.987	-	53.987
<b>X.</b>	<b>DEFERRED TAX LIABILITY</b>	(10)	-	-	-	-	-	-
<b>XI.</b>	<b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(11)	-	-	-	-	-	-
11.1	Held for Sale Purpose		-	-	-	-	-	-
11.2	Related to Discontinued Operations		-	-	-	-	-	-
<b>XII.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	(12)	312.478	517.326	829.804	-	-	-
12.1	Loans		312.478	517.326	829.804	-	-	-
12.2	Other Debt Instruments		-	-	-	-	-	-
<b>XIII.</b>	<b>OTHER LIABILITIES</b>	(13)	208.457	18.030	226.487	368.204	32.133	400.337
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	(14)	2.758.160	(262)	2.757.898	2.218.279	305	2.218.584
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	-	-	-
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserve		261.513	-	261.513	-	-	-
14.3	Accumulated Other Comprehensive Income or Loss That Will Not Be Reclassified in Profit or Loss		1.648	-	1.648	1.473	-	1.473
14.4	Accumulated Other Comprehensive Income or Loss That Will Not Be Reclassified in Profit or Loss		(36.786)	(262)	(37.048)	(40.112)	305	(39.807)
14.5	Profit Reserves		235.549	-	235.549	158.593	-	158.593
14.5.1	Legal Reserves		20.201	-	20.201	9.961	-	9.961
14.5.2	Status Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		204.972	-	204.972	138.256	-	138.256
14.5.4	Other Profit Reserves		10.376	-	10.376	10.376	-	10.376
14.6	Profit or Loss		546.236	-	546.236	348.325	-	348.325
14.6.1	Prior Periods' Profit / Loss		348.325	-	348.325	25.660	-	25.660
14.6.2	Current Periods' Profit / Loss		197.911	-	197.911	322.665	-	322.665
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>14.775.270</b>	<b>14.054.561</b>	<b>28.829.831</b>	<b>13.263.010</b>	<b>8.925.693</b>	<b>22.188.703</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS AT 30 JUNE 2019

(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)	Thousands of Turkish Lira						
		Current period (30/06/2019)			Prior period (31/12/2018)			
		TL	FC	Total	TL	FC	Total	
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	(1)	<b>4.719.668</b>	<b>9.629.274</b>	<b>14.348.942</b>	<b>4.369.125</b>	<b>8.684.102</b>	<b>13.053.227</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>		<b>4.398.713</b>	<b>6.719.228</b>	<b>11.117.941</b>	<b>4.070.241</b>	<b>6.213.201</b>	<b>10.283.442</b>
1.1	Letters of Guarantee		4.369.790	5.251.217	9.621.007	4.058.895	4.581.471	8.640.366
1.1.1	Guarantees Subject to State Tender Law		141.503	1.459.733	1.601.236	263.507	1.436.775	1.700.282
1.1.2	Guarantees Given for Foreign Trade Operations		4.030.147	-	4.030.147	3.622.754	-	3.622.754
1.1.3	Other Letters of Guarantee		198.140	3.791.484	3.989.624	172.634	3.144.696	3.317.330
1.2	Bank Acceptances		-	8.538	8.538	-	3.591	3.591
1.2.1	Import Letter of Acceptance		-	8.538	8.538	-	3.591	3.591
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		23.713	691.812	715.525	5.584	611.224	616.808
1.3.1	Documentary Letters of Credit		23.713	691.812	715.525	5.584	611.224	616.808
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		-	763.368	763.368	-	1.010.273	1.010.273
1.7	Other Collaterals		5.210	4.293	9.503	5.762	6.642	12.404
<b>II.</b>	<b>COMMITMENTS</b>	(1)	<b>320.955</b>	<b>49.463</b>	<b>370.418</b>	<b>298.884</b>	<b>59.931</b>	<b>358.815</b>
2.1	Irrevocable Commitments		320.955	49.463	370.418	298.884	59.931	358.815
2.1.1	Forward Asset purchase commitments		25.323	49.463	74.786	28.133	59.931	88.064
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		146.167	-	146.167	102.994	-	102.994
2.1.7	Tax and Fund Liabilities from Export Commitments		10.016	-	10.016	6.925	-	6.925
2.1.8	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.9	Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
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		139.449	-	139.449	160.832	-	160.832
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	-	<b>2.860.583</b>	<b>2.860.583</b>	-	<b>2.410.970</b>	<b>2.410.970</b>
3.1	Hedging Derivative Financial Instruments		-	2.860.583	2.860.583	-	2.410.970	2.410.970
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		-	2.860.583	2.860.583	-	2.410.970	2.410.970
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	2.860.583	2.860.583	-	2.410.970	2.410.970
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	1.434.621	1.434.621	-	1.204.570	1.204.570
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	1.425.962	1.425.962	-	1.206.400	1.206.400
3.2.2	Other Forward Buy/Sell Transaction		-	-	-	-	-	-
3.3	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>23.127.997</b>	<b>3.703.878</b>	<b>26.831.875</b>	<b>19.380.896</b>	<b>2.390.013</b>	<b>21.770.909</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>2.114.851</b>	<b>969.146</b>	<b>3.083.997</b>	<b>1.322.027</b>	<b>752.222</b>	<b>2.074.249</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		1.584.489	-	1.584.489	919.760	-	919.760
4.3	Checks Received for Collection		471.405	73.714	545.119	361.417	61.070	422.487
4.4	Commercial Notes Received for Collection		58.007	18.636	76.643	39.613	2.604	42.217
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		950	300.083	301.033	1.237	297.828	299.065
4.8	Custodians		-	576.713	576.713	-	390.720	390.720
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>21.013.146</b>	<b>2.734.732</b>	<b>23.747.878</b>	<b>18.058.869</b>	<b>1.637.791</b>	<b>19.696.660</b>
5.1	Marketable Securities		1.238.909	471.503	1.710.412	919.767	442.154	1.361.921
5.2	Guarantee Notes		1.205.909	186.037	1.391.946	1.204.313	156.295	1.360.608
5.3	Commodity		1.477.943	435.385	1.913.328	1.286.488	367.493	1.653.981
5.4	Warranty		-	-	-	-	-	-
5.5	Properties		14.407.927	827.978	15.235.905	12.115.418	105.561	12.220.979
5.6	Other Pledged Items		2.682.458	813.829	3.496.287	2.532.883	566.288	3.099.171
5.7	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>27.847.665</b>	<b>13.333.152</b>	<b>41.180.817</b>	<b>23.750.021</b>	<b>11.074.115</b>	<b>34.824.136</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2019

(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	Note (V)	THOUSANDS TÜRKISH LİRA		THOUSANDS TÜRKISH LİRA	
		Reviewed Current Period	Reviewed Prior Period	Reviewed Current Period	Reviewed Prior Period
		01/01-30/06/2019	01/01-30/06/2018	01/04-30/06/2019	01/04-30/06/2018
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>1.688.305</b>	<b>792.322</b>	<b>895.992</b>	<b>434.392</b>
1.1 Profit Share on Loans		1.371.295	706.587	727.563	384.660
1.2 Profit Share on Reserve Deposits		25.577	15.089	12.097	8.527
1.3 Profit Share on Banks		423	-	135	-
1.4 Profit Share on Money Market Placements		-	-	-	-
1.5 Profit Share on Marketable Securities Portfolio		98.384	43.618	56.932	24.970
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		4.356	-	4.356	-
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		94.028	43.618	52.576	24.970
1.5.3 Financial Assets Measured at Amortised Cost		-	-	-	-
1.6 Financial Lease Income		182.731	22.814	95.541	12.341
1.7 Other Profit Share Income		9.895	4.214	3.724	3.894
<b>II. PROFIT SHARE EXPENSE</b>	(2)	<b>1.123.305</b>	<b>472.780</b>	<b>587.224</b>	<b>264.262</b>
2.1 Expense on Profit Sharing Accounts		776.998	395.950	406.381	220.241
2.2 Profit Share Expense on Funds Borrowed		136.649	71.631	76.522	40.202
2.3 Profit Share Expense on Money Market Borrowings		8.209	5.197	3.948	3.817
2.4 Expense on Securities Issued		191.840	-	95.464	-
2.5 Lease Profit Share Expense		9.591	2	4.909	2
2.6 Other Profit Share Expenses		18	-	-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>565.000</b>	<b>319.542</b>	<b>308.768</b>	<b>170.130</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>47.254</b>	<b>22.790</b>	<b>23.503</b>	<b>13.763</b>
4.1 Fees and Commissions Received		67.122	32.896	35.997	19.180
4.1.1 Non-cash Loans		56.412	24.371	30.108	13.916
4.1.2 Other		10.710	8.525	5.889	5.264
4.2 Fees and Commissions Paid		19.868	10.106	12.494	5.417
4.2.1 Non-cash Loans		35	42	-	40
4.2.2 Other		19.833	10.064	12.494	5.377
<b>V. DIVIDEND INCOME</b>	(3)	<b>2.857</b>	<b>177</b>	<b>95</b>	<b>177</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>36.025</b>	<b>11.905</b>	<b>22.536</b>	<b>7.917</b>
6.1 Capital Market Transaction Gains / Losses		(400)	(874)	(521)	(4)
6.2 Gains/ Losses From Derivative Financial Instruments		17.936	23.119	(10.122)	38.536
6.3 Foreign Exchange Gains / Losses		18.489	(10.340)	33.179	(30.615)
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>111.530</b>	<b>36.394</b>	<b>13.239</b>	<b>19.232</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>762.666</b>	<b>390.808</b>	<b>368.141</b>	<b>211.219</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	(6)	<b>301.037</b>	<b>63.429</b>	<b>152.579</b>	<b>31.136</b>
<b>X. OTHER PROVISIONS (-)</b>		<b>13.093</b>	<b>9.012</b>	<b>5.777</b>	<b>7.736</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>92.000</b>	<b>58.594</b>	<b>47.314</b>	<b>29.855</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>116.256</b>	<b>71.274</b>	<b>56.427</b>	<b>40.626</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>240.280</b>	<b>188.499</b>	<b>106.044</b>	<b>101.866</b>
<b>XIV. INCOME RESULTED FROM MERGERS</b>		-	-	-	-
<b>XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>9.741</b>	-	<b>4.552</b>	-
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>	(8)	<b>250.021</b>	<b>188.499</b>	<b>110.596</b>	<b>101.866</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(9)	<b>(52.110)</b>	<b>(37.193)</b>	<b>(22.135)</b>	<b>(19.302)</b>
18.1 Current Tax Provision		(58.886)	(45.326)	(32.725)	(24.340)
18.2 Expense Effect of Deferred Tax (+)		(9.449)	(1.773)	(3.152)	212
18.3 Income Effect of Deferred Tax (-)		16.225	9.906	13.742	4.826
<b>XIX. OPERATING PROFIT/LOSS AFTER TAXES(XVI±XVII)</b>	(10)	<b>197.911</b>	<b>151.306</b>	<b>88.461</b>	<b>82.564</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
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		-	-	-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
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		-	-	-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)</b>		-	-	-	-
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
23.1 Current Tax Charge		-	-	-	-
23.2 Expense Effect of Deferred Tax (+)		-	-	-	-
23.3 Income Effect of Deferred Tax (-)		-	-	-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		-	-	-	-
<b>XXV. NET PROFIT/LOSS (XVIII+XXIII)</b>	(11)	<b>197.911</b>	<b>151.306</b>	<b>88.461</b>	<b>82.564</b>
Earnings per share income/loss (Full TL)		0,1131	0,1210	0,0505	0,0661

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

**ZİRAAT KATILIM BANKASI A.Ş.****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019**

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

<b>ZİRAAT KATILIM BANKASI A.Ş CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>THOUSANDS OF TURKISH LIRA</b>		
	<b>Reviewed Current period 01/01-30/06/2019</b>	<b>Reviewed Prior period 01/01-30/06/2018</b>
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>197.911</b>	<b>151.306</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>2.759</b>	<b>(16.688)</b>
<b>2.1 Other Income/Expense Items not to be Recycled to Profit or Loss</b>	-	-
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	-	-
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	-	-
<b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>2.759</b>	<b>(16.688)</b>
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	3.366	(21.412)
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	(607)	4.724
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>200.670</b>	<b>134.618</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																
	Paid-in capital	Share Premium	Share certificate cancellation profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
<b>PRIOR PERIOD</b>																
<b>1 January-30 June 2018</b>																
I.	1.250.000	-	-	-	-	-	-	-	(14.912)	-	9.691	158.902	-	1.403.681	-	1.403.681
II.	-	-	-	-	-	-	-	-	-	-	-	25.660	-	25.660	-	25.660
2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	-	-	-	-	-	-	-	-	-	-	-	25.660	-	25.660	-	25.660
III.	1.250.000	-	-	-	-	-	-	-	(14.912)	-	9.691	184.562	-	1.429.341	-	1.429.341
IV.	-	-	-	-	-	-	-	-	(16.688)	-	-	-	151.306	134.618	-	134.618
V.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	-	-	-	-	-	-	-	-	-	-	148.902	(158.902)	-	(10.000)	-	(10.000)
XI.	-	-	-	-	-	-	-	-	-	-	-	(10.000)	-	(10.000)	-	(10.000)
11.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	-	-	-	-	-	-	-	-	-	-	148.902	(148.902)	-	-	-	-
11.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1.250.000	-	-	-	-	-	-	-	(31.600)	-	158.593	25.660	151.306	1.553.959	-	1.553.959
<b>CURRENT PERIOD</b>																
<b>1 January-30 June 2019</b>																
I.	1.750.000	-	-	-	-	1.473	-	-	(39.807)	-	158.593	25.660	322.665	2.218.584	-	2.218.584
II.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	1.750.000	-	-	-	-	1.473	-	-	(39.807)	-	158.593	25.660	322.665	2.218.584	-	2.218.584
IV.	-	-	-	-	-	-	-	-	2.759	-	-	-	197.911	200.670	-	200.670
V.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	-	-	-	261.513	-	191	(16)	-	-	-	76.956	-	-	338.644	-	338.644
XI.	-	-	-	-	-	-	-	-	-	-	-	322.665	(322.665)	-	-	-
11.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	-	-	-	-	-	-	-	-	-	-	-	322.665	(322.665)	-	-	-
11.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1.750.000	-	-	261.513	-	1.664	(16)	-	(37.048)	-	235.549	348.325	197.911	2.757.898	-	2.757.898

(\*) Including Ziraat Finansal Kiralama A.Ş. effects of TL 250.000 from the merger with the Board of Directors' decision dated 21 February 2019 and numbered 6/1.

(\*) Includes fair value of initial recognition effects amounting to TL 11.513 of subordinated loan provided by the Bank 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 and financial assets measured at amortized cost, which are provided on 24 April 2019, approved by BRSA dated 22 April 2019.

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

<b>ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
	Note (VI)	THOUSAND OF TURKISH LIRA	THOUSAND OF TURKISH LIRA
		Reviewed Current Period 01/01/2019 - 30/06/2019	Reviewed Prior Period 01/01/2018 - 30/06/2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Profit/(Loss)</b>		<b>(64.201)</b>	<b>(78.733)</b>
1.1.1 Profit Share Income Received		1.573.667	771.067
1.1.2 Profit Share Expense Paid		(988.213)	(441.034)
1.1.3 Dividend Received		2.857	177
1.1.4 Fees And Commissions Received		47.254	32.896
1.1.5 Other Income		9.876	8.075
1.1.6 Collections From Previously Written Off Loans		30.782	12.834
1.1.7 Payments To Personnel And Service Suppliers		(96.258)	(60.692)
1.1.8 Taxes Paid		(25.427)	(20.946)
1.1.9 Others (*)		(618.739)	(381.110)
<b>1.2 Changes In Operating Assets And Liabilities</b>		<b>56.668</b>	<b>1.165.471</b>
1.2.1 Net (Increase) / Decrease In Financial Assets At Fair Value Through Profit Or Loss		(3.694)	(5.804)
1.2.2 Net (Increase) / Decrease In Due From Banks And Other Financial Institutions		(609.192)	(212.915)
1.2.3 Net (Increase) / Decrease In Loans		(2.096.202)	(2.783.967)
1.2.4 Net (Increase) / Decrease In Other Assets		817.749	(9.661)
1.2.5 Net Increase / (Decrease) In Bank Funds		1.343	35.397
1.2.6 Net Increase / (Decrease) In Other Funds		3.209.417	3.345.660
1.2.7 Net Increase / Decrease In Financial Liabilities At Fair Value Through Profit Or Loss		-	-
1.2.8 Net Increase / (Decrease) In Funds Borrowed		(401.742)	(256.584)
1.2.9 Net Increase / (Decrease) In Payables		-	-
1.2.10 Net Increase / (Decrease) In Other Liabilities (*)		(861.011)	1.053.345
<b>I. Net Cash Provided From Banking Operations</b>		<b>(7.533)</b>	<b>1.086.738</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided From Investing Activities</b>		<b>(1.676.013)</b>	<b>(346.346)</b>
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.2 Cash Obtained From Sale Of Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.3 Purchases Of Tangible Assets		(18.303)	(17.061)
2.4 Disposals Of Tangible Assets		-	-
2.5 Purchase Of Financial Assets At Fair Value Through Other Comprehensive Income		(1.133.169)	(329.285)
2.6 Sale Of Financial Assets At Fair Value Through Other Comprehensive Income		-	-
2.7 Purchase Of Financial Assets Measured At Amortized Cost		(523.278)	-
2.8 Sale Of Financial Assets Measured At Amortized Cost		-	-
2.9 Other (*)		(1.263)	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided From Financing Activities</b>		<b>1.115.655</b>	<b>(260.222)</b>
3.1 Cash Obtained From Funds Borrowed And Securities Issued		4.018.709	775.000
3.2 Cash Used For Repayment Of Funds Borrowed And Securities Issued		(2.899.715)	(1.036.167)
3.3 Issued Equity Instruments		11.513	-
3.4 Dividends Paid		-	-
3.5 Payments For Finance Leases		(15.158)	(4.887)
3.6 Other (*)		306	5.832
<b>IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents</b>		<b>121.648</b>	<b>145.287</b>
<b>V. Net Increase/ (Decrease) In Cash And Cash Equivalents (I+II+III+IV)</b>		<b>(446.243)</b>	<b>625.457</b>
<b>VI. Cash And Cash Equivalents At The Beginning Of The Period</b>		<b>1.145.532</b>	<b>601.801</b>
<b>VII. Cash And Cash Equivalents At The End Of The Period</b>		<b>699.289</b>	<b>1.227.258</b>

(\*) Includes effects of merger of Ziraat Finansal Kiralama A.Ş. with the decision of the Board of Directors dated 6 February 2019 and numbered 6/1.

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

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**SECTION THREE  
ACCOUNTING PRINCIPLES**

**I. BASIS OF PRESENTATION**

Ziraat Katılım Bankası A.Ş. (“The Bank or “The Parent Bank”) and its consolidated financial subsidiaries (together “the Group”) prepare their consolidated financial statements in accordance with “the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards (TFRS) published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Parent Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

Unless otherwise specified, all balances in the consolidated financial statements and footnotes are expressed in thousand Turkish Lira (“TL”) excluding financial assets and liabilities presented at fair value.

The preparation of consolidated financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgments and estimates are explained in related notes.

**Additional paragraph 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 consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, these 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.

**CHANGES IN ACCOUNTING POLICIES**

**TFRS 16 Leases**

TFRS 16 Leases standard is published in the Official Gazette no. 29826 dated 16 April 2018 which is effective for the reporting periods after 1 January 2019. Bank applies TFRS 16 “Leases” Standard, which replaces TAS 17 “Leases”, starting from 1 January 2019 for the first time. These liabilities were measured based on the discounted current value by using the incremental borrowing rate of interest of remaining lease payments as of 1 January 2019. The difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognised under “Tangible Fixed Assets” as an asset and under “Liabilities from Leasing” as a liability.

The Parent Bank used the model projected by the standard in the transactions to be lessee, with the exception of low-value assets and short-term rentals (1 year or less).

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting applications are almost the same.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### ACCOUNTING PRINCIPLES (Continued)

#### CHANGES IN ACCOUNTING POLICIES (Continued)

##### TFRS 16 Leases (Continued)

This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, comparative information is not restated.

Bank recognizes a lease liability and a right-of-use asset at the date of initial application TFRS 16 for leases previously classified as an operating lease applying TAS 17. The Parent Bank measures that lease liability by the present value of the remaining lease payments, discounted using the Bank’s incremental borrowing rate at the date of initial application. Besides, the Parent Bank measures that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

##### The effects of application of TFRS 16

	31 December 2018	TFRS 16 Classification Effect	TFRS 16 Transition Effect	1 January 2019
Properties (Net)	-	888	81.768	82.656
Tangible assets (Net)	52.116	-	5.707	57.823
Other assets (Net)	164.410	(888)	-	163.522
Lease liabilities (Net)	-	-	87.475	87.475

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

The Parent Bank’s main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of the Parent Bank’s resources consists of funds collected, funds borrowed and shareholders equity. Bank evaluates these resources on lease certificates and loans. Bank’s liquidity position considered as defraying all the maturing liabilities.

The procedures including foreign currency were recorded based on the buying rate of the counter ruling at the transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized under the net foreign exchange income/expense account.

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

The Bank carries out the balance sheet and equity management within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to keep the liquidity, exchange rate and credit risks within certain limits and to maximize the profitability in consideration of the market conditions within the possibilities.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

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#### ACCOUNTING PRINCIPLES (Continued)

#### III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

##### a. 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 Group 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. Subsidiaries will be excluded from the scope of consolidation at the date that control is over. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been 100% consolidated line by line with the balance sheet, income statement and off balance sheet 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. In order to determine the net income of the Group, minority shares in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

#### ACCOUNTING PRINCIPLES (Continued)

#### III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES (Continued)

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

30 June 2019				
Title	Address (City / Country)	Main Activities	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	Istanbul/Turkey	Lease Certificate Issue	100	100
ZKB Varlık Kiralama A.Ş.	Istanbul/Turkey	Lease Certificate Issue	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:

Ziraat Yatırım Menkul Değerler A.Ş., an intermediary institution of the Parent Bank, pursuant to the “Communiqué On Preparation Of Consolidated Financial Statements Of Banks”, is accounted in the consolidated financial statements using the equity method. Accounting policies used by Ziraat Yatırım Menkul Değerler A.Ş. are not different from the Parent Bank’s accounting policies.

The Parent Bank prepares its consolidated financial statements in accordance with the “Communiqué On Preparation Of Consolidated Financial Statements Of Banks” tab by including its subsidiaries or financial institutions. In this context, the credit institutions or financial affiliates of the Bank are accounted for in the consolidated financial statements by equity method in accordance with TAS 28 “Investments in Associates and Joint Ventures”

Information on the associate accounted by equity method:

30 June 2019				
Name	Operation Center (City / Country)	Business Activity	Effective Subsidiaries Ratios (%)	Direct and Indirect Subsidiaries Ratios (%)
Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Türkiye	Intermediary Institution	24	24

#### 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:

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 Consolidated Financial Statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

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**ACCOUNTING PRINCIPLES (Continued)**

**III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES (Continued)**

**3. Accounting for business combinations under common control (Continued)**

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 (eg 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 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.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

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#### ACCOUNTING PRINCIPLES (Continued)

#### III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES (Continued)

##### 3. Accounting for business combinations under common control (Continued)

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

This merger is evaluated as “Business Combinations Under Common Control” within the scope of the POA No. 2018-1 “Implementation of Resolution for the Turkish Accounting Principles” and pooling of interest method is applied. In accordance with the related resolution, the financial statements have not been restated as of the beginning of the reporting period in which the joint control occurs taking advantage of the exception presented to the entities engaged in interim financial reporting and have not been presented comparatively from the beginning of the reporting period.

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.'s 24% stake in Ziraat Yatırım Menkul Değerler A.Ş. transferred to the Parent Bank.

This merger is evaluated as “Business Combinations Under Common Control” within the scope of the POA No. 2018-1 “Implementation of Resolution for the Turkish Accounting Principles” and pooling of interest method is applied. In accordance with the related resolution, the financial statements have not been restated as of the beginning of the reporting period in which the joint control occurs taking advantage of the exception presented to the entities engaged in interim financial reporting and have not been presented comparatively from the beginning of the reporting period.

#### 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 financial instruments of the Parent Bank are classified under “IFRS 9 Financial Instruments” (“IFRS 9”), “Derivative Financial Assets at Fair Value through Profit or Loss” or “Derivative Financial Assets at Fair Value through Other Comprehensive Income”.

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.

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**ACCOUNTING PRINCIPLES (Continued)**

**V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE**

Profit share incomes are recognized in accordance with internal rate of return method. 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**

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash and non-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. Other fees and commission expenses are recorded as expense on the date 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.

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments section 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 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.

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 the statement of profit/loss.

The Bank does not have any financial assets classified as “Financial Assets at Fair Value Through Profit or Loss”.

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**ACCOUNTING PRINCIPLES (Continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)**

**b. Financial assets at fair value through other comprehensive income**

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and profit share at certain dates, they are classified as fair value through other comprehensive income.

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.

During the initial recognition, the Bank does not qualify as a contingent consideration in the financial statements of an entity acquired in a business combination where a business combination is not held for commercial purposes or where a TFRS 3 Business Combinations standard is applied; in respect of recognizing in statement profit or loss and other comprehensive income of the changes in subsequent periods in the fair value of an investment in equity instruments under TFRS 9, an irrevocable preference can be made. The Bank makes this option separately for each financial instrument.

The related fair value differences recognized in other comprehensive income are transferred to profit or loss in the following periods and transferred to previous years' profit / loss. Dividends on such investments are recognized in profit or loss unless it is explicitly required to recover part of the cost of the investment. The equity instruments, whose fair value difference is reflected in other comprehensive income, are not subject to impairment calculation.



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**ACCOUNTING PRINCIPLES (Continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)**

**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 income statement.

**Loans:**

Loans are financial assets that are originated by the Parent 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”.

Loans are initially carried at cost value. Loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; 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 Parent Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of the Bank at installment date.

The Parent Bank’s loans are recognized under the “Measured at Amortized Cost” account.

**Financial assets at amortized cost:**

A financial asset is classified as a financial asset measured at amortized cost when the financial asset is retained within the scope of a business model that aims to collect contractual cash flows and the contract terms of the financial asset result in cash flows that include interest payments on principal and principal balance only at certain dates.

Financial assets measured at amortized cost are initially recognized at their acquisition cost at fair value and subsequently measured at amortized cost using the “Effective interest method”. Profit share income from financial assets measured at amortized cost is recognized in profit or loss.

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**ACCOUNTING PRINCIPLES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

**Explanations on expected loss provisions**

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 I) applies to all assets unless there is a significant deterioration in credit quality.
- Lifetime Expected Loss Provision (Stage II and Stage III) is applied when there is a significant increase in credit risk. Impairment for expected loss,

**Impairment**

As of 1 January 2018, the Parent Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

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 finance lease receivables) and, in addition, financial lease receivables that are not measured at fair value through profit or loss, 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:

***12 month expected credit losses (stage 1)***

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. For such assets impairment for credit risk 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 since initial recognition, the financial asset is transferred to Stage 2. expected credit loss is determined on the basis of the instrument’s lifetime expected credit losses.

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**ACCOUNTING PRINCIPLES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)**

**Impairment (Continued)**

***Credit-impaired losses (stage 3 / specific provision)***

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and profit share revenue is calculated on the net carrying amount.

The Bank assumes that as default in the following two cases:

- Objective Default Definition: This means that the debt is overdue by more than 90 days.
- Subjective Default Definition: It means that the debt is not 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. A credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original expected value 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.

**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 and product information for the individual 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. The main macroeconomic indicators that create these estimation models are Gross Domestic Product (GDP) and Consumer Price Index (CPI). Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations

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**ACCOUNTING PRINCIPLES (Continued)**

**IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet when, and only when the Parent Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle 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 of the Parent Bank. 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 provide funds.

**XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES**

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing loans and receivables of the Parent Bank, and are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

The properties obtained from the Parent Bank’s receivables are shown at assets held for sale line according to the execution of the forward sales agreement.

A discontinued operation is a part of a bank’s business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. The Parent Bank has no discounted operations.

As of 30 June 2019, the Parent Bank’s held for sale assets is TL 55.249 (31 December 2018: TL 4.259).

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

As of the balance sheet date, the Parent 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 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.

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.

# ZİRAAT KATILIM BANKASI A.Ş.

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### ACCOUNTING PRINCIPLES (Continued)

#### XIII. EXPLANATIONS ON TANGIBLE ASSETS

Property and equipment is measured at its cost when initially recognized 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

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. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There is no tangible assets held for sale.

#### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

##### *Operational Leasing Operations*

##### *Transactions as a lessee*

At the beginning of a contract, the Parent 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 right of use asset is recognized first by cost method and includes below:

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

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

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

The Parent 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 Parent 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.

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**ACCOUNTING PRINCIPLES (Continued)**

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)**

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.

*Financial Leasing Transactions*

The Participation Bank participates in leasing transactions as lessor. The Participation Bank presents the leased assets as a receivable equal to the net leasing 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 AND CONTINGENT LIABILITIES**

Provisions other than the expected loss 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.

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**ACCOUNTING PRINCIPLES (Continued)**

**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”.

According to the related regulation, 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.

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 Parent 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 30 June 2019, the Parent Bank’s employee termination benefit is TL 6.591 (31 December 2018: TL 5.056).

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 30 June 2019 unused vacation liability of the Parent Bank is TL 6.024 (31 December 2018: TL 3.584).

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

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### ACCOUNTING PRINCIPLES (Continued)

#### XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)

##### b. T.C. Ziraat Bankası and T. Halk Bankası employee pension fund foundations (TZHEMSAN) liability

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 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. Provisional article 23 of the Banking Act No: 5411 requires the Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws” (“Renewed Law”), which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect.

The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,80%. Moreover, after the transfer to SSI, 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.

According to the 58<sup>th</sup> And the temporary 7<sup>th</sup> Article of the Banking Law, the sentence which states that the banks cannot transfer funds in order to fulfill the deficit of the Funds from 1 January 2008, has been postponed up to five years.

However related transfer period has been prolonged for the banks, insurance and reinsurance companies, chamber of commerce, chamber of industries, stock exchanges or their Funds founded for their organization’s personnel and monthly payment or income earners and their rightful owners, as a part of the temporary 20<sup>th</sup> Statute of the law numbered 506, to transfer to the Social Security Institution (SSI) for 2 years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011 and numbered 27900.

In addition, by the Law numbered 6283 “Emendating Social Security and General Health Insurance Act”, which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.



# ZİRAAT KATILIM BANKASI A.Ş.

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### ACCOUNTING PRINCIPLES (Continued)

#### XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)

##### b. T.C. Ziraat Bankası and T. Halk Bankası employee pension fund foundations (TZHEMSAN) liability (Continued)

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.

The technical balance sheet report as of 31 December 2018 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 Parent bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Parent 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.

Corporations are required to pay advance corporate tax quarterly at the current rate on their corporate income. According to Tax Procedural Code Circular No: 115 dated 29/03/2019, Advance tax is declared by the 14th 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%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

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**ACCOUNTING PRINCIPLES (Continued)**

**XVII. EXPLANATIONS ON TAXATION (Continued)**

**a. Current tax (Continued)**

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 exempted 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 warrantees’ 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.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid on the same date. 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”, 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.

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 financial statements.

The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

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#### ACCOUNTING PRINCIPLES (Continued)

#### **XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS**

Borrowings, are recognized using the effective internal rate of return method in the following periods after the initial recognition. The Group 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 Parent 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 initial public offering and the Bank takes place during this operation as a fund user.

#### **XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED**

None.

#### **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. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

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. EXPLANATIONS ON OTHER MATTERS**

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 directos 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.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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### SECTION FOUR

#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT

##### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY

As of 30 June 2019 current period capital amount of the Group is TL 3.528.523 (31 December 2018: TL 2.164.939), and capital adequacy standard ratio is 15,71% (31 December 2018: 12,76%).

##### Information Related To The Components of Consolidated Shareholders’ Equity:

	Current Period 30.06.2019	Amounts related to treatment before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	
Share issue premiums	-	
Reserves	497.062	
Gains recognized in equity as per TAS	1.648	
Profit	546.236	
Current Period Profit	197.911	
Prior Period Profit	348.325	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2.794.946</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	37.048	
Improvement costs for operating leasing	17.875	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	95.860	
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	-	
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	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>150.783</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2.644.163</b>	

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Current Period 30.06.2019	Amounts related to treatment before 1/1/2014(*)
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA(**)	512.894	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>	-	-
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	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	-
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 (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	<b>512.894</b>	-
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>3.157.057</b>	-
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	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)	72.446	-
<b>Tier II Capital Before Deductions</b>	<b>372.446</b>	-
<b>Deductions From Tier II Capital</b>	-	-
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>372.446</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>3.529.503</b>	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Current Period 30.06.2019	Amounts related to treatment before 1/1/2014(*)
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>		
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 (-)	980	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
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 (-)	-	
<b>TOTAL CAPITAL</b>		
Total Capital	3.528.523	
Total risk weighted amounts	22.448.592	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	11,78	
Tier I Capital Adequacy Ratio	14,06	
Capital Adequacy Ratio	15,72	
<b>BUFFERS</b>		
<b>Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)</b>	<b>2,50</b>	
a) Capital conservation buffer requirement	2,50	
b) Bank specific counter-cyclical buffer requirement	0,00	
c) Systemic significant bank buffer ratio	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	7,28	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	72.446	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	72.446	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(\*) 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 22 April 2019.

(\*\*\*) In order to obtain TL 300,000 supplementary capital, T.C. Ziraat Bank A.Ş. on March 28, 2019, and this loan was effectively entered into the Bank's accounts 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.

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Prior Period 31.12.2018	Amounts related to treatment before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	
Share issue premiums	-	
Reserves	158.593	
Gains recognized in equity as per TAS	305	
Profit	348.325	
Current Period Profit	322.665	
Prior Period Profit	25.660	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Share issue premiums	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>		
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>2.257.223</b>	
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	38.639	
Cost of development of operating lease	18.408	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	80.396	
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	1.728	
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	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>139.171</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2.118.052</b>	

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Prior Period 31.12.2018	Amounts related to treatment before 1/1/2014(*)
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>	-	-
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	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	-
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 (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>		
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>2.118.052</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	47.962	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	-	-
<b>Tier II Capital Before Deductions</b>	<b>47.962</b>	
<b>Deductions From Tier II Capital</b>	-	-
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>47.962</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>2.166.014</b>	



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Prior Period 31.12.2018	Amounts related to treatment before 1/1/2014(*)
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovable 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 (-)	1.075	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
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	-	
<b>TOTAL CAPITAL</b>		
Total Capital	2.164.939	
Total risk weighted amounts	16.782.105	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	12,62	
Tier I Capital Adequacy Ratio (%)	12,62	
Capital Adequacy Ratio (%)	12,76	
<b>BUFFERS</b>		
<b>Bank specific total common equity tier 1 capital ratio (a+b+c)</b>	<b>1,88</b>	
a)Capital conservation buffer requirement	1,88	
b)Bank specific counter-cyclical buffer requirement	0,00	
c)Systemic significant bank buffer ratio	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 (%)	8,12	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	47.962	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	47.962	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

##### Information on borrowing instruments to be included in equity calculation:

Issuer	Ziraat Katılım Bankası A.Ş
Unique identifier (ex CUSIP, ISIN)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at unconsolidated / consolidated	Consolidated/Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Loan
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	29.03.2019
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	-
<b>Coupons / dividends</b>	
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	-
<b>Convertible or non-convertible</b>	
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	-
<b>Write-down feature</b>	
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”	Article number 8
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-

\* Profit share for participation banks

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

##### Information on borrowing instruments to be included in equity calculation:

Issuer	-Ziraat Katılım 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
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at unconsolidated / consolidated	Consolidated/Unconsolidated
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 517 Million
Par value of instrument	TL 517 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	24.04.2019
Perpetual or dated	Undated
Original value date	24.04.2019
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	-
<b>Coupons / dividends (*)</b>	
Fixed or floating dividend/coupon	-
Coupon rate and any related index	-
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
<b>Convertible or non-convertible</b>	
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	-
<b>Write-down feature</b>	
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”	Article number 7
Details of incompliances with article number 7 and 8 of “Own fund regulation”	Article number 7

(\*)Profit share for participation banks.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

##### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

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

The principal difference between the genel Equity arı amount in the statement of shareholders' equity and the "Shareholders' Equity" in the consolidated balance sheet is related to the general provisions. Up to 1.25% of the provision for first and second phase loss provisions is taken into account as Contribution Capital in the calculation of the 'Equity kism amount in the statement of shareholders' equity. On the other hand, the net book values of assets held for more than five years from operating property development costs, intangible assets and receivables acquired under tangible fixed assets in the balance sheet and some other accounts determined by the Board are taken into account in the calculation of faaliyet Equities from Capital inde in the calculation of ve Equity duran amount.

	Current Period	Prior Priod
Equity value of balance sheet	2.757.898	2.218.584
Cost of development of operating lease	(17.875)	(18.408)
Goodwill and other intangible assets and related deferred tax liability	(95.860)	(80.396)
Debt instruments and premiums approved by BRSA	300.000	-
Tier II Capital	72.446	47.962
Defined-benefit pension fund net assets	-	(1.728)
Debt instruments and premiums approved by BRSA –subordinated loans	512.894	-
Other values deducted from equity	(980)	(1.075)
<b>Amount taken into consideration in the calculation of legal equity</b>	<b>3.528.523</b>	<b>2.164.939</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### II. 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**

**Whether the Board of Directors has set limits for the positions monitored daily:**

The Parent Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, “Value at Risk” (“VAR”) is calculated for daily foreign exchange position and reported to the related departments. VAR based currency risk limit is also followed which was approved by Board of Directors.

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) **Management policy for foreign currency risk:**

“Liquidity Gap Analysis”, “Repricing Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at USD and Euro, which are mainly used by the Parent Bank in its operations. 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 Parent Bank for the last 5 business days prior to the financial statement date:**

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
28.06.2019	5,7700	6,5683	4,0291	0,8758	0,6189	5,9043	4,3709	0,6732	7,3270	1,5269	5,3020
27.06.2019	5,7583	6,5423	4,0117	0,8725	0,6180	5,8772	4,3468	0,6729	7,2828	1,5238	5,2890
26.06.2019	5,7678	6,5588	4,0063	0,8746	0,6196	5,8996	4,3463	0,6757	7,2960	1,5262	5,3040
25.06.2019	5,7454	6,5362	3,9833	0,8714	0,6169	5,8930	4,3166	0,6711	7,2929	1,5203	5,3170
24.06.2019	5,7843	6,5851	4,0022	0,8777	0,6185	5,9378	4,3370	0,6776	7,3452	1,5307	5,3320

- 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 Yen
5,8034	6,5443	4,0091	0,8724	0,6132	5,8550	4,3187	0,6684	7,3391	1,5358	5,3147

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

##### Information on the foreign currency risk of the Group:

	EUR	USD	Other FC <sup>(****)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	735.947	1.072.206	479.889	2.288.042
Banks	252.715	54.432	147.609	454.756
Financial assets at fair value through profit and loss <sup>(***)</sup>	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	329.836	-	-	329.836
Loans <sup>(*)</sup>	6.364.532	4.131.460	-	10.495.992
Subsidiaries, associates, entities under common control (joint ventures)	-	-	-	-
Financial assets measured at amortized cost	528.534	-	-	528.534
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	2.498	1.863	-	4.361
<b>Total assets<sup>(****)</sup></b>	<b>8.214.062</b>	<b>5.259.961</b>	<b>627.498</b>	<b>14.101.521</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	361	320	-	681
Current and profit sharing accounts FC	3.831.224	5.132.572	620.487	9.584.283
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	2.373.956	1.510.069	-	3.884.025
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities <sup>(*****)</sup>	549.403	24.573	619	574.595
<b>Total liabilities<sup>(****)</sup></b>	<b>6.754.944</b>	<b>6.667.534</b>	<b>621.106</b>	<b>14.043.584</b>
<b>Net balance sheet position</b>	<b>1.587.414</b>	<b>(1.407.573)</b>	<b>6.392</b>	<b>186.233</b>
<b>Net off-balance sheet position <sup>(**)</sup></b>	<b>(1.425.962)</b>	<b>1.434.621</b>	<b>-</b>	<b>8.659</b>
Financial derivative assets	-	1.434.621	-	1.434.621
Financial derivative liabilities	1.425.962	-	-	1.425.962
<b>Non-cash loans</b>	<b>3.577.459</b>	<b>3.076.778</b>	<b>64.991</b>	<b>6.719.228</b>
<b>Prior Period</b>				
Total assets	5.295.738	3.279.270	413.962	8.988.970
Total liabilities	4.038.391	4.474.023	406.829	8.919.243
<b>Net balance sheet position</b>	<b>1.224.053</b>	<b>(1.200.055)</b>	<b>7.133</b>	<b>31.131</b>
<b>Net off-balance sheet position</b>	<b>(1.232.487)</b>	<b>1.242.597</b>	<b>-</b>	<b>10.110</b>
Financial derivative assets	-	1.242.597	-	1.242.597
Financial derivative liabilities	(1.232.487)	-	-	(1.232.487)
<b>Non-cash loans</b>	<b>3.145.078</b>	<b>2.996.581</b>	<b>71.542</b>	<b>6.213.201</b>

(\*) TL 232.664 equivalent of USD loans, and TL 630.834 equivalent of EUR loans are originated as foreign currency indexed loans.

(\*\*) Indicates the net balance of receivables and payables on derivative financial instruments.

(\*\*\*) Other Comprehensive Income or Expenses to Reclassify in Profit or Loss amounting to (262) is not taken into account in the currency risk calculation.

(\*\*\*\*) Of the foreign currencies presented in the other foreign currency column of assets 92% is Gold, 3% is GBP, 1% is CHF and remaining 4% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 92% is Gold, 3% is GBP, 1% is CHF and the remaining 4% is other foreign currencies.

(\*\*\*\*\*) Provisions, liabilities from leases and subordinate loan included.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)**

**III. 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 10.629 all of which are 100% risk weighted (31 December 2018: TL 7.897).

**IV. 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 of the Parent Bank 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” and “Structural 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. 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 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.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)**

**IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT  
AND LIQUIDITY COVERAGE RATIO (Continued)**

**1) Liquidity Risk:**

- a) Basis for the current liquidity risk of the Parent 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 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.

The Parent Banks’ 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.

- b) Payments, whether assets and liabilities are compatible with the rate of profit, weather 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 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.

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 consists of participation funds. Apart from participation funds, repurchase agreement transactions provided by funds and debts from financial institutions take a part within the external participation fund debt items.



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

##### 2) Liquidity Coverage Ratio (Continued):

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.

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

Current Period	Consideration Ratio Not Applied Total Value <sup>(*)</sup>		Consideration Ratio Applied Total Value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>4.006.281</b>	<b>2.729.652</b>	<b>4.006.281</b>	<b>2.729.652</b>
High quality liquid assets	-	-	4.006.281	2.729.652
<b>CASH OUTFLOWS</b>	<b>25.248.927</b>	<b>12.536.567</b>	<b>6.972.139</b>	<b>3.870.786</b>
Real person deposits and retail deposits	9.351.376	5.042.002	859.581	504.200
Stable deposit	1.511.130	-	75.556	-
Deposit with low stability	7.840.246	5.042.002	784.025	504.200
Unsecured debts except real person deposits and retail deposits	7.312.329	3.364.148	4.278.319	1.787.531
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	7.312.329	3.364.148	4.278.319	1.787.531
Secured debts	-	-	-	-
Other cash outflows	8.585.222	4.130.417	1.834.239	1.579.055
Derivative liabilities and margin obligations	1.320.776	1.294.664	1.320.776	1.294.664
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	592.699	570.415	179.876	171.124
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.671.747	2.265.338	333.587	113.267
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>6.972.139</b>	<b>3.870.786</b>
<b>CASH INFLOWS</b>	<b>5.571.187</b>	<b>3.005.331</b>	<b>4.576.788</b>	<b>2.777.804</b>
Secured receivables	-	-	-	-
Unsecured claims	4.245.768	1.775.650	3.251.369	1.548.122
Other cash inflows	1.325.419	1.229.681	1.325.419	1.229.681
<b>TOTAL CASH INFLOWS</b>	<b>5.571.187</b>	<b>3.005.331</b>	<b>4.576.788</b>	<b>2.777.804</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	<b>-</b>	<b>-</b>	<b>4.006.281</b>	<b>2.729.652</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>2.395.351</b>	<b>1.092.983</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>167</b>	<b>250</b>

<sup>(\*)</sup> The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

##### 2) Liquidity Coverage Ratio (Continued):

Prior Period	Consideration Ratio Not Applied Total Value <sup>(*)</sup>		Consideration Ratio Applied Total Value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>2.811.586</b>	<b>1.600.247</b>	<b>2.811.586</b>	<b>1.600.247</b>
High quality liquid assets	-	-	2.811.586	1.600.247
<b>CASH OUTFLOWS</b>	<b>22.228.336</b>	<b>10.520.373</b>	<b>5.710.025</b>	<b>3.129.897</b>
Real person deposits and retail deposits	7.500.634	3.492.136	684.961	349.214
Stable deposit	1.302.045	-	65.102	-
Deposit with low stability	6.198.589	3.492.136	619.859	349.214
Unsecured debts except real person deposits and retail deposits	7.055.132	3.537.075	3.904.431	1.904.188
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	7.055.132	3.537.075	3.904.431	1.904.188
Secured debts	-	-	-	-
Other cash outflows	7.672.570	3.491.162	1.120.633	876.495
Derivative liabilities and margin obligations	682.458	653.705	682.458	653.705
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	346.475	323.667	105.993	97.100
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.643.637	2.513.790	332.182	125.690
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>5.710.025</b>	<b>3.129.897</b>
<b>CASH INFLOWS</b>	<b>4.356.139</b>	<b>2.131.504</b>	<b>3.535.259</b>	<b>2.005.171</b>
Secured receivables	-	-	-	-
Unsecured claims	3.667.131	1.458.629	2.846.250	1.332.297
Other cash inflows	689.008	672.874	689.008	672.874
<b>TOTAL CASH INFLOWS</b>	<b>4.356.139</b>	<b>2.131.503</b>	<b>3.535.258</b>	<b>2.005.171</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	<b>-</b>	<b>-</b>	<b>2.811.587</b>	<b>1.600.246</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>2.174.767</b>	<b>1.124.726</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>129</b>	<b>142</b>

<sup>(\*)</sup> The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

##### Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey(*)	235.642	2.258.517	-	-	-	-	-	2.494.159
Banks(*)	463.441	-	-	-	-	-	-	463.441
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	579	153.789	339.283	1.151.428	-	7.672	1.652.751
Loans Given	-	3.444.362	1.960.541	5.578.199	9.994.754	2.227.236	-	23.205.092
Financial Assets Measured at Amortised Cost	-	-	-	-	528.534	-	-	528.534
Other Assets(**)	-	-	-	-	-	-	485.854	485.854
<b>Total Assets</b>	<b>699.083</b>	<b>5.703.458</b>	<b>2.114.330</b>	<b>5.917.482</b>	<b>11.674.716</b>	<b>2.227.236</b>	<b>493.526</b>	<b>28.829.831</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	690	46.869	-	-	-	-	-	47.559
Current and Participation Accounts	2.438.477	11.748.408	2.157.654	1.893.075	133.710	-	-	18.371.324
Funds Provided from Other Financial Instruments	-	398.820	457.520	2.596.377	729.145	95.111	-	4.276.973
Money Market Borrowings	-	109.746	-	-	-	-	-	109.746
Issued Marketable Securities	-	515.309	1.391.335	-	-	-	-	1.906.644
Other Liabilities(***)	-	-	-	-	-	829.804	3.287.781	4.117.585
<b>Total Liabilities</b>	<b>2.439.167</b>	<b>12.819.152</b>	<b>4.006.509</b>	<b>4.489.452</b>	<b>862.855</b>	<b>924.915</b>	<b>3.287.781</b>	<b>28.829.831</b>
<b>Liquidity Gap</b>	<b>(1.740.084)</b>	<b>(7.115.694)</b>	<b>(1.892.179)</b>	<b>1.428.030</b>	<b>10.811.861</b>	<b>1.302.321</b>	<b>(2.794.255)</b>	<b>-</b>

(\*) Expected loss provisions are not included.

(\*\*) Cash required for the continuation of banking activity, such as marketable securities, fixed assets, associates, subsidiaries, jointly controlled entities, fixed assets, prepaid expenses and net follow-up receivables, representing the share in the capital, other active accounts with no chance; other liabilities and other equity items such as liabilities that are not liabilities are shown in this column.

(\*\*\*) Subordinated debt instruments is shown in this column.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

##### Breakdown of assets and liabilities according to their outstanding maturities (Continued):

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	357.861	1.649.452	-	-	-	-	-	2.007.313
Banks	787.671	-	-	-	-	-	-	787.671
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	669	5.592	144.649	1.148.555	-	4.897	1.304.362
Loans Given	-	2.511.937	1.476.992	4.840.942	7.513.712	1.395.842	-	17.739.425
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	-	-	350.032	350.032
<b>Total Assets</b>	<b>1.145.532</b>	<b>4.162.058</b>	<b>1.482.584</b>	<b>4.985.591</b>	<b>8.662.267</b>	<b>1.395.842</b>	<b>354.929</b>	<b>22.188.803</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	5.918	20.247	20.051	-	-	-	-	46.216
Current and Participation Accounts	2.375.521	9.463.550	2.252.093	1.006.366	7.352	-	-	15.104.882
Funds Provided from Other Financial Instruments	-	1.160.235	1.485.067	574.655	141.917	-	-	3.361.874
Money Market Borrowings	-	864.414	-	-	-	-	-	864.414
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities <sup>(*)</sup>	-	-	-	-	-	-	2.811.417	2.811.417
<b>Total Liabilities</b>	<b>2.381.439</b>	<b>11.508.446</b>	<b>3.757.211</b>	<b>1.581.021</b>	<b>149.269</b>	<b>-</b>	<b>2.811.417</b>	<b>22.188.803</b>
<b>Liquidity Gap</b>	<b>(1.235.907)</b>	<b>(7.346.388)</b>	<b>(2.274.627)</b>	<b>3.404.570</b>	<b>8.512.998</b>	<b>1.395.842</b>	<b>(2.456.488)</b>	<b>-</b>

(\*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as equity instruments, tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, other liabilities such as provisions which are not considered as payables and shareholders' equity are included under "undistributed".

## ZİRAAT KATILIM BANKASI A.Ş.

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

#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

##### V. EXPLANATIONS ON LEVERAGE RATIO

As of 30 June 2019, leverage ratio of the Group calculated from the arithmetic average of the last three months is 8,0%. The leverage ratio is above the stated minimum ratio in accordance with the “Regulation on Measurement and Assessment of Leverage Ratios of Banks” (31 December 2018: 6,6%). 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.

##### Leverage ratio disclosure as follows:

<b>Balance sheet assets</b>	<b>Current Period (*)</b>	<b>Prior Period</b>
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	28.527.605	21.113.586
(Assets deducted from main capital)	(142.454)	(99.706)
<b>Total risk amount of the balance sheet assets</b>	<b>28.385.151</b>	<b>21.013.880</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	21.852	11.550
Potential credit risk amount of derivative financial instruments and credit derivatives	15.709	13.565
<b>Total risk amount of derivative financial instruments and credit derivative</b>	<b>37.561</b>	<b>25.115</b>
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions (Except balance sheet)	19.463	36.567
Risk amount due to intermediated transactions	-	-
<b>Total risk amount of security or secured financing transactions</b>	<b>19.463</b>	<b>36.567</b>
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions (Adjustment amount resulting from multiplying by credit conversion rates)	11.601.540	11.021.090
<b>Risk amount of the off-balance sheet transactions</b>	<b>11.601.540</b>	<b>11.021.090</b>
<b>Equity and total risk</b>		
Main capital	3.210.735	1.970.244
<b>Total risk amount</b>	<b>40.043.715</b>	<b>32.096.652</b>
<b>Leverage ratio</b>		
Leverage ratio	8,0	6,1

(\*) Amounts in the table are obtained on the basis of three-month weighted average.

##### VI. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

##### VII. 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. Our risk management strategy is based on the mission and vision of our bank and is aimed to respond to our customers' financial needs in the most appropriate way and to support their financial success. In this context, our business practices and our working model support prudent risk management practices.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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 the Parent 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 Parent 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.

#### Explanations on Risk Management and Risk-weighted Assets:

##### Overview of Risk-weighted Assets

	Overview of RWA	Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	21.155.623	15.955.856	1.692.450
2	Standardized approach	21.155.623	15.955.856	1.692.450
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	50.539	204.871	4.043
5	Standardized approach for counterparty credit risk	50.539	204.871	4.043
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	RB ratings-based approach	-	-	-
14	IRB Supervisory Formula Approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	238.017	129.986	19.041
17	Standardized approach	238.017	129.986	19.041
18	Internal model approaches	-	-	-
19	Operational Risk	1.004.413	491.392	80.353
20	Basic Indicator Approach	1.004.413	491.392	80.353
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	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>22.448.592</b>	<b>16.782.105</b>	<b>1.795.887</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### a) Explanations to be Disclosed Related to Credit Risk

##### 1. Credit quality of assets

Current Period		Carrying values under scope of regulatory consolidation		Provisions/Amortization and impairment	Net value (a+b+c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	464.507	23.200.962	460.378	23.205.091
2	Debt instruments	-	2.332.523	158.910	2.173.613
3	Off-balance sheet receivables	-	11.413.573	13.067	11.400.506
4	<b>Total</b>	<b>464.507</b>	<b>36.947.058</b>	<b>632.355</b>	<b>36.779.210</b>

Prior Period		Carrying values under scope of regulatory consolidation		Provisions/Amortization and impairment	Net value (a+b+c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	240.160	17.707.664	123.778	17.824.046
2	Debt instruments	-	1.335.442	35.977	1.299.465
3	Off-balance sheet receivables	-	10.554.193	-	10.554.193
4	<b>Total</b>	<b>240.160</b>	<b>29.597.299</b>	<b>159.755</b>	<b>29.677.704</b>

##### 2. Default receivables and change in debt instrument stock

Current Period		
1	Prior report period default loans and debt instrument amount	240.160
2	Default credits and debt instruments since the last reporting period	255.129
3	Non re-defaulted receivables	-
4	Write-offs	-
5	Other changes	(30.782)
6	<b>Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)</b>	<b>464.507</b>

Prior Period		
1	Prior report period default loans and debt instrument amount	34.841
2	Default credits and debt instruments since the last reporting period	205.319
3	Non re-defaulted receivables	-
4	Write-offs	-
5	Other changes	-
6	<b>Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)</b>	<b>240.160</b>

##### 3. Credit risk mitigation techniques

Current Period		Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
1	Loans	21.415.830	1.789.261	1.189.265	1.535.306	1.034.768	-	-
2	Debt instruments	2.173.613	-	-	-	-	-	-
3	<b>Total</b>	<b>23.589.443</b>	<b>789.261</b>	<b>1.189.265</b>	<b>1.535.306</b>	<b>1.034.768</b>	-	-
4	Default	464.507	-	-	-	-	-	-

Prior Period		Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
1	Loans	16.386.570	1.437.476	998.648	1.283.498	894.287	-	-
2	Debt instruments	1.299.465	-	-	-	-	-	-
3	<b>Total</b>	<b>17.686.035</b>	<b>1.437.476</b>	<b>998.648</b>	<b>1.283.498</b>	<b>894.287</b>	-	-
4	Default	240.160	-	-	-	-	-	-

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### 4. Exposure to credit risk and credit risk mitigation effects

1	Current Period	The credit conversion rate and the credit amount before the credit risk reduction		The credit conversion rate and the credit amount after the credit risk reduction		Risk weighted amount and risk weighted amount density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
	<b>Risk classes</b>						
1	Exposures to central governments or central banks	3.743.006	-	4.737.890	55.359	554.803	12%
2	Exposures to regional governments or local authorities	-	-	39.884	1.370	20.627	50%
3	Exposures to public sector entities	9.066	13.315	9.066	2.793	9.871	83%
4	Exposures to multilateral development Banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions and banks	2.266.221	42.136	2.266.222	25.202	776.416	34%
7	Exposures to corporates	11.578.803	9.844.593	10.941.741	6.907.747	17.508.043	98%
8	Retail exposures	1.340.256	1.228.411	942.549	554.306	1.094.466	73%
9	Exposures secured by residential property	869.657	15.988	869.656	8.345	307.300	35%
10	Exposures secured by commercial Real Estate	866.966	255.836	866.966	183.673	525.320	50%
11	Past-due loans	155.930	-	155.930	-	112.534	72%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	0%
13	Exposures in the form of covered Bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	0%
16	Other assets	309.859	-	309.859	-	246.243	79%
17	Investments in equities	-	-	-	-	-	0%
18	<b>Total</b>	<b>21.139.764</b>	<b>11.400.279</b>	<b>21.139.763</b>	<b>7.738.795</b>	<b>21.155.623</b>	<b>73%</b>

Prior Period	Risk classes	The credit conversion rate and the credit amount before the credit risk reduction		The credit conversion rate and the credit amount after the credit risk reduction		Risk weighted amount and risk weighted amount density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to central governments or central banks	2.612.856	-	3.451.564	71.177	174.574	5%
2	Exposures to regional governments or local authorities	-	-	55.579	2.385	28.982	50%
3	Exposures to public sector entities	7.404	1.225	7.404	593	5.385	67%
4	Exposures to multilateral development Banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions and banks	2.370.125	35.825	2.370.125	20.777	744.095	31%
7	Exposures to corporates	7.684.267	9.326.942	7.023.006	6.463.958	13.174.921	98%
8	Retail exposures	975.118	900.221	742.092	375.289	818.025	73%
9	Exposures secured by residential property	993.258	9.770	993.258	4.773	349.746	35%
10	Exposures secured by commercial Real Estate	796.892	203.081	796.893	140.142	468.517	50%
11	Past-due loans	91.375	-	91.375	-	82.871	91%
12	Higher-risk categories by the Agency Board	30.164	-	30.164	-	45.246	150%
13	Exposures in the form of covered Bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
16	Other assets	116.655	-	116.655	-	63.494	54%
17	Investments in equities	-	-	-	-	-	0%
18	<b>Total</b>	<b>15.678.114</b>	<b>10.477.064</b>	<b>15.678.115</b>	<b>7.079.094</b>	<b>15.955.856</b>	<b>68%</b>



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### 1. Receivables based on risk classes and risk weighted

	Risk classes/ Risk Weight	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to regional governments or local authorities	3.683.643	-	-	-	1.109.606	-	-	-	-	-	4.793.249
2	Exposures to regional governments or local authorities	-	-	-	-	41.254	-	-	-	-	-	41.254
3	Exposures to public sector entities	35	-	2.441	-	-	-	9.383	-	-	-	11.859
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and financial intermediaries	-	-	1.236.265	-	1.051.993	-	3.166	-	-	-	2.291.424
7	Exposures to corporates	159.152	-	92.996	-	215.792	-	17.381.548	-	-	-	17.849.488
8	Retail exposures	26.320	-	14.308	-	2.263	1.453.964	-	-	-	-	1.496.855
9	Exposures secured by residential property	-	-	-	878.001	-	-	-	-	-	-	878.001
10	Exposures secured by commercial real estate	-	-	-	-	1.050.639	-	-	-	-	-	1.050.639
11	Past-due loans	271	-	139	-	86.027	-	69.493	-	-	-	155.930
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-	-
17	Other assets	61.281	-	2.918	-	-	-	245.660	-	-	-	309.859
18	<b>Total</b>	<b>3.930.702</b>	-	<b>1.349.067</b>	<b>878.001</b>	<b>3.557.574</b>	<b>1.453.964</b>	<b>17.709.250</b>	-	-	-	<b>28.878.558</b>

	Risk classes/ Risk Weight	0%	10%	20%	35% (secured by real estate)	50% (secured by real estate)	50%	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to regional governments or local authorities	3.173.593	-	-	-	-	349.148	-	-	-	-	-	3.522.741
2	Exposures to regional governments or local authorities	-	-	-	-	-	57.964	-	-	-	-	-	57.964
3	Exposures to public sector entities	2.612	-	-	-	-	-	-	5.385	-	-	-	7.997
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and financial intermediaries	-	-	1.514.068	-	-	871.106	-	5.728	-	-	-	2.390.902
7	Exposures to corporates	95.375	-	87.069	-	-	294.026	-	13.010.494	87.069	-	-	13.486.964
8	Retail exposures	17.925	-	10.719	-	-	2.686	1.086.051	-	-	-	-	1.117.381
9	Exposures secured by residential property	-	-	-	995.131	-	2.900	-	-	-	-	-	998.031
10	Exposures secured by commercial real estate	-	-	-	-	937.035	-	-	-	-	-	-	937.035
11	Past-due loans	159	-	-	-	-	16.689	-	74.527	-	-	-	91.375
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	30.164	-	-	30.164
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
17	Other assets	53.161	-	-	-	-	-	-	63.494	-	-	-	116.655
18	<b>Total</b>	<b>3.342.825</b>	-	<b>1.611.856</b>	<b>995.131</b>	<b>937.035</b>	<b>1.594.519</b>	<b>1.086.051</b>	<b>13.159.628</b>	<b>30.164</b>	-	-	<b>22.757.209</b>

**ZİRAAT KATILIM BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**

**VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**b) Disclosures about counterparty credit risk**

**1. Evaluation of counterparty credit risk according to measurement methods**

	<b>Current Period</b>	<b>Replacement cost</b>	<b>Potential future exposure</b>	<b>EEPE</b>	<b>Alpha used for computing regulatory EAD</b>	<b>EAD post CRM</b>	<b>Risk Weighted Amounts</b>
1	Standardized Approach - CCR (For Derivatives)	16.421	14.720		1,4	31.141	15.458
2	Internal Model Method (for derivatives, repo transactions , marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					131.285	26.257
4	Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	<b>Total</b>					-	<b>41.715</b>

	<b>Prior Period</b>	<b>Replacement cost</b>	<b>Potential future exposure</b>	<b>EEPE</b>	<b>Alpha used for computing regulatory EAD</b>	<b>EAD post CRM</b>	<b>Risk Weighted Amounts</b>
1	Standardized Approach - CCR (For Derivatives)	574	12.486		1,4	13.060	6.396
2	Internal Model Method (for derivatives, repo transactions , marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					973.937	194.787
4	Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	<b>Total</b>					-	<b>201.183</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### c) Disclosures about counterparty credit risk (Continued)

##### 2. Capital requirement for loan valuation adjustments

	<b>Current Period</b>	<b>EAD post-CRM</b>	<b>Risk Weighted Amounts</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardized CVA capital charge	31.141	8.825
4	Total subject to the CVA capital charge	<b>31.141</b>	<b>8.825</b>

	<b>Prior Period</b>	<b>EAD post-CRM</b>	<b>Risk Weighted Amounts</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardized CVA capital charge	13.060	3.688
4	Total subject to the CVA capital charge	<b>13.060</b>	<b>3.688</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### 3. Standard approach - counterparty credit risk by risk classes and risk weights

Risk weights (Current Period)										
Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk <sup>(*)</sup>	
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-	
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	
Claims from international organizations	-	-	-	-	-	-	-	-	-	
Claims from banks and financial intermediaries	-	-	131.662	30.764	-	-	-	-	41.714	
Corporates	-	-	-	-	-	-	-	-	-	
Retail portfolios	-	-	-	-	-	-	-	-	-	
Claims on landed real estate	-	-	-	-	-	-	-	-	-	
Past due loans	-	-	-	-	-	-	-	-	-	
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	
Mortgage securities	-	-	-	-	-	-	-	-	-	
Securitization positions	-	-	-	-	-	-	-	-	-	
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	
Stock investment	-	-	-	-	-	-	-	-	-	
Other claims	-	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	-	-	
<b>Total</b>	-	-	<b>131.662</b>	<b>30.764</b>	-	-	-	-	<b>41.714</b>	

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### 3. Standard approach - counterparty credit risk by risk classes and risk weights (Continued)

Risk weights (Prior Period)										Total credit risk <sup>(*)</sup>
Risk classes	0%	10%	20%	50%	75%	100%	150%	Other		
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	974.385	12.612	-	-	-	-	-	201.183
Corporates	-	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-	-
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>974.385</b>	<b>12.612</b>	-	-	-	-	-	<b>201.183</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### 4. Collaterals for counterparty credit risk

Current Period	Collateral used in derivative transactions				Other transaction guarantees	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	109.746	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	131.285
<b>Total</b>	-	-	-	-	<b>109.746</b>	<b>131.285</b>

Prior Period	Collateral used in derivative transactions				Other transaction guarantees	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	864.414	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	973.937
<b>Total</b>	-	-	-	-	<b>864.414</b>	<b>973.937</b>

##### d) Credit Derivatives

None.

##### e) Risks to the Central Counterparty

None.

##### f) Securitization Explanations

None.

##### g) Explanations on Market risk

###### 1. Standard Approach

		RAV
	Outright products	-
1	Interest rate risk (general and specific)	54.737
2	Equity risk (general and specific)	-
3	Foreign exchange risk	55.625
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
<b>9</b>	<b>Total</b>	<b>110.362</b>

		RAV
	Outright products	48.100
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	180.280
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
<b>9</b>	<b>Total</b>	<b>238.017</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

##### VIII. EXPLANATIONS ON HEDGE TRANSACTIONS

It is essential to be bordered with limits compatible with risk profile of risk levels and risk toleration so as to prevent to considerably affect from the negativeness that can occur while the Parent Bank conducts its operations.

Risk limits are determined and approved by the Board of Directors by taking CEO, Audit Committee and Executives’ offers.

Risk limits are determined compatible with risk levels, operations, size of products and services and complexness of the Bank. Limits are reviewed regularly, adapted according to changes in market conditions, Bank strategy and risk appetite and monitored cyclically.

In addition, derivative transactions are made by the Parent Bank, TL and FC liquidity risks are limited due to the committed transactions.

##### 4) Credit Risks under the IRB (based on internal ratings)

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 prepared by BRSA and published in Official Gazette numbered 29511 dated 23 October 2015 and became effective as of 31 March 2016. The following tables which have to be presented on a quarterly, semi-annually and annually basis have not been presented since the Bank use the standard approach as of 30 June 2019 for the calculation of credit risks:

Qualitative information presented to the public disclosure regarding the IRBs

IRB – Credit risk amounts on the basis of Portfolio and Default Probability (“DP”)

IRB – The effect of the credit derivatives used as Credit Risk Reduction (“CRR”) on the Risk Weighted Amounts (“RWA”)

The conversion table of the RWA under the approach of IRB

IRB – Backtesting every Default Probability (“DP”) on every risk class

IRB (Directed loans and the stock investments under simple risk weighted approach)

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group is determined in line with TFRS 8 about “Operating Segments”.

The Parent Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

#### Table for Segment Reporting:

Current Period 1 January – 30 June 2019	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>99.098</b>	<b>1.272.197</b>	<b>124.384</b>	<b>192.626</b>	<b>1.688.305</b>
Profit Shares from Loans	99.098	1.272.197	-	-	1.371.295
Profit Shares from Banks	-	-	423	-	423
Profit Shares from Securities	-	-	98.384	-	98.384
Other Profit Shares	-	-	25.577	192.626	218.203
<b>Profit Shares Expense</b>	<b>403.198</b>	<b>369.060</b>	<b>341.438</b>	<b>9.609</b>	<b>1.123.305</b>
Profit Shares Expense on Participation Funds	403.198	369.060	4.740	-	776.998
Profit Shares Expense on Funds Borrowed	-	-	136.649	-	136.649
Profit Shares Expense on Money Market Transactions	-	-	8.209	-	8.209
Profit Shares Expense on Securities Issued	-	-	191.840	-	191.840
Other Profit Shares Expense	-	-	-	9.609	9.609
<b>Net Profit Shares Income/Expense</b>	<b>(304.100)</b>	<b>903.137</b>	<b>(217.054)</b>	<b>183.017</b>	<b>565.000</b>
<b>Net Fees and Commission Income/Expense</b>	<b>5.964</b>	<b>56.412</b>	<b>-</b>	<b>(15.122)</b>	<b>47.254</b>
Fees and Commissions Received	5.964	56.412	-	4.746	67.122
Fees and Commissions Paid	-	-	-	19.868	19.868
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>2.857</b>	<b>-</b>	<b>2.857</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>36.025</b>	<b>-</b>	<b>36.025</b>
<b>Other Operating Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111.530</b>	<b>111.530</b>
<b>Expected credit losses</b>	<b>19.208</b>	<b>243.848</b>	<b>-</b>	<b>37.981</b>	<b>301.037</b>
<b>Other provision expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13.093</b>	<b>13.093</b>
<b>Personnel expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92.000</b>	<b>92.000</b>
<b>Other Operating Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116.256</b>	<b>116.256</b>
<b>Net Operational Profit/Loss</b>	<b>(317.344)</b>	<b>715.701</b>	<b>(178.172)</b>	<b>20.095</b>	<b>240.280</b>
<b>Profit / Loss from Subsidiaries Applied to Equity Method</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.741</b>	<b>9.741</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52.110)</b>	<b>(52.110)</b>
<b>Net Profit/Loss</b>	<b>(317.344)</b>	<b>715.701</b>	<b>(178.172)</b>	<b>(22.274)</b>	<b>197.911</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks and Other Financial Institutions (*)	-	-	463.441	-	463.441
Financial Assets Available for Sale (Net)	-	-	1.652.751	-	1.652.751
Loans	1.512.842	19.192.050	2.500.200	-	23.205.092
Held to Maturity Investments (Net)	-	-	528.534	-	528.534
Derivative Financial Assets	-	-	13.740	-	13.740
Associates, Subsidiaries and Joint Ventures	-	-	34.523	-	34.523
Other Assets(*)	-	-	-	2.931.750	2.931.750
<b>Total Segment Assets</b>	<b>1.512.842</b>	<b>19.192.050</b>	<b>5.193.189</b>	<b>2.931.750</b>	<b>28.829.831</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	13.426.358	4.992.525	-	-	18.418.883
Derivative Financial Liabilities	-	-	11.239	-	11.239
Funds Borrowed	-	-	4.276.973	-	4.276.973
Money Market Funds	-	-	109.746	-	109.746
Securities Issued (Net)	-	-	1.906.644	-	1.906.644
Provisions	-	-	-	127.442	127.442
Other Liabilities	-	-	-	1.221.006	1.221.006
Shareholders' Equity	-	-	-	2.757.898	2.757.898
<b>Total Segment Liabilities</b>	<b>13.426.358</b>	<b>4.992.525</b>	<b>6.304.602</b>	<b>4.106.346</b>	<b>28.829.831</b>

(\*) Expected loss provisions are not included.



ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019

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

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)

IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Table for Segment Reporting (Continued):

Prior Period 1 January – 30 June 2018	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>87.352</b>	<b>619.235</b>	<b>58.707</b>	<b>27.028</b>	<b>792.322</b>
Profit Shares from Loans	87.352	619.235	-	-	706.587
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	43.618	-	43.618
Other Profit Shares	-	-	15.089	27.028	42.117
<b>Profit Shares Expense</b>	<b>148.434</b>	<b>245.153</b>	<b>79.191</b>	<b>2</b>	<b>472.780</b>
Profit Shares Expense on Participation Funds	148.434	245.153	2.363	-	395.950
Profit Shares Expense on Funds Borrowed	-	-	71.631	-	71.631
Profit Shares Expense on Money Market Transactions	-	-	5.197	-	5.197
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	2	2
<b>Net Profit Shares Income/Expense</b>	<b>(61.082)</b>	<b>374.082</b>	<b>(20.484)</b>	<b>27.026</b>	<b>319.542</b>
<b>Net Fees and Commission Income/Expense</b>	<b>4.746</b>	<b>24.371</b>	<b>-</b>	<b>(6.327)</b>	<b>22.790</b>
Fees and Commissions Received	4.746	24.371	-	3.779	32.896
Fees and Commissions Paid	-	-	-	10.106	10.106
<b>Personnel expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58.594</b>	<b>58.594</b>
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>177</b>	<b>-</b>	<b>177</b>
<b>Commercial Profit / Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.905</b>	<b>11.905</b>
<b>Other operating income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36.394</b>	<b>36.394</b>
<b>Expected Loss Provisions</b>	<b>7.299</b>	<b>51.232</b>	<b>-</b>	<b>5.472</b>	<b>64.003</b>
<b>Other Operating Expenses</b>	<b>-</b>	<b>125</b>	<b>-</b>	<b>79.587</b>	<b>79.712</b>
<b>Net Operating Profit / Loss</b>	<b>(63.635)</b>	<b>347.096</b>	<b>(20.307)</b>	<b>(74.655)</b>	<b>188.499</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37.193)</b>	<b>(37.193)</b>
<b>Net Income / Loss</b>	<b>(63.635)</b>	<b>347.096</b>	<b>(20.307)</b>	<b>(111.848)</b>	<b>151.306</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks and Other Financial Institutions	-	-	787.671	-	787.671
Financial Assets Available for Sale (Net)	-	-	1.304.362	-	1.304.362
Loans	1.614.565	14.124.399	2.000.461	-	17.739.425
Held to Maturity Investments (Net)	-	-	-	-	-
Derivative Financial Assets	-	-	56	-	56
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	2.357.189	2.357.189
<b>Total Segment Assets</b>	<b>1.614.565</b>	<b>14.124.399</b>	<b>4.092.550</b>	<b>2.357.189</b>	<b>22.188.703</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	10.471.740	4.679.243	-	-	15.150.983
Derivative Financial Liabilities	-	-	6.145	-	6.145
Funds Borrowed	-	-	1.986.777	-	1.986.777
Money Market Funds	-	-	864.414	-	864.414
Securities Issued (Net)	-	-	1.375.097	-	1.375.097
Provisions	-	-	-	131.964	131.964
Other Liabilities	-	-	-	454.739	454.739
Shareholders' Equity	-	-	-	2.218.584	2.218.584
<b>Total Segment Liabilities</b>	<b>10.471.740</b>	<b>4.679.243</b>	<b>4.232.433</b>	<b>2.805.287</b>	<b>22.188.703</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### 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		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	21.668	39.613	22.196	30.965
Central Bank of the Republic of Turkey	183.596	2.246.546	311.614	1.642.538
Other	1.035	1.883	-	-
<b>Total</b>	<b>206.299</b>	<b>2.288.042</b>	<b>333.810</b>	<b>1.673.503</b>

##### 1.a.1) Information on required reserves:

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey’s numbered 2013/15. Based on accounting standards and registration layout for banks and companies, the items specified within the Communiqué, except from liabilities to Central Bank, Treasury, Domestic banks, and head offices and branches in Turkey of the banks established by international agreements, constitute required reserves liabilities.

As of the balance sheet date, according to CBRT’s Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 7%; for deposits up to 6-months maturity 4%; for deposits up to 1-year maturity 2%; for deposits 1-year and longer maturity 1%; for TL liabilities other than deposits up to 1-year maturity 7%; for TL liabilities other than deposits between 1- and 3-years maturity 3,5%; for TL liabilities other than deposits more than 3-years maturity 1%; according to CBRT’s Communiqué about Required Reserves No. 2016/10 for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 15%; for FC deposit accounts with 1-year and longer maturity 11%, for FC liabilities other than deposits up to 1-year maturity 21%; for FC liabilities other than deposits up to 2-years maturity 16%; for FC liabilities other than deposits up to 3-years maturity 11%; for FC liabilities other than deposits up to 5-years maturity 7%; and for FC liabilities other than deposits more than 5-years maturity 4%.

##### b) Information on the account of the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	171.436	7	299.510	5.190
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (*)	12.160	2.246.539	12.104	1.637.348
<b>Total</b>	<b>183.596</b>	<b>2.246.546</b>	<b>311.614</b>	<b>1.642.538</b>

(\*) TL 613.905 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC (31 December 2018: TL 731.486).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 2. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	8.891	281.828	4.935	620.370
Foreign Banks	-	172.928	-	162.366
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>8.891</b>	<b>454.756</b>	<b>4.935</b>	<b>782.736</b>

##### 3. a) Explanation financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked:

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	98.884	834.371
Assets Blocked/Given as Collateral	20.741	79.527
<b>Total (*)</b>	<b>119.625</b>	<b>913.898</b>

(\*) Accruals and provisions for impairment are not included.

##### b) Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt Securities	1.675.693	1.335.443
Quoted in Stock Exchange	1.344.327	1.211.803
Not Quoted in Stock Exchange	331.366	123.640
Share Certificates	7.672	4.897
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange (*)	7.672	4.897
Provision for Impairment (-)	30.614	35.978
<b>Total</b>	<b>1.652.751</b>	<b>1.304.362</b>

(\*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.897.

##### 4. Expected credit losses:

As of 30 June 2019, expected credit loss amounting to TL 388 (Stage I) has been calculated for banks.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 5. Information on derivative financial assets

##### d) Information on derivative assets at fair value through profit or loss:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	8	13.732	13	43
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>8</b>	<b>13.732</b>	<b>13</b>	<b>43</b>

##### 6. Information related to loans:

##### a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	2.218.090	-	1.973.285	-
Corporate Shareholders	2.218.090	-	1.973.285	-
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
Loans Granted to Employees	2.599	-	2.513	-
<b>Total (*)</b>	<b>2.220.689</b>	<b>-</b>	<b>1.975.798</b>	<b>-</b>

(\*) Include rediscount amounts.

##### b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled	
			Loans with revised contract terms	Refinancing
Loans				
Export Loans	1.170.431	25.231	-	-
Import Loans	114.086	26	-	-
Commercial Loans	11.573.546	655.736	426.600	-
Consumer Loans	1.497.494	5.724	1.381	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	2.500.200	-	-	-
Other	921.463	67.106	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	490.005	75.956	17.190	-
<b>Total</b>	<b>18.267.225</b>	<b>829.779</b>	<b>445.171</b>	<b>-</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

##### 6. Information related to loans (continued)

##### d) Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):

<b>General Provision</b>	<b>Standard Loans</b>	<b>Loans Under close monitoring</b>
12 Month Expected Credit Losses	53.282	-
Significant Increase in Credit Risk	-	75.070

<b>No. of extensions</b>	<b>Standard Loans</b>	<b>Loans Under close monitoring</b>
1 or 2 Times Extended	43.110	445.171
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
<b>Total</b>	<b>43.110</b>	<b>445.171</b>

<b>Extension Periods</b>	<b>Standard Loans</b>	<b>Loans Under close monitoring</b>
0 - 6 Months	37.250	77.225
6 Months – 12 Months	-	15.141
1 - 2 Years	-	110.418
2 - 5 Years	-	202.528
5 Years and Over	5.860	39.859
<b>Total</b>	<b>43.110</b>	<b>445.171</b>

**ZİRAAT KATILIM BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)**

**6. Information related to loans (Continued):**

**c) Information on consumer loans, individual credit cards and personnel loans and personnel credit cards:**

<b>Current Period</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans - TL</b>	4.984	1.497.042	1.502.026
Real Estate Loans	647	1.333.666	1.334.313
Vehicle Loans	3.296	99.612	102.908
Consumer Loans	1.041	63.764	64.805
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	175	2.398	2.573
Housing Loans	-	-	-
Vehicle Loans	-	57	57
Consumer Loans	175	2.341	2.516
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total (*)</b>	<b>5.159</b>	<b>1.499.440</b>	<b>1.504.599</b>

(\*) Dividend rediscount amounting to TL 8.243 is not included in the table.

**ZİRAAT KATILIM BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)**

**6. Information related to loans (Continued):**

**c) Information on consumer loans, individual credit cards and personnel loans and personnel credit cards (Continued)**

Prior Period	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TL</b>	<b>4.966</b>	<b>1.598.554</b>	<b>1.603.520</b>
Real Estate Loans	1.203	1.453.270	1.454.473
Vehicle Loans	1.665	86.199	87.864
Consumer Loans	2.098	59.085	61.183
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>230</b>	<b>2.269</b>	<b>2.499</b>
Housing Loans	-	-	-
Vehicle Loans	-	102	102
Consumer Loans	230	2.167	2.397
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total (*)</b>	<b>5.196</b>	<b>1.600.823</b>	<b>1.606.019</b>

(\*) Profit share accrual amounting to TL 8.546 is not included in the table.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 6. Information related to loans (Continued):

##### d) Information on commercial installment loans and corporate credit cards:

Current Period	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>35.991</b>	<b>185.784</b>	<b>221.775</b>
Business Loans	374	19.708	20.082
Vehicle Loans	35.617	166.076	201.693
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>-</b>	<b>35.098</b>	<b>35.098</b>
Business Loans	-	-	-
Vehicle Loans	-	35.098	35.098
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans - FC</b>	<b>-</b>	<b>19.998</b>	<b>19.998</b>
Business Loans	-	-	-
Vehicle Loans	-	19.998	19.998
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>35.991</b>	<b>240.880</b>	<b>276.871</b>



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 6. Information related to loans (Continued):

##### d) Information on commercial installment loans and corporate credit cards (Continued):

Prior Period	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>63.605</b>	<b>185.523</b>	<b>249.128</b>
Business Loans	16.487	25.816	42.303
Vehicle Loans	47.118	159.707	206.825
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>-</b>	<b>46.410</b>	<b>46.410</b>
Business Loans	-	-	-
Vehicle Loans	-	46.410	46.410
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans - FC</b>	<b>407</b>	<b>19.046</b>	<b>19.453</b>
Business Loans	-	-	-
Vehicle Loans	407	19.046	19.453
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>64.012</b>	<b>250.979</b>	<b>314.991</b>

##### e) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	18.744.087	16.388.393
Foreign Loans	214.937	30.160
Profit Share Income Accruals of Loans	583.151	585.277
<b>Total(*)</b>	<b>19.542.175</b>	<b>17.003.830</b>

(\*) Non-performing loans are not included.

##### f) Loans Granted to Subsidiaries and Participations:

As of 30 June 2019, the Parent Bank has no loans granted to subsidiaries and participations (31 December 2018: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 6. Information related to loans (Continued):

##### g) Credit-Impaired Losses (Stage 3 / Specific Provision):

	Current Period	Priod Period
Loans and other receivables with limited collectability	26.978	70.765
Loans and other receivables with doubtful collectability	226.370	18.390
Uncollectible loans and other receivables	78.678	34.623
<b>Total</b>	<b>332.026</b>	<b>123.778</b>

##### h) Information on lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	239	239	10.684	10.397
1-5 year	2.283.955	1.976.318	551.183	471.225
More than 5 years	2.369.601	1.682.231	282.163	222.212
<b>Total</b>	<b>4.653.795</b>	<b>3.658.788</b>	<b>844.030</b>	<b>703.834</b>

##### i) Information on non-performing receivables (net):

##### i.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled:

As of 30 June 2019 the Parent Bank loans and other receivables included in non-performing receivables which are restructured or rescheduled is TL 36.280 (31 December 2018: None).

##### i.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
<b>Ending balance of prior period</b>	<b>160.891</b>	<b>35.401</b>	<b>43.868</b>
Additions in the current period (+) (*)	204.076	46.985	4.068
Transfers from other categories of non-performing loans (+)	-	257.491	41.184
Transfers to other categories of non-performing loans (-)	257.491	41.184	-
Collections in the current period (-)	17.544	9.890	3.348
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>89.932</b>	<b>288.803</b>	<b>85.772</b>
Expected credit loss (Stage 3) (-)	26.978	226.370	78.678
<b>Net balance at the balance sheet</b>	<b>62.954</b>	<b>62.433</b>	<b>7.094</b>

(\*) Ziraat Finansal Kiralama A.Ş. effects from the merger.

##### i.3) Information on foreign currency non-performing loans:

As of 30 June 2019, The Parent Bank has no the amount of receivable from foreign currency non-performing loans (31 December 2018: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 6. Information related to loans (Continued):

##### j) Gross and net amounts of non-performing receivables according to user groups:

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>62.954</b>	<b>62.433</b>	<b>7.094</b>
Loans to Real Persons and Legal Entities (Gross)	89.932	288.803	85.772
Specific Provisions (-)	26.978	226.370	78.678
Loans to Real Persons and Legal Entities (Net)	62.954	62.433	7.094
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>90.126</b>	<b>17.011</b>	<b>9.245</b>
Loans to Real Persons and Legal Entities (Gross)	160.891	35.401	43.868
Specific Provisions (-)	70.765	18.390	34.623
Loans to Real Persons and Legal Entities (Net)	90.126	17.011	9.245
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:**

	<b>Group III: Loans with limited collectability</b>	<b>Group IV: Loans with doubtful collectability</b>	<b>Group V: Uncollectible loans</b>
<b>Period End Balance</b>			
Profit Share Accrual and Valuation Differences Provision	2.203	19.108	8.915
Provisions	889	10.240	6.430

##### k) 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 Parent 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.

##### l) Explanations on write-off policy:

The Parent 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.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### m. Financial assets measured at amortized cost:

##### a) Information on government debt securities valued at amortized cost:

	Current Period	Prior Period
Debt Securities	528.534	-
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
<b>Total</b>	<b>528.534</b>	<b>-</b>

##### b) Financial assets measured at amortised cost

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities (*)	528.534	-
<b>Total</b>	<b>528.534</b>	<b>-</b>

(\*) The Bank has calculated the fair value of these borrowings in accordance with TFRS 9 and TFRS 13 by using the prices of similar financial assets at the balance sheet date and reflected them to the financial statements.

##### c) Information on government debt securities measured at amortized cost:

As of 30 June 2019, government debt securities measured at amortized cost is TL 528.534 (31 December 2018: None).

	Current Period	Prior Period
Balances at Beginning of Period	-	-
Foreign Currency Differences on Monetary Assets	902	-
Purchases during the Period(*)	527.632	-
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	<b>528.534</b>	<b>-</b>

(\*) Rediscounts are shown in “Purchases during the period” line.

#### 7. Information on assets related to trading investments and discontinued operations:

As of 30 June 2019, the amount of assets due to trading is TL 55.249 (31 December 2018: TL 4.259).

	Current Period	Prior Period
<b>Beginning Balance (Net)</b>	<b>4.259</b>	<b>3.561</b>
Changes During the Period (Net)	50.990	698
Amount of depreciation	-	-
Provision for Impairment	-	-
<b>Period End Balance (Net)</b>	<b>55.249</b>	<b>4.259</b>

As of 30 June 2019, the Bank has no discontinued operations (31 December 2018: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 8. Equity Investments

##### a) Information on associates (Net):

	Name	Address (City/Country)	Bank’s share percentage – if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul / TÜRKİYE	24	24

	Total Assets	Sharehold ers 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 <sup>(*)</sup>	211.127	143.848	670	164	8.962	40.592	27.416	-	-

(\*) Unaudited financial statements.

##### a.1) Information related to credit institutions or financial institutions which are not accounted for by the equity method:

None (31 December 2018: None).

##### a.2) Information on an intermediary entity accounted under equity method:

	Current Period	Prior Period
<b>Balance at the beginning of the year</b>	-	-
<b>Movements during the year</b>	-	-
Purchases (*)	46.778	-
Bonus Shares	-	-
Profit from Current Year Share	(12.239)	-
Transfers to Financial Assets at Fair Value Through Other Comprehensive Income sales	(16)	-
Revaluation Increase	-	-
Provision for impairment (-)	-	-
<b>Balance at the end of the year</b>	<b>34.523</b>	-
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(\*) 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.'s 24% stake in Ziraat Yatırım Menkul Değerler A.Ş. transferred to the Parent Bank.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 8. Equity Investments (Continued)

###### a) Information on associates (Net) (Continued):

###### a.3) Sectoral information on consolidated associates and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.523	-

###### a.4) Associates that are quoted on the stock exchange:

As of 30 June 2019, the Parent Bank has no subsidiaries are quoted on the stock exchange (31 December 2018: None).

###### a.5) Associates that are disposed of in the current period:

None (31 December 2018: None).

###### a.6) Associates purchased in the current period:

The Parent Bank, with the decision by the Board of Directors dated 21 February 2019 and numbered 6/1 merged with Ziraat Finansal Kiralama A.Ş. As a result of the merger, the 24% stake of Ziraat Finansal Kiralama A.Ş. in Ziraat Yatırım Menkul Değerler A.Ş. was transferred to the Parent Bank (31 December 2018: None).

###### b) Information on subsidiaries (net):

###### b.1) Information on unconsolidated subsidiaries:

As of June 30, 2019, the Parent Bank does not have any unconsolidated subsidiaries (31 December 2018: None).

###### b.2) Explanations on consolidated subsidiaries:

	Name	Adress (City/Country)	Bank's share percentage – if different voting percentage (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	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 <sup>(*)</sup>	1.907.287	73	-	181.739	-	6	17	-	-
2 <sup>(*)</sup>	95	53	-	5.657	-	11	(8)	-	-

<sup>(\*)</sup>Reviewed financial statements used.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 8. Equity Investments (Continued)

##### b) Information on subsidiaries (net) (Continued):

##### b.2) Explanations on consolidated subsidiaries (Continued):

	Current Period	Prior Period
<b>Balance at the beginning of the year</b>	<b>100</b>	<b>50</b>
<b>Movements during the year</b>		
Purchases	-	50
Bonus Shares	-	-
Profit from Current Year Share	-	-
Transfers to Financial Assets at Fair Value Through Other Comprehensive Income sales	-	-
Revaluation Increase	-	-
Provision for impairment (-)	-	-
<b>Balance at the end of the year</b>	<b>100</b>	<b>100</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

##### b.3) Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

##### b.4) Consolidated subsidiaries quoted on the stock exchange:

As of 30 June 2019, the Parent Bank does not have a listed subsidiary in the stock exchange (31 December 2018: None).

##### c) Information on entities under common control (joint ventures):

As of 30 June 2019, there are no entities under common control of the Parent Bank (31 December 2018: None).

##### d) Other issues

Investments in associates, joint ventures and joint ventures that are not credit institutions / financial institutions In accordance with TAS 27 Individual Financial Statements, investments in TMS 28 subsidiaries and joint ventures are also accounted for using the equity method.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 9. Explanations on property and equipment:

	Immovables	Right of Use Immovables	Movable	Right of Use Movable	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>							
Cost	-	-	59.566	-	33.029	-	92.595
Accumulated Depreciation (-)	-	-	25.833	-	14.646	-	40.479
<b>Net Book Value</b>	-	-	<b>33.733</b>	-	<b>18.383</b>	-	<b>52.116</b>
<b>Current Period End:</b>							
Net Book Value at the Beginning of the Period	-	-	33.733	-	18.383	-	52.116
Change During the Period (Net)	-	88.210	(2.649)	4.460	(509)	-	89.512
Cost	-	97.700	3.486	6.738	2.986	-	110.910
Amortization (Net) (-)	-	9.490	6.135	2.278	3.495	-	21.398
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	97.700	63.052	6.738	36.015	-	203.505
Accumulated Depreciation at Period End (-)	-	9.490	31.968	2.278	18.141	-	61.877
Provision for Impairment	-	-	-	-	-	-	-
<b>Closing Net Book Value</b>	-	<b>88.210</b>	<b>31.084</b>	<b>4.460</b>	<b>17.874</b>	-	<b>141.628</b>

(\*) Includes effects from the merger with Ziraat Finansal Kiralama A.Ş..

For the purposes of impairment losses that are recorded or reversed in the current period and which are significant for the whole of the consolidated financial statements, and whether each or some of them are not material for the whole of the financial statements, the amount of the decrease or decrease of the carrying value of the related asset groups and the events and conditions that cause them:

None.

- a) **Pledges, mortgages and other restrictions on the tangible fixed assets, amount of expenses incurred during construction for tangible fixed assets, commitments given for the purchase of tangible fixed assets:**

None.

##### 10. Information on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	113.369	17.509	95.860	93.038	12.642	80.396
<b>Total</b>	<b>113.369</b>	<b>17.509</b>	<b>95.860</b>	<b>93.038</b>	<b>12.642</b>	<b>80.396</b>

- 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.
- ç) Book value of intangible assets with restrictions on use or pledged: None.
- d) Amount of commitments given for acquisition of intangible asset: None.
- e) Intangible assets based on revalued asset type: None.
- f) Total amount of research and development expenses recorded in the period, if any: None.
- g) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- h) Information on goodwill: None.



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

##### 11. Information on the investment properties:

As of 30 June 2019, the Parent Bank has no investment properties (31 December 2018: None).

##### 12. Information on the current period assets related to tax:

As of 30 June 2019, the Parent Bank has no assets related to tax (31 December 2018: None).

##### 13. Information on deferred tax asset:

As at 30 June 2019, deferred tax liabilities of TL 7.095 (31 December 2018: TL 2.627) and deferred tax assets of TL 69.390 (31 December 2018: TL 52.497) have been offset and TL 62.295 deferred tax asset (31 December 2018: TL 49.870 deferred tax asset) is reflected in the financial statements.

##### 14. Information on other assets:

As of 30 June 2019, other assets of the Parent Bank does not exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	235.378	-	-	-	-	-	-	-	235.378
II. Real persons profit sharing accounts TL	-	527.050	3.379.237	31.599	-	36.850	206.188	-	4.180.924
III. Other current accounts-TL	536.294	-	-	-	-	-	-	-	536.294
Public sector	48.970	-	-	-	-	-	-	-	48.970
Commercial sector	449.815	-	-	-	-	-	-	-	449.815
Other institutions	35.543	-	-	-	-	-	-	-	35.543
Commercial and other institutions	1.958	-	-	-	-	-	-	-	1.958
Banks and participation banks	8	-	-	-	-	-	-	-	8
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4	-	-	-	-	-	-	-	4
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	4	-	-	-	-	-	-	-	4
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	171.530	2.801.535	544.346	-	230.736	133.181	-	3.881.328
Public sector	-	13.170	221.886	31.832	-	100.253	-	-	367.141
Commercial sector	-	148.816	2.201.332	4.539	-	108.359	9.928	-	2.472.974
Other institutions	-	9.544	337.471	501.952	-	22.124	123.253	-	994.344
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	40.846	6.023	-	-	-	-	46.869
V. Real persons current accounts-FC	552.231	-	-	-	-	-	-	-	552.231
VI. Real persons profit sharing accounts-FC	-	359.604	3.239.110	61.022	-	61.074	613.063	-	4.333.873
VII. Other current accounts-FC	956.125	-	-	-	-	-	-	-	956.125
Commercial residents in Turkey	927.263	-	-	-	-	-	-	-	927.263
Commercial residents in Abroad	28.181	-	-	-	-	-	-	-	28.181
Banks and participation banks	681	-	-	-	-	-	-	-	681
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	681	-	-	-	-	-	-	-	681
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	99.915	2.158.440	20.482	-	65.481	824.355	-	3.168.673
Public sector	-	736	13.308	-	-	-	-	-	14.044
Commercial sector	-	98.976	2.130.370	20.436	-	65.481	824.355	-	3.139.618
Other institutions	-	203	14.716	46	-	-	-	-	14.965
Commercial and other institutions	-	-	46	-	-	-	-	-	46
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	159.139	-	371.127	33.098	-	4.225	6.468	-	574.057
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total I+II+.....+IX+X+XI)</b>	<b>2.439.167</b>	<b>1.158.099</b>	<b>11.949.449</b>	<b>690.547</b>	-	<b>398.366</b>	<b>1.783.255</b>	-	<b>18.418.883</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

##### 1. a) Information on funds collected (Continued):

##### a.1) Information on maturity structure of funds collected (Continued):

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	210.639	-	-	-	-	-	-	-	210.639
II Real persons profit sharing accounts TL	-	526.001	2.948.826	43.992	-	42.916	193.315	-	3.755.050
III Other current accounts-TL	517.046	-	-	-	-	-	-	-	517.046
Public sector	73.337	-	-	-	-	-	-	-	73.337
Commercial sector	418.768	-	-	-	-	-	-	-	418.768
Other institutions	24.611	-	-	-	-	-	-	-	24.611
Commercial and other institutions	320	-	-	-	-	-	-	-	320
Banks and participation banks	10	-	-	-	-	-	-	-	10
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	10	-	-	-	-	-	-	-	10
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	131.511	2.740.290	569.720	-	205.889	118.404	-	3.765.814
Public sector	-	2.668	495.707	421.827	-	61.901	-	-	982.103
Commercial sector	-	119.643	1.748.933	38.685	-	80.988	10.913	-	1.999.162
Other institutions	-	9.200	455.352	109.208	-	63.000	107.491	-	744.251
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	40.298	-	-	-	-	-	40.298
V. Real persons current accounts-FC	347.441	-	-	-	-	-	-	-	347.441
VI. Real persons profit sharing accounts-FC	-	331.243	2.000.912	54.701	-	50.881	355.122	-	2.792.859
VII. Other current accounts-FC	1.183.202	-	-	-	-	-	-	-	1.183.202
Commercial residents in Turkey	1.168.785	-	-	-	-	-	-	-	1.168.785
Commercial residents in Abroad	8.509	-	-	-	-	-	-	-	8.509
Banks and participation banks	5.908	-	-	-	-	-	-	-	5.908
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	5.908	-	-	-	-	-	-	-	5.908
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	110.668	1.701.594	91.086	-	174.589	110.506	-	2.188.443
Public sector	-	674	12.007	-	-	-	-	-	12.681
Commercial sector	-	109.994	1.524.756	91.044	-	174.589	110.506	-	2.010.889
Other institutions	-	-	164.789	42	-	-	-	-	164.831
Commercial and other institutions	-	-	42	-	-	-	-	-	42
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	123.111	-	257.538	4.514	-	2.333	3.108	-	390.604
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>2.381.439</b>	<b>1.099.423</b>	<b>9.649.160</b>	<b>764.013</b>	-	<b>476.608</b>	<b>780.455</b>	-	<b>15.151.098</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

##### a) Information on funds collected (Continued):

##### a.2) Exceeding Amounts of Insurance Limit:

##### i. Information’s on current and profit share accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit
	Current Period	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	3.574.607	2.956.961	6.236.665	4.505.214
TL accounts	2.348.778	2.123.545	2.067.520	1.842.492
FC accounts	1.225.829	833.416	4.169.145	2.662.722
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:

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

	Current Period	Prior Period
Foreign branches’ profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	699	520
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		Prior Period	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	392.948	2.130.416	1.391.745	1.594.136
From Foreign Banks, Institutions and Funds	-	1.753.609	-	375.993
<b>Total</b>	<b>392.948</b>	<b>3.884.025</b>	<b>1.391.745</b>	<b>1.970.129</b>

##### b) Information on maturity:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	25.156	791.340	1.391.745	1.368.797
Medium and Long-term	367.792	3.092.685	-	601.332
<b>Total</b>	<b>392.948</b>	<b>3.884.025</b>	<b>1.391.745</b>	<b>1.970.129</b>

##### c) Explanations related to the concentrations of the bank’s major liabilities concentrations of the funder customer, concentrations segments or other criteria:

64% of liabilities of the Parent Bank consist of current and share profit account.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

##### 3. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Domestic</b>	<b>109.746</b>	-	<b>864.414</b>	-
Financial Institutions	109.746	-	864.414	-
<b>Abroad</b>	-	-	-	-
Financial Institutions	-	-	-	-
<b>Total</b>	<b>109.746</b>	-	<b>864.414</b>	-

##### 4. Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	-	-	-	-
Asset based securities	1.906.644	-	1.375.097	-
Stocks	-	-	-	-
<b>Total</b>	<b>1.906.644</b>	-	<b>1.375.097</b>	-

##### 5. Information on financial liabilities at fair value through profit and loss:

None.

##### 6. Information on derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Futures	-	11.239	-	6.145
Swap Operations	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	<b>11.239</b>	-	<b>6.145</b>

##### 7. Information on Financial Lease Obligations:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	16.820	9.578	422	415
Between 1-5 Years	50.459	28.733	-	-
More than 5 Years	100.919	57.465	-	-
<b>Total</b>	<b>168.198</b>	<b>95.776</b>	<b>422</b>	<b>415</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

**8. Information on provisions:**

**a) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and Financial Lease Obligations:**

There are no provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation (31 December 2018: TL 202).

**b) Information on special provisions related with uncompensated and non- liquidated non-cash loans:**

Specific provisions for unindemnified non-cash loans amount to TL 13.067 (31 December 2018: TL 15.888).

**c) Information on other provisions:**

**c.1) Information on free provisions for possible risks:**

The Parent Bank, based on the management decision and possible developments in the economy and markets, and in the past period in accordance with the precautionary principle has provided a total of TL 30.000 of total provision (31 December 2018: TL 30.000).

**c.2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount:**

According to article 19 of Communiqué “Principles and Procedures for the Classification of the Loans and Reserves to be provided for These Loans”, other provisions amounting to TL 34.678 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund (31 December 2018: TL 48.204).

The Bank has provided specific provisions amounting to TL 13.067 (31 December 2018: TL 5.888) for non-cash loans that are not indemnified, amounting TL 22.274 (31 December 2018: TL 20.110) for the expected credit loss for stage 1 and 2 non-cash loans and amounting TL 6.679 (31 Decemebr 2018: TL 6.121) for other provisions.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

##### 8. Information on provisions (Continued):

##### d) Information on provisions for employee benefits:

##### d.1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Parent Bank is required to pay termination benefits to each employee who has completed at least one year of service, 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 30 June 2019, the amount payable consists of one month’s salary limited to a maximum of TL 6.018 (full TL) (31 December 2018: TL 5.434 (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 Parent Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period	Prior Period
Discount Rate (%)	3,84	3,84

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

	Current Period	Prior Period
<b>As of January 1</b>	5.056	2.330
Current service cost	1.535	1.285
Profit share cost	-	276
Paid compensations	-	(112)
Loss / (Earnings) resulting from Reduction / Dismissal of Payments / Benefits	-	24
Actuarial loss / (earnings)	-	1.253
<b>End of Period</b>	<b>6.591</b>	<b>5.056</b>

As of 30 June 2019, the Bank has a TL 6.024 short term provision for employee benefits (31 December 2018: TL 3.584).

##### d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial interest 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 2017, 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

Bank has made a total provision amounting to TL 9.000 to be allocated to the personnel.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

##### 9. Explanations on tax liability:

###### a) Information on tax provisions:

As of 30 June 2019, the Group’s corporate tax payable is TL 30.714 (31 December 2018: TL 25.589).

###### b) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	30.714	25.589
Taxation on Income From Securities	18.739	10.438
Property Tax	221	177
Banking Insurance Transactions Tax (BITT)	12.841	10.467
Foreign Exchange Transactions Tax	360	-
Value Added Tax Payable	2.919	5.521
Other	2.813	1.593
<b>Total</b>	<b>68.607</b>	<b>53.785</b>

###### c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums – Employee	7	1
Social Security Premiums – Employer	10	1
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance - Employee	105	62
Unemployment Insurance – Employer	210	125
Other	-	-
<b>Total</b>	<b>332</b>	<b>189</b>

##### 10. Information on deferred tax liabilities, if any:

As at 30 June 2019, deferred tax liabilities of TL 7.095 (31 December 2018: TL 2.627) and deferred tax assets of TL 69.390 (31 December 2018: TL 52.497) have been offset and TL 62.295 deferred tax asset (31 December 2018: TL 49.870 deferred tax asset) is reflected in the financial statements.

##### 11. Information on payables for assets held for sale and discontinued operations:

The Group does not have any payables for assets held for sale and discontinued operations (31 December 2018: None).

##### 12. Explanations on subordinated debts:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	312.478	-	-	-
Domestic Other Organizations	-	517.326	-	-
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
<b>Total</b>	<b>312.478</b>	<b>517.326</b>	-	-



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

##### 12. Explanations on subordinated debts(Continued)

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:				
Subordinated Loans	-	-	-	-
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:				
Subordinated Loans (*)	300.000	517.326	-	-
Equity-like Debt Instruments	-	-	-	-
<b>Total</b>	<b>300.000</b>	<b>517.326</b>	-	-

(\*) The contribution amounting to TL 300.000 is T.C. Ziraat Bank A.Ş. has been signed on March 28, 2019 and this loan has been entered into the Bank's accounts as of 29 March 2019. The maturity of the loan is 10 (ten) years and the profit share rate is 16.25%. There is no conversion option.

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.

##### 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.

###### 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 2018: None).

###### f) Indicators of the Group'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 Group has no any uncertainty related to profitability and liquidity in the prior period (31 December 2018 : None).

###### g) Information on preferred shares:

As of 30 June 2019, the Group has no preferred shares (31 December 2018: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

##### 14. Information on shareholders’ equity (Continued):

##### h) Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income:

	Current Period		Prior Period	
	TL	FC		
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
From Financial Assets at Fair Value Through Other Comprehensive Income	(36.786)	(262)	(14.901)	(11)
Revaluation Difference	(46.357)	(262)	(18.955)	(11)
Deferred Tax Effect	9.571	-	4.054	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(36.786)</b>	<b>(262)</b>	<b>(14.901)</b>	<b>(11)</b>

#### 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	Prior Period
Commitments for Credit Card Expenditure Limits	74.786	88.064
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	146.167	102.994
Loan Granting Commitments	10.016	6.925
Asset Purchase Commitments	-	-
Tax and Fund Liabilities from Export Commitments	139.449	160.832
<b>Total</b>	<b>370.418</b>	<b>358.815</b>

##### b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned:

A provision of TL 13.067 has been provided for probable losses arising from the off-balance sheet items and all of them are in Stage 3 (31 December 2018: TL 5.888).

##### b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits:

	Current Period	Prior Period
Guarantee Letters	9.621.007	8.640.366
Letter of Credits	8.538	3.591
Bank Acceptances	715.525	616.808
Other Contingencies	772.871	1.022.677
<b>Total</b>	<b>11.117.941</b>	<b>10.283.442</b>

##### b.2) Certain guarantees, temporary guarantees, surety ships and similar transactions:

	Current Period	Prior Period
Letters of Temporary Guarantees	424.075	411.354
Letters of Certain Guarantees	4.317.814	3.893.325
Letters of Advance Guarantees	889.495	1.018.357
Letters of Guarantees given to Customs Offices	91.022	73.926
Other Letters of Guarantees	3.898.601	3.243.404
<b>Total</b>	<b>9.621.007</b>	<b>8.640.366</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Continued)

##### 1. Information on off-balance sheet liabilities (Continued):

##### b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned (Continued):

##### b.3) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>3.898.612</b>	<b>3.243.412</b>
With Original Maturity of One Year or Less	146.529	1.727.495
With Original Maturity of More than One Year	3.752.083	1.515.917
<b>Other Non-Cash Loans</b>	<b>7.219.329</b>	<b>7.040.030</b>
<b>Total</b>	<b>11.117.941</b>	<b>10.283.442</b>

#### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

##### 1. a) Information on profit share received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share on loans (*)</b>	<b>1.203.431</b>	<b>167.864</b>	<b>656.712</b>	<b>49.875</b>
Short term loans	550.748	55.814	196.642	10.270
Medium and long term loans	634.390	112.050	459.012	39.605
Profit share on non-performing loans	18.293	-	1.058	-
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		Prior Period	
	TL	FC	TL	FC
T. C. Central Bank	-	-	-	-
From Domestic Banks	378	45	-	-
From Foreign Banks	-	-	-	-
Overseas Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>378</b>	<b>45</b>	<b>-</b>	<b>-</b>

##### c) Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit and Loss	4.356	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	90.386	3.642	43.433	185
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	-	-	-
<b>Total</b>	<b>94.742</b>	<b>3.642</b>	<b>43.433</b>	<b>185</b>

##### d) Information on profit share income received from associates and subsidiaries:

None (30 June 2018: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (Continued)

##### 2. a) Information on profit share expense on borrowing:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	54.090	42.966	7.002	6.705
Central Bank of the Republic of Turkey	-	-	6.488	-
Domestic Banks	19.628	37.911	514	5.192
Foreign Banks	34.462	5.055	-	1.513
Head Office and Branches	-	-	-	-
Other Institutions	12.478	27.115	42.833	15.091
<b>Total</b>	<b>66.568</b>	<b>70.081</b>	<b>49.835</b>	<b>21.796</b>

##### b) Information on profit share expense given to associates and subsidiaries:

None. (30 June 2018: None).

##### c) Information on profit share expense paid to securities issued:

As of 30 June 2019, profit share expense paid to securities issued is TL 187.236 (30 June 2018: TL 42.833).

##### d) Distribution of profit share on funds based on maturity of funds:

Current Period	Participation Accounts					Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	
<b>Account Name</b>						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	87	4.380	273	-	-	4.740
Real Person’s Non Commercial Participation Accounts	33.642	261.821	3.019	3.432	21.204	323.118
Public Sector Participation Accounts	2.695	16.206	7.398	7.180	11.597	45.076
Commercial Sector Participation Accounts	13.485	183.256	21.180	10.201	1.145	229.267
Other Institutions Participation Accounts	879	46.081	41.597	2.351	573	91.481
<b>Total</b>	<b>50.788</b>	<b>511.744</b>	<b>73.467</b>	<b>23.164</b>	<b>34.519</b>	<b>693.682</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	138	-	-	-	138
Real Person’s Non Commercial Participation Accounts	4.059	33.904	1.119	662	7.916	47.660
Public Sector Participation Accounts	6	224	-	-	-	230
Commercial Sector Participation Accounts	1.101	23.542	1.266	486	4.365	30.760
Other Institutions Participation Accounts	1	1.291	-	-	-	1.292
Public Sector Participation Accounts	3.236	-	-	-	-	3.236
<b>Total</b>	<b>8.403</b>	<b>59.099</b>	<b>2.385</b>	<b>1.148</b>	<b>12.281</b>	<b>83.316</b>
<b>Grand Total</b>	<b>59.191</b>	<b>570.843</b>	<b>75.852</b>	<b>24.312</b>	<b>46.800</b>	<b>776.998</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (Continued)

##### d) Distribution of profit share on funds based on maturity of funds (Continued):

Prior Period Account Name	Participation Accounts					
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	2.363	-	-	-	2.363
Real Person’s Non Commercial Participation Accounts	17.199	123.213	1.610	1.404	5.008	148.434
Public Sector Participation Accounts	1.485	29.143	8.010	5.777	2.124	46.539
Commercial Sector Participation Accounts	10.065	98.183	6.467	2.383	734	117.832
Other Institutions Participation Accounts	683	20.344	2.900	8.983	305	33.215
<b>Total</b>	<b>29.432</b>	<b>273.246</b>	<b>18.987</b>	<b>18.547</b>	<b>8.171</b>	<b>348.383</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person’s Non Commercial Participation Accounts	1.824	19.171	656	556	2.657	24.864
Public Sector Participation Accounts	14	383	-	-	-	397
Commercial Sector Participation Accounts	664	16.889	180	850	457	19.040
Other Institutions Participation Accounts	-	2.110	-	-	-	2.110
Public Sector Participation Accounts	1.156	-	-	-	-	1.156
<b>Total</b>	<b>3.658</b>	<b>38.553</b>	<b>836</b>	<b>1.406</b>	<b>3.114</b>	<b>47.567</b>
<b>Grand Total</b>	<b>33.090</b>	<b>311.799</b>	<b>19.823</b>	<b>19.953</b>	<b>11.285</b>	<b>395.950</b>

#### 3. Information on dividend income:

As of 30 June 2019, the Parent Bank’s dividend income is TL 2.857 (30 June 2018: TL 177).

#### 4. a. Information on trading income/loss (Net)

	Current Period	Prior Period
<b>Income</b>	<b>4.135.566</b>	<b>3.005.995</b>
Foreign exchange gains	4.094.694	2.956.002
Gain on derivative financial instruments	40.639	49.956
Gain on capital market transactions	233	37
<b>Losses (-)</b>	<b>4.099.541</b>	<b>2.994.090</b>
Foreign exchange losses	4.076.205	2.966.342
Losses on derivative financial instruments	22.703	26.837
Losses on capital market transactions	633	911
<b>Net</b>	<b>36.025</b>	<b>11.905</b>

#### b. Information on profit/loss on derivative financial operations:

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(17.936)	23.119
<b>Total</b>	<b>(17.936)</b>	<b>23.119</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (Continued)

##### 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:**

As per the resolution of the Board of Directors dated 18 January 2019 and numbered 8210 with the decision of the Board of Directors dated February 21, 2019 and numbered 6/1 of the Banking Regulation and Supervision Board, the Bank and the Ziraat Finansal Kiralama A.Ş. (Transferred) in accordance with the relevant articles of the Turkish Commercial Code No. 6102; The merger was registered on 1 March 2019 by the Istanbul Trade Registry Office.

##### 6. Provision expenses for impairment on loans and other receivables:

	Current Period	Prior Period
Expected Credit Loss	276.186	57.958
12 month expected credit loss (stage 1)	22.703	25.494
Significant increase in credit risk (stage 2)	52.654	19.283
Non-performing loans (stage 3)	200.829	13.181
Marketable Securities Impairment Expense	-	402
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	402
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (*)	24.851	5.643
<b>Total</b>	<b>301.037</b>	<b>64.003</b>

(\*) According to article 19 of Communiqué “Principles and Procedures for the Classification of the Loans and Reserves to be provided for These Loans”, other amounting to TL 24.851 (30 June 2018 5.471 TL) is reserved to use for expected credit loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

##### 7. Information on other operating expenses:

	Current Period
Reserve for Employee Termination Benefits	1.535
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	21.398
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	4.867
Impairment Expense for Equity Shares subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Impairment Expense for Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	44.872
Lease Expenses Related to TFRS 16 Exemptions	83
Maintenance Expenses	6.669
Advertisement Expenses	15.975
Other Expenses	22.145
Loss on Sales of Assets	7.796
Other (*)	35.788
<b>Total</b>	<b>116.256</b>

(\*) The balance which forms the other item part, TL 10.263 (30 June 2018: TL 12.329) represents Saving Deposit Insurance Fund (“SDIF”) Premium amount and audit and consultancy fees and TL 18.187 (30 June 2018: TL 7.030) represents taxes, fees and funds and other services expenses.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (Continued)

##### 7. Information on other operating expenses(Continued):

	<b>Prior Period</b>
Personnel expenses <sup>(*)</sup>	58.594
Reserve for Employee Termination Benefits	-
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	7.407
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	2.873
Impairment Expense for Equity Shares subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	38.335
Operational Leasing Expenses	11.721
Maintenance Expenses	2.081
Advertisement Expenses	9.226
Other Expenses	15.307
Loss on Sales of Assets	-
Other <sup>(**)</sup>	22.659
<b>Total</b>	<b>129.868</b>

(\*) Personnel Expenses which are not included in other operating expenses in the income statement as a separate item are also included in this table

(\*\*) The prior balance which forms the other item part, TL 5.740 represents SDIF Premium amount and audit and consultancy fees and TL 3.406 represents taxes, fees and funds and other services expenses.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (Continued)

##### 8. Information on profit/loss from continued and discontinued operations before taxes:

As of 30 June 2019, the Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period
Net Profit Share Income	565.000
Net Fee and Commission Income	47.254
Dividend Income	2.857
Trading Profit / Loss (Net)	36.025
Other operating income	111.530
Expected Loss Provision (-)	301.037
Other Provision Expenses (-)	13.093
Personnel expenses	92.000
Other Operating Expenses (-)	116.256
<b>Income/(Loss) from Continuing Operations</b>	<b>240.280</b>

	Prior Period
Net Profit Share Income	319.542
Net Fees and Commissions Income	22.790
Personnel expenses	58.594
Dividend Income	177
Trading Income/Expense (Net)	11.905
Other Operating Income	36.394
Loan and other receivables impairment provision (-)	64.003
Other Operating Expenses (-)	79.712
<b>Income/(Loss) from Continuing Operations</b>	<b>188.499</b>

##### 9. Information on tax provision for continued and discontinued operations:

As of 30 June 2019, the Parent Bank’s total tax provision expense amounting to TL 52.110 (30 June 2018: TL 37.193) consists of TL 58.886 (30 June 2018: TL 45.326) of current tax expense and TL 6.776 (30 June 2018: TL 8.133) of deferred tax income.

##### 10. Explanation on net income/loss for the period for continuing and discontinued operations:

The Parent Bank’s net operating income after tax amounts to TL 197.991 (30 June 2018: TL 151.306).

##### 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 Parent 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 (30 June 2018: None).



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### V. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	2.180.316	-	-	-
Balance at end of period	-	-	2.218.090	-	-	-
<b>Profit share and commission income</b>	-	-	<b>12.978</b>	-	-	-

###### Prior Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	758.988	-	-	-
Balance at end of period	-	-	2.180.316	-	-	-
<b>Profit share and commission income</b>	-	-	<b>14.071</b>	-	-	-

##### b) Current and profit sharing account held by the Parent Bank’s risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Current and profit sharing accounts</b>	-	-	-	-	-	-
Balance at the beginning of period	-	-	42.411	8.159	-	-
Balance at the end of period	-	-	42.397	42.411	-	-
<b>Profit share expense</b>	-	-	<b>2.643</b>	<b>2.563</b>	-	-

##### c) Information on loans received from the Bank’s risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Loans</b>	-	-	-	-	-	-
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
<b>Profit share expense</b>	-	-	-	-	-	-

##### 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	-	-	2.401.773	1.264.078	-	-
Closing Balance	-	-	2.620.104	2.401.773	-	-
<b>Total Profit/Loss</b>	-	-	<b>11.436</b>	<b>5.714</b>	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### V. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED RISK GROUP OF THE PARENT BANK (Continued)

##### 3) Information on remunerations provided to top management:

The Bank has paid TL 2.446 (30 June 2018: TL 1.812) to top management.

#### VI. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO CONSOLIDATED BALANCE SHEET DATE

In accordance with the profit distribution decision taken at the 2018 Ordinary General Assembly held on 11 June 2019, the Bank has set aside 5% of the legal reserve fund amounting to TL 15.031 from the net profit of TL 300.630 after deducting TL 113.918 from the balance sheet profit of TL 414.549. TL 13,000 of the remaining balance is paid as an additional bonus to the personnel, a reserve of TL 1,300 is allocated as 10% of this amount and the remaining TL 284.299 is left within the Bank. General Assembly Resolution No. 9864 was registered in Turkey Trade Registry Gazette on 8 July 2019.

#### VII. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

##### 1) Domestic and foreign branches and representative offices of the Bank:

	Number	Number of Employees			
Domestic branches (*)	84	1.094			
			Country		
Foreign representative offices	-	-			
				Total Assets	Legal Equity
Foreign branches	-	-		-	-
Off shore banking branches	-	-		-	-

(\*) The number of head office staff has been included in the number of domestic branch employees.

##### 2) Explanations on the opening and closing of branches or representative office of the Bank in Turkey and abroad, and the significant change in its organization:

In 2019, 3 new branch (31 December 2018: 17 Branches) has been opened in Turkey.

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019**

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

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#### **SECTION SIX**

##### **EXPLANATIONS ON REVIEW REPORT**

###### **I. EXPLANATIONS ON THE REVIEW REPORT**

As of 30 Haziran 2019, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and Review Report dated 7 August 2019 is presented preceding the consolidated financial statements.

###### **II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

**SECTION SEVEN**

**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT**

**I. Chairman’s Assessment**

The slowdown in economic activity in the global economy and the fact that the Federal Reserve (FED) put the interest rate cut back on its agenda are the economic events that emerged in the second quarter. Received from the Russian S-400 missile system because of the political tensions between the US and Turkey, the US and the executed trade negotiations and Iran's nuclear program because the United States to put pressure on Iran between China marked the second quarter of 2019, important political events.

The slowdown observed in the global economy since the beginning of 2019 started to become more evident in the US in the first second quarter of this year. While PMIs are falling across the globe, the fact that the trade negotiations between the US and China have not reached a final conclusion has reduced the growth forecasts in the global economy.

According to the FED, it stated that it would slow down the downturn in the balance sheet in May and stated that there was a need for interest rate cuts at its meeting in June. In the USA, inflation started to hover below the target and the slowdown in the economy caused US 10-year bond rates to fall below 2%. In addition to the FED, the regulations of the Central Banks of the European Union (ECB) and other developed countries in monetary policies are among the issues to be carefully monitored in the upcoming period.

The slowdown in the US economy and the global depreciation of the US dollar paved the way for the flow of funds to emerging economies. However, trade negotiations between the US and China have begun to have a negative impact on the Chinese economy. In Brazil and Russia, recovery continues; Russia has signaled that it may make additional interest rate cuts for the rest of the year. While the political and economic crisis in Venezuela continues, the risk of war between the US and Iran is mentioned. The deepening of the recession tendency in developed countries may have negative effects on the economies of developing countries.

Turkey's economy in the first quarter of 2019, emerged from technical recession and grew by 1.30%. Having made strong interest rates to keep inflation under control in the third quarter of the last year, the CBRT maintained its tight monetary policy despite falling inflation in the first half of this year. While the foreign trade deficit continued to decrease, current account deficit also improved beyond expectations. With the support of competitive TL and the effect of summer months, tourism revenues increased significantly. Apart from these, the introduction of new season fruits, vegetables and cereals in the summer months and the increase in food supply in the market as well as the relative stability of TL caused a rapid withdrawal in inflation.

In the second quarter of 2019, the Turkish banking sector; despite its strong shareholder equity and a high follow-up rate, it continues to contribute to its stable growth and economic growth with its high asset quality. While TL resource costs decreased in the second quarter of the year, it is expected that there will be a faster decline in the following period. Recently, the decline of Turkey's risk premium derived from foreign currency funds abroad led to a decrease in costs. In addition, the banking sector can easily access and use capital and subordinated loan facilities, particularly syndication, from international markets. It is seen that the banking sector is effective in credit structuring in order to maintain productivity, maintain production capacity and maintain employment.

In the Participation Banking sector, we have determined the strategic priority to procure resources from both domestic and foreign markets with appropriate maturity and cost and to use these resources in the most efficient way. While asset size of participation banking sector increased by 15.8% in the first half of this year, asset size of banking sector increased by 9.5% in the same period. When the profit figures are analyzed, the net profit of the participation banking sector increased by 8.2% in the first half of 2019 compared to the same period of the previous year, while the net profit of the banking sector decreased by 14.6% in the same period. While the share of participation banking in the sector was 5.4% at the end of last year, it increased to 5.7% in the first half of this year.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

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### **I. Chairman’s Assessment (Continued)**

In the first half of this year, Turkey's Ziraat Participation Bank carries the title of the first public participation bank is proud to complete the fourth year. Since its establishment during the period following a rapid branch expansion policy Agriculture Participation Bank, currently serves its customers in Turkey's 84 points. Ziraat Participation Bank, which wishes to continue its rapid growth policy in the upcoming period, aims to respond to the needs of its customers in the best way by developing new products. In addition, the Bank continues its main strategy of state growing by increasing the share of participation banking in the financial sector. In this direction, while aiming to increase the number of customers in addition to the branch network, it has adopted the principle of working with efficiency and increasing its efficiency in the sector.

**Hüseyin AYDIN**  
**Chairman**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

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**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)**

**II. Assessment of General Manager**

The second quarter of 2019 was a period in which economic activity continued to slow down in global markets and growth forecasts were downward. The FED interrupted the tight monetary policy and put interest reductions back on the agenda, pointing to the deterioration in the economic outlook in the second quarter of the year, together with lower-than-expected data. Because defense systems from Russia, Turkey - The diplomatic process is going on in America, the United States and conducted commercial negotiations and Iran's nuclear program because of US sanctions process to Iran between China took its place as a major development in the 2019 second quarter.

When we look at developing countries; the slowdown in the US economy and the global depreciation of the US dollar paved the way for the flow of funds to emerging economies. While trade sanctions between the US and China continued to affect the Chinese economy negatively, Brazil and Russia showed signs of recovery. The political tension and economic crisis in Venezuela and the tension between the US and Iran have been evaluated as negative in terms of the course of global markets.

Economy of Turkey, despite fluctuating trend in global markets has emerged from recession with growth of 1.30% in the first quarter of 2019. CBRT maintained its tight monetary policy despite the inflation figures coming back in the first two quarters of this year. With the rise in the ratio of exports to imports, the foreign trade deficit continued to decline, while the current account deficit improved. Tourism revenues in the summer months are also expected to contribute positively to this process. It is predicted that inflation figures will decline as seasonal fruit and vegetable prices fall and the TL stabilizes with positive weather.

In the second quarter of 2019, the Turkish banking sector maintained its sustainable growth with a strong equity structure and high asset quality despite a slight increase in follow-up rates. With the decline in the country's risk premium, the diversity of foreign resources increased and costs decreased. A downward trend has started in domestic resource costs, and this process is expected to continue in the coming period.

The participation banking sector, which acts with the strategy of supporting the real sector, increased its asset size by 11% compared to the end of 2018, while the growth rate of the banking sector was 7% in the same period. With the increase in the depth of public participation banks in the market, the market share of participation banks in 2018 increased to 5.5%.

**Ziraat Katılım Bankası A.Ş. continues stable growth**

Total assets of Ziraat Participation increased by 31% to TL 29 billion compared to the end of 2018, while the funds collected increased by 22% to TL 18.4 billion compared to the same period. While the cash funds provided increased by 31% to TL 23.2 billion, the total amount of cash and non-cash financing provided by Ziraat Participation to the entire sector amounted to TL 34.3 billion.

Ziraat Participation Bank completed the second quarter of 2019 with a profit of TL 210.2 million as a result of the service concept that prioritizes customer satisfaction and the successful execution of a structured business cycle focused on efficiency.

Ziraat Participation Bank rapidly expanded its branch network and reached 84 branches in 41 provinces at the end of the second quarter of 2019 on Turkey.

**Our Lease Certificate Exports Reached TL 6.5 Billion in Total**

Ziraat Participation Bank successfully completed 9 lease certificates in the first half of 2019. While TL 3.35 billion of funding was provided from these issuances through Ziraat Yatırım Menkul Değerler, all of the lease certificate issuances received high demand from qualified investors. Since 2015, Ziraat Participation which is the first state-owned participation bank in Turkey, has reached a total volume of TL 8.1 billion with 39 lease certificates issued to qualified investors.

Ziraat Katılım Bankası A.Ş will continue to grow in the sector by taking advantage of Ziraat Leasing's knowledge, experience and experience while further strengthening its financial leasing services.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2019**

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

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**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)**

**II. Assessment of General Manager (Continued)**

**Lease Certificate Issues reached 6.5 billion TL.**

Ziraat Katılım Bankası A.Ş, successfully issued five lease certificates in the first quarter of 2019.

While 1.7 Billion TL funding is provided from these issuances through Ziraat Yatırım Menkul Değerler A.Ş, all of the lease certificate issuances received higher demand than amount of total issue from qualified investors.

**250 Million American Dollar Murabaha Syndication Obtained**

Our Bank secured \$250 million murabaha syndication with the participation of 17 banks and financial institutions to provide additional resources and increase the diversity of resources. With this transaction, the Bank provided flexibility to balance sheet and liquidity management, provided additional resources with appropriate maturities and costs, and outsourced the country's economy.

**New Subordinated Loans Obtained**

In order to support the rapid growth of the Bank by strengthening its capital structure, our main shareholder, T.C. Ziraat Bank has obtained a 10 contribution capital (Tier 2) loan of 10 million TL with a maturity of 10 years.

In addition, pursuant to the decision taken by the Ministry of Finance and Treasury of Turkey amounting to EUR 100 Million Asset Fund 'additional core capital' in nature (Tier 1) capital by obtaining loans have become more powerful.

**We Continue to Support Our SMEs**

Ziraat Participation continues its activities to facilitate SMEs' access to finance and make them available under favorable conditions.

In this context, the Competitiveness Program of Enterprises and SMEs was signed between the Bank and the Credit Guarantee Fund on 12 April 2019 and “KGF Support Loan” protocols were signed on 27 May 2019.

As part of the protocols signed in the second quarter of 2019, Ziraat Participation provided TL 27 million of conditional financing support to SME customers.

We will continue to support our SMEs, which have an important place in the production and trade ecosystem of our country, in the future.

**We Are Increasing our Product Range Day By Day**

Our Bank continues to increase its product range by understanding the needs and expectations of our customers in the best way and offering them the most appropriate solutions and value suggestions through the right channel.

In this context, our virtual POS product, which sells products and services to member merchants via credit and debit cards over the internet, was offered to our customers. With the virtual POS product of our Bank, card holders can perform their transactions such as e-commerce or school payments on the websites of member merchants in a completely secure environment. With our virtual POS product, shopping is completed in a very short time and 7 days 24 hours sales and collection opportunities provide important advantages to our member merchants and card holders.

In the coming period, Ziraat Participation will continue to add value to the national economy by offering participation more as we share in to its customers with the mission of developing participation banking.

**Metin ÖZDEMİR**  
**General Manager**

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

#### III. Shareholding structure

Ziraat Katılım Bank’s paid in capital is TL 1.750.000.000 and this capital divided into 1.750.000.000 shares that each one of all worth 1,00 Turkish Lira. Chairman and members of Board of Directors, Members of the Board of Auditors, the General Manager and Assistant General Managers are not shareholders of the Bank.

Title	Share Amount (TL)	Number of Shares
T.C. Ziraat Bankası A.Ş.	1.749.999.996	1.749.999.996
Ziraat Sigorta A.Ş.	1	1
Ziraat Hayat ve Emeklilik A.Ş.	1	1
Ziraat Teknoloji A.Ş.	1	1
Ziraat Yatırım Menkul Değerler A.Ş.	1	1

#### IV. Changes in the articles of association

There is no change in the articles of association during the period.

#### V. Main consolidated financial indicators

In the Group assets, indicators take shares as follows; loans volume is TL 23.205.092 thousand with 80%, cash and cash equivalents is TL 2.957.600 thousand with 10%, marketable security is TL 2.181.285 thousand with 8% and other assets volume is TL 485.854 thousand with 2%.

ASSETS (THOUSAND TL)	30 June 2019	31 December 2018	Change (%)
Cash and Cash Equivalents	2.957.600	2.794.983	6
Securities	2.181.285	1.304.418	67
Loans	23.205.092	17.739.425	31
Other Assets	485.854	351.051	38
<b>Total Assets</b>	<b>28.829.831</b>	<b>22.188.703</b>	<b>31</b>

In the Group liabilities, indicators take shares as follows; deposit volume is TL 18.418.883 thousand with 64%, resources out of deposit volume is TL 6.293.363 thousand with 22%, shareholders equity volume is TL 2.757.898 thousand with 9% and other liabilities volume is TL 1.359.687 thousand with 5%.

LIABILITIES (THOUSAND TL)	30 June 2019	31 December 2018	Change (%)
Deposits	18.418.883	15.150.983	22
Resources Out of Deposit	6.293.363	4.232.433	49
Other Liabilities	1.359.687	586.703	132
Shareholders’ Equity	2.757.898	2.218.584	31
<b>Total Liabilities</b>	<b>28.829.831</b>	<b>22.188.703</b>	<b>31</b>



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

#### V. Main financial indicators (Continued)

<b>Selected Profit And Loss Items (Thousand TL)</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
Dividend Income	1.688.305	792.322
Dividend Expense	1.123.305	472.780
Net Dividend Income/Expense	565.000	319.542
Net Fees and Commissions Income/Expense	47.254	22.790
Personnel Expense	111.530	36.394
Other Operating Income	116.256	71.274
Other Operating Expenses	301.037	63.429
Provision for Loan and Other Receivables	13.093	9.012
Personnel Expenses	92.000	58.594
Profit/Loss Before Tax	250.021	188.499
Tax Provision	(52.110)	(37.193)
Net Profit/Loss	197.911	151.306
<b>RATIOS (%)</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Capital Adequacy Ratio	15,7	12,7
Shareholders' Equity/Total Assets	9,6	9,9
Total Loans/Total Assets	80,5	79,9
Non-performing Loans (Gross) / Total Loans	2,0	1,4
Demand Deposit/Total Deposit	13,2	15,7
FC Assets/FC Liabilities	94,3	86,9
Liquid Assets/Total Assets	16,0	12,6

(\*) Foreign exchange indexed loans are not included.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

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### EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

#### VI. Information on Consolidated Subsidiaries

Ziraat Katılım Varlık Kiralama A.Ş. (“The Company”), was established with the authorization of the Banking Regulation and Supervision Board and the Capital Markets Board with the capital of TL 50.000 paid out by Ziraat Katılım in accordance with the communique of Capital Markets Board (“CMB”) dated 7 June 2013 and numbered 28760 (III-61.1) in order to issue rent certificates.

The headquarter of the Company is in Fatih/İSTANBUL.

The Company has no personnel as of 30 June 2019.

Nominal value amounting to TL 300.000.000, with ISIN code "TRDZKVK41915" and coupon payments amounting to TL 17.921.909,75 are completed on 19/04/2019 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 11/01/2019. The maturity date of the certificate is 19/04/2019 and total maturiy is 98 days.

Nominal value amounting to TL 400.000.000, with ISIN code "TRDZKVK51914" and coupon payments amounting to TL 22.553.439,67 are completed on 03/05/2019 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 25/01/2019. The maturity date of the certificate is 24/05/2019 and total maturiy is 98 days.

Nominal value amounting to TL 400.000.000, with ISIN code "TRDZKVK51922" and coupon payments amounting to TL 22.016.439,48 are completed on 24/05/2019 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 15/02/2019. The maturity date of the certificate is 24/05/2019 and total maturiy is 98 days.

Nominal value amounting to TL 400.000.000, with ISIN code "TRDZKVK61913" and coupon payments amounting to TL 21.747.959,49 are completed on 14/06/2019 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 08/03/2019. The maturity date of the certificate is 14/06/2019 and total maturiy is 98 days.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 200.000.000, with a 102 day maturity, dated 05/07/2019 and with ISIN code “TRDZKVK71912”, was issued on 25/03/2019 within the framework of the approval of the General Directorate of the Exchange dated 14/11/2018. Since 27/03/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 300.000.000, with a maturity of 98 days, dated 06/07/2019 and with ISIN code “TRDZKVK71920”, were issued on 19/04/2018 within the framework of the approval of the General Directorate of the Exchange dated 14/11/2018. Since 24/04/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 500.000.000, with a maturity of 98 days, dated 09/08/2019 and with ISIN code “TRDZKVK81911”, were issued on 03/05/2019 within the framework of the approval of the General Directorate of the Exchange dated 14/11/2018. Since 07/05/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 400.000.000, with a maturity of 96 days, dated 28/08/2019 and with ISIN code “TRDZKVK81929”, were issued on 24/05/2019 within the framework of the approval of the General Directorate of the Exchange dated 14/11/2018. Since 28/05/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 450.000.000, with a maturity of 98 days, dated 20/09/2019 and with ISIN code “TRDZKVK91910”, were issued on 14/06/2019 within the framework of the approval of the General Directorate of the Exchange dated 12/06/2019. Since 18/06/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

#### EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

##### VI. Information on Consolidated Subsidiaries (Continued)

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVK41915
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale without Public Offering
Nominal Amount of Issuance	TL 200.000.000
Nominal Amount Sold	TL 200.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	05/07/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 20,25% rate of return is 5,65890%

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVK71920
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale without Public Offering
Nominal Amount of Issuance	TL 300.000.000
Nominal Amount Sold	TL 300.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	26/07/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 22,25% rate of return is 5,97397%

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVK81911
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale without Public Offering
Nominal Amount of Issuance	TL 500.000.000
Nominal Amount Sold	TL 500.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	09/08/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 22,75% rate of return is 6,10822%

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

### EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

#### VI. Information on Consolidated Subsidiaries (Continued)

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVK81929
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale without Public Offering
Nominal Amount of Issuance	TL 400.000.000
Nominal Amount Sold	TL 400.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	28/08/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 23,50% rate of return is 25,61149%

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVK91910
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale without Public Offering
Nominal Amount of Issuance	TL 450.000.000
Nominal Amount Sold	TL 450.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	20/09/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 23,25% rate of return is 6,24247%

Stockholders	Adress	Number of Shares	Number of Shares
Ziraat Katılım Bankası A.Ş.	Hobyar Eminönü Mahallesi Hayri Efendi Cad. Fatih / İSTANBUL	50.000	50.000

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

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#### EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

##### VI. Information on Consolidated Subsidiaries (Continued)

##### ZKB VARLIK KİRALAMA A.Ş. (Continued)

Ziraat Katılım Varlık Kiralama A.Ş. (“The Company”), was established with the authorization of the Banking Regulation and Supervision Board and the Capital Markets Board with the capital of TL 50.000 paid out by Ziraat Katılım in accordance with the communique of Capital Markets Board (“CMB”) dated 7 June 2013 and numbered 28760 (III-61.1) in order to issue rent certificates.

The headquarter of the Company is in Fatih/İSTANBUL.

The Company has no personnel as of 30 June 2019.

Nominal value amounting to TL 100.000.000, with ISIN code "TRDZKBV41914" and coupon payments amounting to TL 5.973.969,81 are completed on 3 April 2018 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 26 December 2018. The maturity date of the certificate is 4 July 2018 and total maturiy is 98 days.